

# Bit Market Services

Informazione Regolamentata n. 0260-43-2015	Data/Ora Ricezione 15 Luglio 2015 17:07:52	MTA
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Societa' : TISCALI  
Identificativo : 60893  
Informazione  
Regolamentata  
Nome utilizzatore : TISCALIN01 - Nonnis  
Tipologia : IROS 02  
Data/Ora Ricezione : 15 Luglio 2015 17:07:52  
Data/Ora Inizio : 15 Luglio 2015 17:22:53  
Diffusione presunta  
Oggetto : Merger between the Tiscali and Aria  
Groups

*Testo del comunicato*

Merger between the Tiscali and Aria Groups

## Merger between the Tiscali and Aria Groups

- The Tiscali and Aria groups will enter a business combination process which could enter into effect by the end of 2015;
- Aria is a BroadBand operator that owns a 40MHz spectrum licence on 3.5GHz frequency enabling it to provide LTE UltraBroadband services;
- The transaction is of considerable importance for the industry thanks to the future integration of Tiscali's core network and the Wireless access network owned by Aria which shall allow Tiscali brand Fixed Wireless UltraBroadband access services up to 50MB/s to be provided all over Italy and in the future also Mobile Data services;
- The transaction will allow the reimbursement of the debt for about EUR 42 million of the Facility A1, thus strengthening Tiscali's financial position;
- Over EUR 10 million per year in synergies and savings are expected, as well as the strengthening of growth opportunities in the ultrabroadband market.

**Cagliari, 15 July 2015** – The Board of Directors of Tiscali, which met today, approved the final agreement for merger with the Aria Group. Aria is a company operating in national territory that engages in the supply of broadband connectivity services and owns a technology neutral 40MHz spectrum licence on 3.5GHz frequency, which enables the supply of Fixed Wireless LTE access services with speeds of over 50MB/s.

The transaction shall allow Tiscali to strength its industrial and financial position, consolidate its presence in the Consumer and Business segments in the field of broadband access from landlines and mobile phones and create a single operator on the national market that is able to offer ultra broadband access services all over Italy thanks to the combination of the two network infrastructures.

The agreement concerning the transaction shall be signed in the next hours.

The scheduled business combination shall be implemented through the merger by incorporation into Tiscali of a newly incorporated company which shall be responsible for: i) the entire share capital of Aria S.p.A., which at the date of merger will have bank debt for approximately EUR 5 million and a subordinated converting EUR 15 million that Tiscali will have the right to repay at maturity (2018) with newly issued Tiscali shares; ii) a significant cash position of approximately EUR 42 million, which will be made available in the form of equity by the investment fund Otkritie Disciplined Equity Fund (ODEF), headed by the financial group Otkritie Holding, financial partner of the operation. This liquidity will be made available to Tiscali to repay the portion of the senior loan maturing in November 2015 and resulting from the restructuring agreement signed in December 2014. Following the transaction, the existing shareholders of Aria S.p.A. will hold a total stake of about 18% of the combined entity, and another about 22% will be held by ODEF, for a total of newly issued shares equal to 40.81% of the combined entity.

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Based on an evaluation of Tiscali to the average price of the last six months (about 6 Eurocents) the total value of the operation is compared to about EUR 77 million; net of the new cash this is equal to a value of EUR 34.5 million for the entire share capital of Aria.

The considerable industrial importance of the proposal specifically lies in the future integration of Tiscali's widespread fibre optic core infrastructure with Aria's high capacity wireless access network, which means that in the future the new Tiscali Group shall be able to efficiently provide on a wholly-owned network high quality Fixed Wireless access services with speeds of over 50MB/s and in the future also very high capacity Mobile Data services.

The new Tiscali shall market the products of both Groups using the Tiscali brand and shall have a customer base of over 700 thousand users on the whole national territory. Furthermore, the transaction is expected to produce synergies and savings in the region of EUR 10 million a year from 2016 onwards, thanks to network integration, access technology combination and savings in G&A (General and Administrative) costs. Furthermore, the combination of the assets of the two companies will enable a strong commercial development in the ultra broadband access service market with a particular focus in the areas affected by digital divide.

