

# 2016 Tiscali Results

Back to market and growth

# 2016 – Main Tiscali achievements

1

**Turning back to  
growth  
on Core Business**

2

**Full Aria  
Integration  
and LTE launch**

3

**Company  
refocusing  
and rightsizing**

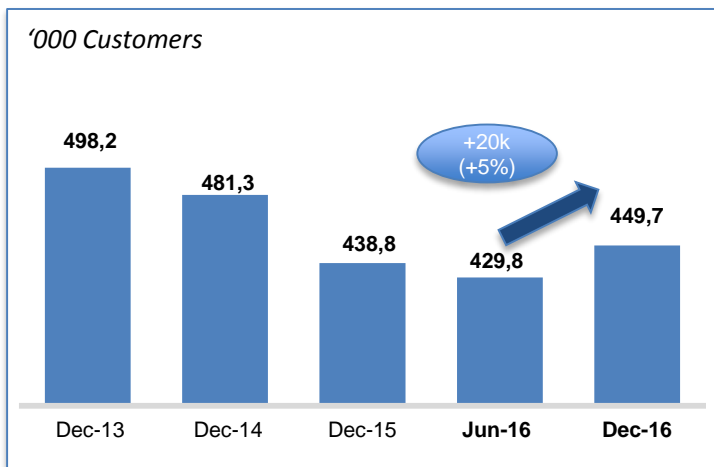
# 2016 – Back to growth on Core Business

Turning back to growth on Core Business

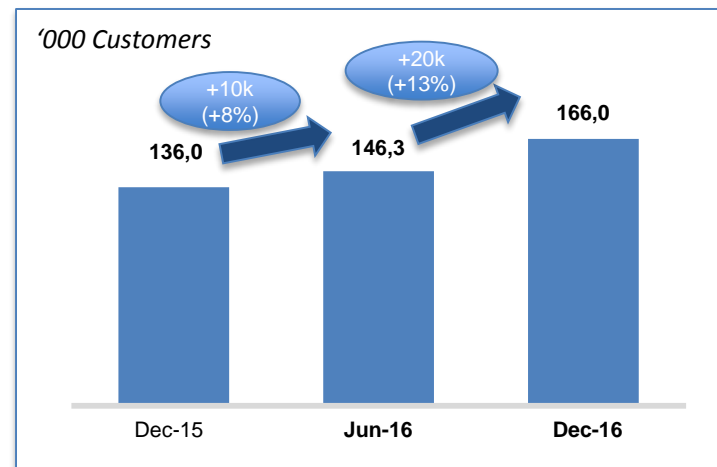
Full Aria Integration and LTE launch

Company Refocusing and rightsizing

## Fixed BroadBand Customer Base positive U-turn



## Acceleration on growth on Mobile MVNO Customer Base



Positive change in Customer Base evolution achieved thanks to:

- Offer rationalization
- «Multichannel» strategy adding physical channels (Dealers, Agents) and improving Web and Inbound
- Customer Care restructuring with positive impacts on churn

# 2016 – Back to market to create new growth opportunities



## New Business Opportunities

### LTE launch

- Exploitation of spectrum asset and increase of UltraBroadBand addressable market (Extended Digital Divide). Over 200 LTE Base Stations and over 20k LTE customers end of April 2017

### OPEN FIBER agreement

- Strategic access to Fiber Access Network in main cities according to Open Fiber deployment plans
- Key to improve Tiscali positioning on UltraBroadBand in main cities areas (commercial activities started in Cagliari and Perugia with more than 1k acquisitions in first 2 weeks)

### FASTWEB agreement

- Strategic access to Fiber infrastructure to support LTE capacity increase (already ordered approx. 9mln€ of infrastructure from Fastweb)