With regard to governance of the New Tiscali, Renato Soru will retain the office of Executive Chairman, while Riccardo Ruggiero, currently Chief Executive Officer of Aria S.p.A., shall take the position of Chief Executive Officer. The remaining members of the Board will be appointed by shareholders on the basis of the stake that will arise following the merger. There are no other agreements between the shareholders

*"As part of the agreement for the rescheduling of the debt, we predicted an increase in capital to decrease by the year our senior debt of around 40 million euro. With today's agreement, which provides for a capital increase to approximately 77 million euro, of which 42.4 million in cash, not only we reach the goal to repay the tranche of maturing debt, but, following the recent award of SPC call for tender for the network of public administration, we relaunch with a new industrial initiative even more important. Through the combination of the assets of the two companies Tiscali and Aria we can contribute to the development of ultra-broadband plan in the country. The combination of our network infrastructure with fixed license of Air for the 3.5GHz frequency, created to be used for Wi-Max and which will now be used for the new LTE technology, will allow us to offer ultra-broadband access on its own infrastructure, mobile and fixed network, both in the areas of digital divide in urban areas. I am very pleased to forge this new project along with Riccardo Ruggiero, with whom I share a story that we have been engaged in contributing to the growth of the Internet in Italy since 1990 and with whom today I share a vision of the future and the passion and the will to achieve it. " **states Renato Soru – Chairman and CEO of Tiscali S.p.A.***

*"We are satisfied that we have managed to swiftly finalise an agreement announced a few months ago and which, by integrating the fixed infrastructure with the 3.5Ghz wireless system, shall allow consolidation of the Tiscali Brand and its presence on the ultrabroadband market throughout national territory. The 3.5GHz frequency LTE technological ecosystem is rapidly taking hold as proven, for example, by the assignment of 3.5GHz spectrum in Japan at the end of 2014 to Japan's three main mobile operators who have declared their intention to provide this technology to over 50% of the Japanese population within 3 years. I am very pleased to be working together with Renato Soru who I know since many years having been the first him with Tiscali and myself with Infostrada to start competing in the Italian telecommunications market*

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following the liberalization of the market in 1998.” **States Riccardo Ruggiero – CEO of Aria S.p.A.**

The completion of the merger, which is expected to be concluded by the end of November of this year, entails – in addition to the necessary resolutions of the shareholders’ meetings of the participating companies, after the legal obligations have been fulfilled - the satisfaction of a number of conditions in accordance with market practices, including the obtaining of the ministerial authorisations for transferring the licences and ownership of the frequencies currently held by the Aria Group and the consent of the senior lenders involved in the agreements to restructure the Tiscali Group’s debt, signed in December 2014.

It should be noted that, in view of the fact that the repayment of the Facility A1 will be made as part of the merger, the Company will assess, also on the basis of market conditions, if and how to take advantage of the opportunity to implement the capital increase approved on February 16, 2015 by means of "SEF - Standby Equity Facility" signed on 24 December 2014.

Lastly, following the non- occurrence of one of the precedent conditions contained in the offer dated December 2014 by Castello SGR, it will not be completed the sale of Sa Illetta property and therefore the Company is proceeding with the restructuring of the related leasing contract. In connection with this restructuring transaction, the Company received the consent of Mediocredito Italiano, leader of the pool with about 75%, while Unicredit Leasing has already committed itself to submit its proposal to the deliberative bodies with a favourable opinion.

The company has taken advantage of financial advisory by Banca IMI and Borghesi and Partners, and of the legal advisory by Giliberti, Pappalettera and Triscornia.

#### **Information on Tiscali**

*Tiscali S.p.A. (Italian Stock Exchange. Milan: TIS) is one of Italy’s leading alternative telecommunication companies. Tiscali provides its private and business customers with a wide range of services: internet access by dial-up, ADSL, voice, VoIP, media, value-added services and other technologically advanced products. As at 31 March 2015 Tiscali recorded over 578.3 thousand active customers, of which 466.7 thousand are ADSL users and over 99.8 thousand are mobile users. The Tiscali website can be found at the address [www.tiscali.it](http://www.tiscali.it)*

#### **Information on Aria**

*Aria S.p.A. ([www.ariamax.it](http://www.ariamax.it)) is a company that engages in the supply of BroadBand services to Consumer and Business customers using WiMax Fixed Wireless BroadBand technology throughout national territory. In 2008 Aria acquired a 40MHz spectrum licence on 3.5GHz frequency throughout national territory. Thanks to recent technological developments, this spectrum can now be used to supply 4G LTE UltraBroadBand Fixed Wireless services. In 2014 Aria S.p.A. recorded a value of production by around EUR 24 million with a Gross Operating Result negative for about EUR 0.7 million and a customer base of approximately 130 thousand broadband customers throughout the country. Shareholders of Aria are a group of international investors, among which the main one is the Russian Group ICT ([www.ICT-group.ru](http://www.ICT-group.ru)), a holding company with assets for over US \$ 8 billion.*

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Fine Comunicato n.0260-43

Numero di Pagine: 5