**Focus on UltraBroadBand services to increase customer loyalty and profitability**

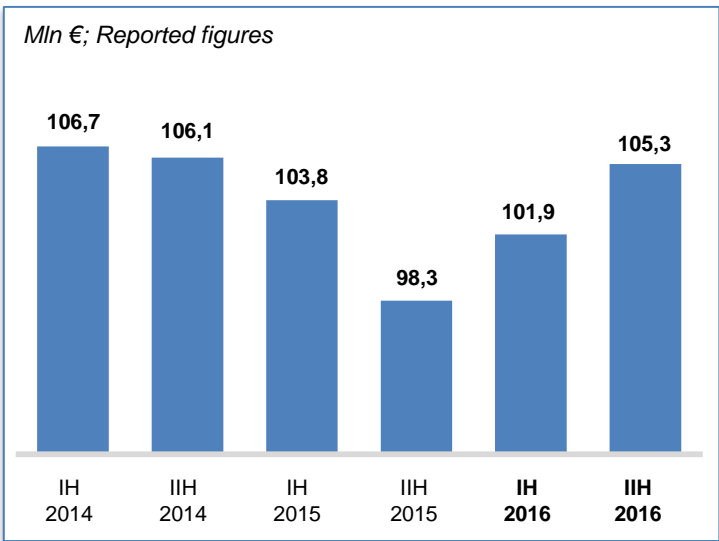
## Tiscali «Rebranding»



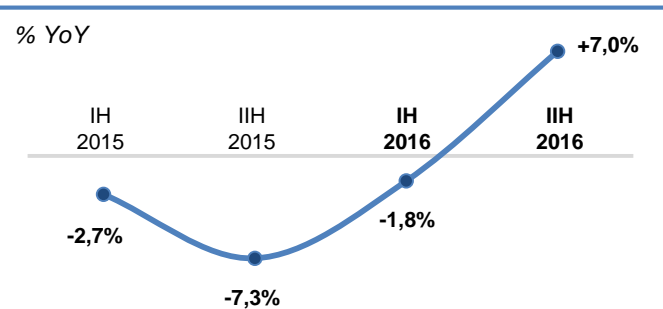
**New logo to mark new Tiscali “course” and support new company strategy focused on growth**

# 2016 – Revenues evolution turnaround

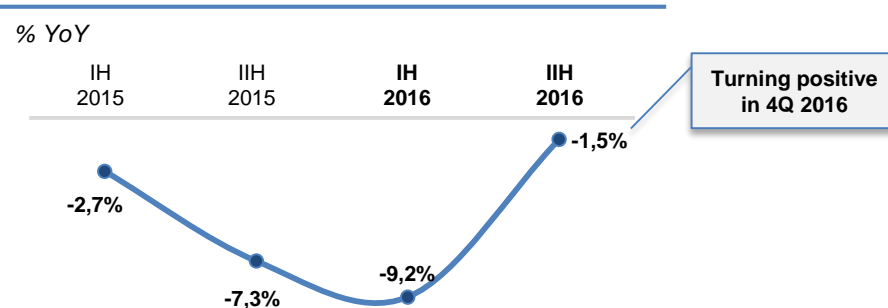
## Positive inversion of Revenues trend



## Revenues Trend - Reported Growth YoY



## Revenues Trend - Organic Growth YoY\*

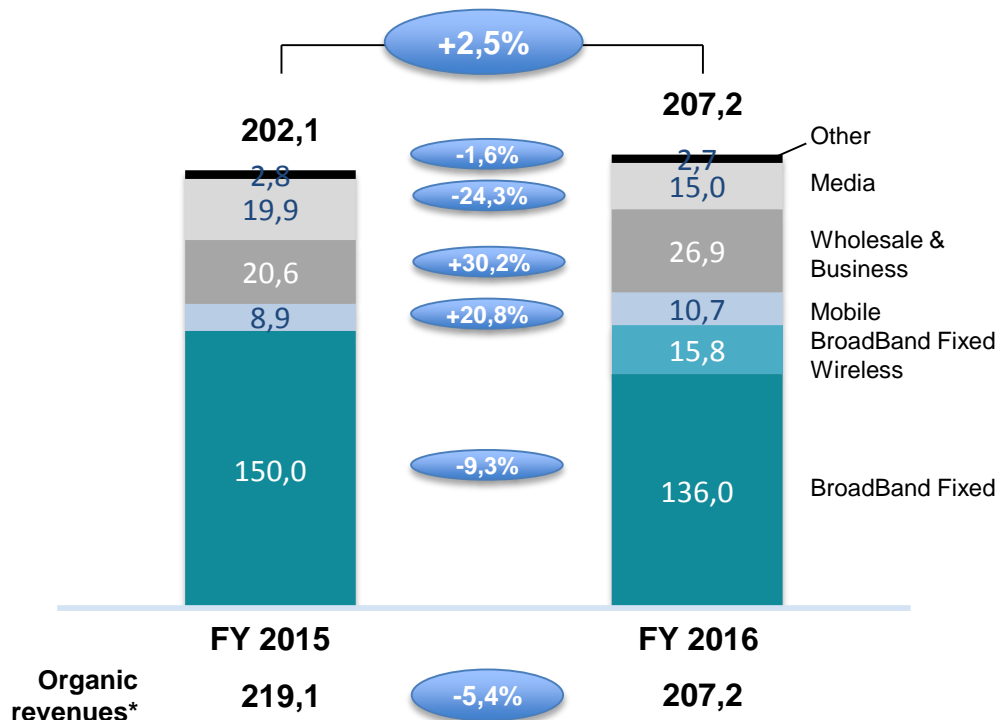


\*Comparison between 2016 and 2015 Pro-forma figures adding Aria to Tiscali reported figures

# 2016 – Revenues evolution by segment vs 2015

Mln€; Reported Figures; %

Turning back to growth on Core Business  
Full Aria Integration and LTE launch  
Company Refocusing and rightsizing



## Growth 2016 vs 2015 by Half

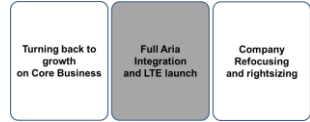
Segment	IH	IIIH
Broadband Fixed	-12,9%	-5,4%
Mobile	+14,9%	+26,4%
Wholesale & Business	+23,8%	+36,0%
Media	-32,1%	-16,0%
Other	-1,8%	+7,0%
<b>Total</b>	<b>-9,2%</b>	<b>-1,5%</b>

IIIH full inversion in revenue trend thanks to benefits of new Tiscali strategy

Broadband Fixed revenues flat in IVQ 2016 after years of decrease

\*Comparison between 2016 and 2015 Pro-forma figures adding Aria to Tiscali reported figures

# 2016 - Aria integration and LTE UltraBroadBand Fixed Wireless service launch



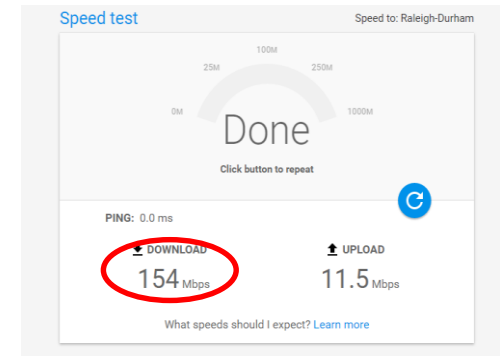
## Strategic and technological partnership with Huawei

- Huawei as main technological partner of LTE 3.5GHz network deployment
- Strategic agreement with significantly favourable payment terms
- Leading Huawei 8T8R LTE Advanced «futureproof» solution to ensure maximum cell capacity and coverage

## LTE launch

- Tiscali branded LTE Fixed Wireless services launched in October 2016
- **UltraBroadBand service up to 100MBs**
- **Wireless FTTx solution focused on «Extended Digital Divide» areas**
- Starting from migration of existing WiMax Base Stations to LTE: **over 200 Base Station LTE on-air end of April 2017**
- **Over 20k LTE Customer Base end of April 2017**

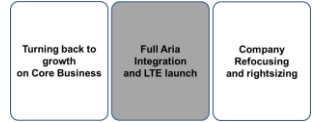
## LTE Superior Customer Experience



**Fixed Wireless LTE offer up to 100MBps**

**3.5GHz spectrum asset inherited from Aria merge is a real distinctive competitive advantage to furtherly «push» on UltraBroadBand solutions outside big cities «Pure Fiber» areas**

# 3.5GHz spectrum owned nationwide by Tiscali is a key enabler for 5G services



## Market and LTE eco-system evidences

- All major Vendors showed in 2017 Barcelona MWC pre 5G functionalities using 3.5GHz frequency, commonly considered one of the main and first frequencies to be used to support 5G services launch
- Top smartphone launched in 2017 are going to support 3.5 GHz spectrum (Samsung S8, Apple Iphone 8 among the firsts).
- Qualcomm, the leading chip provider for the mobile smartphone provider, has already added the support for 3.55GHz frequency in the latest LTE chipset released

## Regulatory framework

- Italian government confirmation that 3.5GHz is considered one of the main frequencies to be auctioned into 5G bands licensing process
- Willingness to come quickly to an auction on remaining 3.5GHz spectrum still free plus 3.6-3.8GHz spectrum with the aim to speed-up future Mobile Data UltraBroadBand 5G services evolution

## Strategic lease agreement with Fastweb

- 3.5GHz spectrum lease agreement signed with Fastweb related to main big cities (out of LTE Fixed Wireless UltraBroadBand Tiscali targeted areas) for an yearly fee of 2.5mln€
- Fastweb spectrum use aimed to deploy an UltraBroadBand 5G Mobile Data Network

**Tiscali 3.5GHz spectrum asset is rapidly increasing its market value, being considered one of the key asset in view of future 5G LTE evolution**



# 2016 – Company refocusing and rightsizing



## Business Branch dismissal to Fastweb

- Top Customers and Public Administration activities dismissal to focus on Tiscali «core» market segment (Consumer, SOHO, SME)
- Branch value of 45mln€ out of which 25mln€ paid «cash», strengthening Tiscali financial structure
- Free access (up to 20mln€) to Fastweb fiber infrastructure, key to deploy LTE backhaul network

## Information Technology «full Outsourcing»

- IT «Full Outsourcing» agreement with Engineering
- Savings target of approx. 20% of IT costs on yearly basis
- Strategic partnership for a progressive IT Systems simplification and razionalization

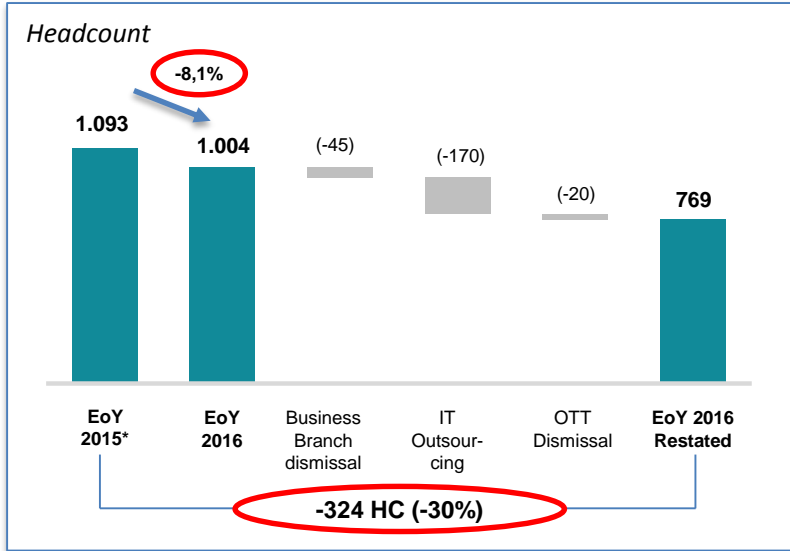
## «OTT» strategy review

- Istella, Indoona and Streamago refocusing to reduce future cash impacts
- Valorization of Streamago and Istella through dismissal to third parties (beginning of 2017)
- Restructuring of Indoona activities and advanced negotiations with Metaswitch to sell and monetize Indoona services

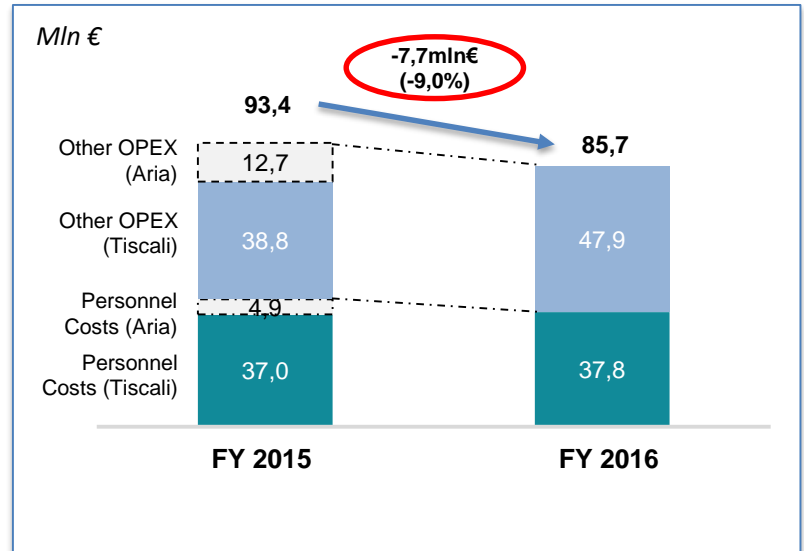
**Full refocus on «Core Business» activities and company rightsizing to increase efficiency**

# 2016 – Focus on Costs efficiency

## Personnel rightsizing



## OPEX Efficiency



\*Including Aria HeadCount

# 2016 – EBITDA evolution vs 2015

Mln €

	Reported view				Organic view*		
	Actual 2016	Delta vs 2015 Reported			Delta vs 2015 Organic*		
		2015	Δ Abs.	Δ %	2015	Δ Abs.	Δ %
<b>Revenues</b>	<b>207,2</b>	<b>202,1</b>	<b>5,1</b>	<b>2,5%</b>	<b>219,1</b>	<b>-11,9</b>	<b>-5,4%</b>
Variable Costs	84,4	92,7	-8,3	-9,0%	94,8	-10,4	-11,0%
<b>Contribution Margin</b>	<b>122,8</b>	<b>109,4</b>	<b>13,4</b>	<b>12,2%</b>	<b>124,3</b>	<b>-1,5</b>	<b>-1,2%</b>
Personnel	37,8	37,0	0,7	1,9%	41,9	-4,2	-9,9%
Other OPEX	47,9	38,8	9,1	23,5%	51,5	-3,6	-7,0%
<b>Trading Margin</b>	<b>37,1</b>	<b>33,6</b>	<b>3,5</b>	<b>10,5%</b>	<b>30,9</b>	<b>6,2</b>	<b>20,2%</b>
Other Income/(Expenses)	5,8	4,7	1,0		5,9	-0,1	
<b>Gross EBITDA (net of 2015 una tantum)</b>	<b>42,9</b>	<b>38,3</b>	<b>4,6</b>	<b>11,9%</b>	<b>36,8</b>	<b>6,1</b>	<b>16,6%</b>
Bad Debt	11,4	12,1	-0,7		15,6	-4,3	
Stock Options Costs	1,4	0,0	1,4		0,0	1,4	
<b>Net EBITDA (net of 2015 una tantum)</b>	<b>30,1</b>	<b>26,3</b>	<b>3,9</b>	<b>14,7%</b>	<b>21,2</b>	<b>9,0</b>	<b>42,4%</b>
2015 Una Tantum exceptional item**		12,8			12,8		
<b>Net EBITDA</b>	<b>30,1</b>	<b>39,1</b>	<b>-8,9</b>	<b>-22,9%</b>	<b>34,0</b>	<b>-3,8</b>	<b>-11,3%</b>

Strong reduction on Costs (Tiscali + Aria) thanks to Personnel rightsizing and Efficiency on Other OPEX

Both Reported and Organic profitability increase before 2015 una tantum exceptional item

\*Comparison between 2016 and 2015 Pro-forma figures adding Aria to Tiscali reported figures

\*\*Related to positive impacts of a transaction made in 2015 by Tiscali with one of the major italian operators

# Impacts of Discontinued Operations on Tiscali economics

Mln €; Reported Data

	Actual (incl. Discontinued Operations)		Discontinued Operations impact (IFRS 5)*		Actual (2016 perimeter)	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Revenues	196,9	192,6	10,2	9,5	207,2	202,1
Net EBITDA	27,1	36,4	3,0	2,7	30,1	39,1

Related to activities held for sale  
(Business Perimeter sold to Fastweb;  
Streamago and Istella OTT business)

Economic Financial Statements according to IFRS 5 accounting criteria

Economic Management Statements representing 2016 Tiscali perimeter

# 2016 – P&L evolution vs 2015 (incl. Discontinued Operations impact)

Mln €

	Actual 2016	Reported view		Organic view*	
		Delta vs 2015 Reported		Delta vs 2015 Organic*	
		2015	Δ Abs.	2015	Δ Abs.
<b>Revenues</b>	<b>196,9</b>	<b>192,6</b>	<b>4,3</b>	<b>209,6</b>	<b>-12,7</b>
OPEX	129,2	127,2	2,0	142,0	-12,9
Personnel	35,3	34,7	0,6	39,5	-4,2
Other Income/(Expenses)	5,9	22,8	-16,8	23,9	-18,0
Bad Debt	11,3	17,1	-5,8	20,7	-9,4
<b>EBITDA</b>	<b>27,1</b>	<b>36,4</b>	<b>-9,3</b>	<b>31,3</b>	<b>-4,2</b>
Depreciation	49,5	35,4	14,2	52,2	-2,7
Restructuring Costs & other provisions	6,0	3,2	2,8	13,5	-7,5
<b>EBIT</b>	<b>-28,4</b>	<b>-2,1</b>	<b>-26,3</b>	<b>-34,4</b>	<b>6,0</b>
Financial Expenses	9,4	16,5	-7,1	19,1	-9,7
Taxes	0,1	0,1	0,0	0,2	-0,1
Income/(Loss) from Disc. Op.	-7,0	0,2	-7,3	0,2	-7,3
<b>Net Income</b>	<b>-45,0</b>	<b>-18,5</b>	<b>-26,5</b>	<b>-53,5</b>	<b>8,6</b>
2015/2016 exceptional items**	-7,0	12,8		12,8	
<b>Net Income (net of 2015/2016 una tantum)</b>	<b>-37,9</b>	<b>-31,3</b>	<b>-6,6</b>	<b>-66,3</b>	<b>28,4</b>

Impact of 2015 una tantum extraordinary item

Mainly related to dismissal assets depreciation (SPC and OTT capitalized costs during last 3/4 years)

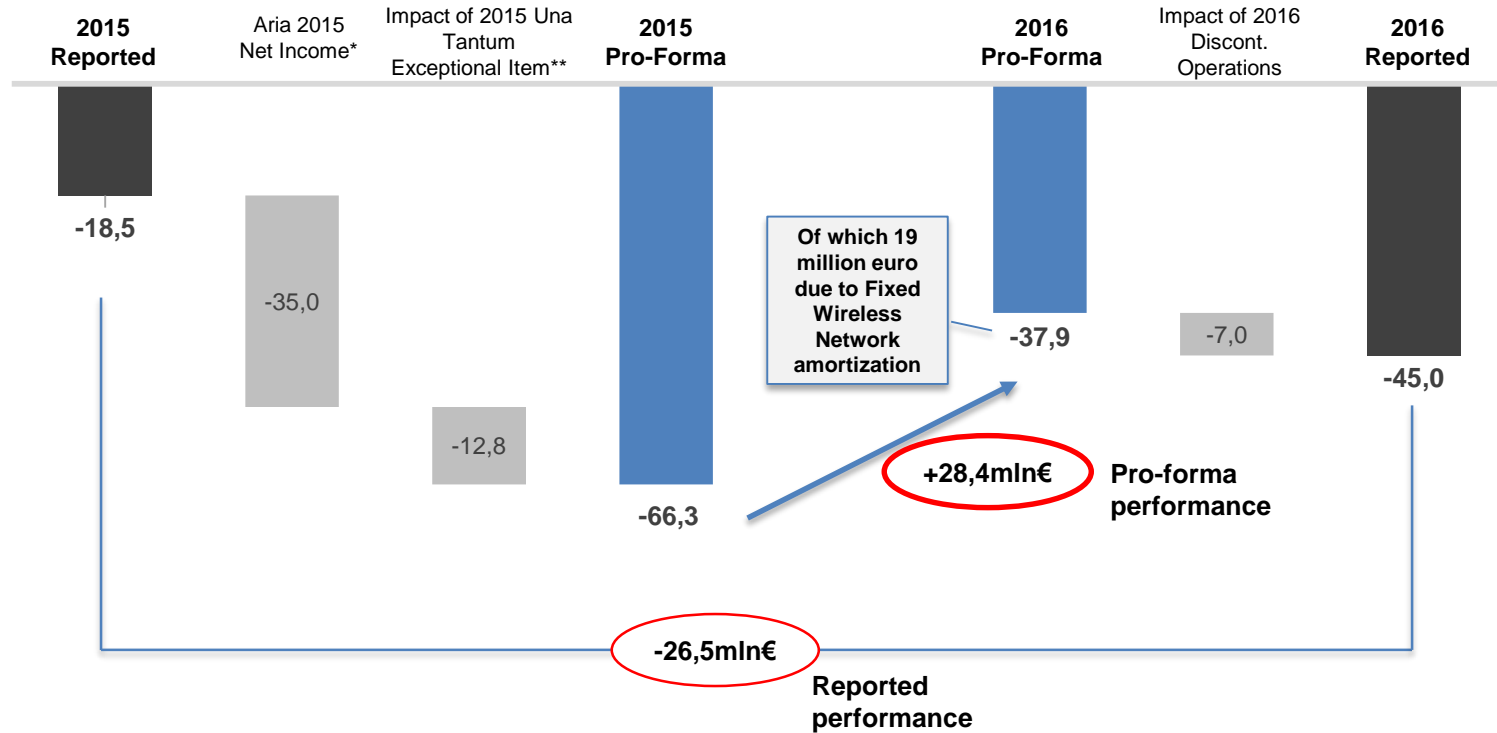
Organic Net Income significant improvement on a like-for-like comparison

\*Comparison between 2016 and 2015 Pro-forma figures adding Aria to Tiscali reported figures

\*\*2015: Related to positive impacts of a transaction made in 2015 by Tiscali with one of the major Italian operators. 2016: Related to negative impacts of loss from Discontinued Operations

# 2016 –Net Income organic evolution vs 2015

Mln €



\*Aria economic figures not consolidated in Tiscali Group 2015 Income Statement figures

\*\* Related to positive impacts of a transaction made in 2015 by Tiscali with one of the major Italian operators

# Balance Sheet: Actual 2016 vs 2015

Mln €

	Dic 2016	Dic 2015
Fixed Assets	216,2	221,5
Financial Assets	8,2	11,5
<b>Total Non-current assets</b>	<b>224,4</b>	<b>233,0</b>
Inventory	0,4	0,9
Trade Receivables	38,3	35,3
Other Current Assets	20,0	16,4
Cash	1,3	4,8
<b>Total Current Assets</b>	<b>59,9</b>	<b>57,4</b>
<b>Assets held for sale</b>	<b>7,5</b>	<b>-</b>
<b>Total Assets</b>	<b>291,8</b>	<b>290,5</b>
<b>Total Shareholders Equity</b>	<b>(167,6)</b>	<b>(121,4)</b>
Senior Debt	87,3	83,1
Rigensis Loan*	18,8	18,9
Other Banks Debt	21,4	21,0
Financial Lease	64,6	54,7
<b>Total Financial Liabilities</b>	<b>192,1</b>	<b>177,8</b>
Trade Payables	163,8	131,6
Other Liabilities	98,6	102,5
<b>Total Other Liabilities</b>	<b>262,4</b>	<b>234,1</b>
<b>Liabilities held for sale</b>	<b>4,9</b>	<b>-</b>
<b>Total Liabilities</b>	<b>291,8</b>	<b>290,5</b>

Increase of approx. 32mIn€ of Trade Payables mainly related to:

- +11,5mIn€ vs Huawei (LTE equipment and CPE deferred payment – vendor financing)
- +9,7mIn€ vs Telecom Italia (missing payment of January 2016 bill)
- +8,4mIn€ BT debt (2016 accounting of 2015 orders)

\*Including Fair Value of «Put Option» according to IFRS accounting principles