

# Bit Market Services

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Diffusione presunta  
Oggetto : Green light to the merger between the  
Tiscali and Aria Group

*Testo del comunicato*

This press release supersedes the previous related to the green light to the merger between the Tiscali and Aria Group

- **Green light to the merger between the Tiscali and Aria Group;**
- **Consob issues the judgment of equivalence;**
- **The operation has a great industrial value thanks to the future integration of Tiscali network infrastructure and Aria proprietary Wireless access network;**
- **An operator is born who will provide, under the Tiscali brand, the Italian market with LTE UltraBroadband "Fixed Wireless Access" services up to 50MB/s and potentially also "Mobile Data" services.**

**Cagliari, 22 December 2015**

Tiscali announces that today Consob released the judgment of equivalence (under Article 57, paragraph 1, lett. d) of Consob Regulation no. 11971 of 1999 of the Issuers' Regulation) on information paper relating to the merger agreement of **Aria Italia S.p.A.** (the holding company for Aria Group's activities that also has the provision of EUR 42.4 million in cash to be used for the repayment of the Facility A1 of the Senior Loan of the Tiscali Group) in **Tiscali S.p.A.**

Ends, so, the process of merger of the two groups, whose effectiveness, even for the effects legal, accounting and tax, will take place on 23rd December 2015.

It is scheduled that the Company will issue for the Merger a total of 1.283.746.550 ordinary shares of no par value, to be offered in exchange to the shareholders of Aria Italia based on the exchange ratio of n. 50 Tiscali ordinary shares for every n. 3 ordinary shares of Aria Italia. As a result of the exchange ratio indicated in the merger plan the current shareholders of Aria Group will own a stake of 40.81% in Tiscali's.

"We are proud to the closing of the merger with Aria S.p.A. With this operation, Tiscali has strengthened its balance sheet, significantly improving the financial profile of the company. At the same time, with this integration, Tiscali has relaunched its industrial proposal at a time of great opportunities, technological and for the market, to build an Ultrabroadband access network serving the digital transition in the country. Indeed, by integrating with Aria and the use of its important wireless network resource, Tiscali will make a better use of its fixed-line network, extending it up to reach directly its customers and the needs of the digital PA through Ultrabroadband wireless technology with a convergent fixed, wireless and mobile service proposal innovative and extremely competitive." **says Renato Soru - Chairman and CEO of Tiscali S.p.A.**

*"We are very pleased with the completion of the merge which opens up very important opportunities for the use, even in Italy after the successful cases of Japan and China, of LTE on frequency of 3.5 GHz, which we always believed to be among the best solutions for address the issue of the digital divide in Italy. The operation, by an industrial point of view, it is also conceived to accelerate the development process of an ultra-broadband access network, where the Fixed Wireless Access on LTE technology in the 3.5GHz frequency has proved to be the most effective solution for performance and suitability".* **Says Riccardo Ruggiero - Chief Executive Officer of Aria S.p.A.**

The great industrial value of the project lies especially in the integration of capillary Tiscali's fiber infrastructure with the Aria's high-capacity wireless network: the company will therefore be able to provide efficiently and on proprietary network high quality "Fixed Wireless Access" connectivity services with a capacity greater than 50MB/s with LTE and potentially also "Mobile Data" services at very high capacity.

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The new Tiscali will market the products of both groups through the Tiscali brand and will have a customer base of more than 700,000 users across the country. In addition, the combination of the assets of the two companies will enable a strong commercial development in the market for ultra-broadband services, with particular focus in the areas of digital divide.

In relation to the above mentioned judgement of equivalence, it drew the attention of investors on the content of Chapter 2 "Risk Factors" of the Prospectus available to the public at the offices of Tiscali S.p.A. and on the website of the latter [www.tiscali.it](http://www.tiscali.it) and it is reproduced below in full the content of the paragraph "Warning" displayed on the first page of the file of the same document:

In order to make a proper assessment of the investment in shares of the company resulting from the Merger, investors are invited to evaluate the specific risk factors relating to the activity and sector of activity of the company resulting from the Merger, and the securities to be issued as a result of the Merger, described in detail in chapter 8 of this Prospectus. The Prospectus relates to the operation of business integration of the group headed by Tiscali (surviving company) with the group headed by Aria Italia (merged company). In the following "Aria Group" means Aria - subsidiary of the merging - and the companies it controls.

Investors are invited to pay particular attention to the fact that both the Tiscali Group and the Aria Group are characterized by a significant economic and financial position and that at the date of the Prospectus there are significant uncertainties regarding the going concern basis of the Group Tiscali post-merger. In 2012, 2013 and 2014 and the first nine months of 2015, the Tiscali Group has reported net losses amounting to approximately EUR 15.8 million, approximately EUR 4.8 million, approximately EUR 16.4 million and approximately Euro 6.1 million (said last result was positively influenced by the effects of non-recurring transactions of approximately EUR 13.8 million). In these periods the Aria Group recorded net losses of approximately EUR 22.9 million, approximately Euro 29.5 million, approximately EUR 27.4 million and approximately EUR 15.5 million (the historical financial data of the Group relating to Aria 2012, 2013 and 2014 have not been subjected to auditing services). The accounts of the Aria Group relative to 2014, prepared in accordance with IFRS accounting principles applied in line with the accounting policies of the Tiscali Group, recorded a loss of approximately EUR 31.2 million (these data have been subjected to auditing services for the purposes of the preparation of pro-forma shown in this Prospectus). The Aria Group has reported significant losses in those periods also operationally.

It is conceivable that as outcome of the business integration issue that the economic situation of the Tiscali Group could further deteriorate. At the date of the Prospectus, the estimated net financial requirements of the Tiscali Group post-merger for the twelve months following the date of the document is approximately EUR 209.7 million. This estimate is based on assumptions and forecasts of the Combined Plan 2015-2018, approved on August 25, 2015 and updated on 13 November 2015, marked by growth targets important in a market characterized by strong competitive pressure. Among the assumptions this Plan underlying there is compliance with the time of signing and execution of the contract for the CONSIP tender - which in turn depends on the outcome favorable for the Tiscali Group appeals pending state - and the achievement of the related revenue as of March of 2016.

If the assumptions and forecasts of the mentioned Combined Plan occur at the times and measures significantly different from those planned the total net financing needs of the Tiscali Group post-merger - for the twelve months following the date of the Prospectus - could be significantly higher than that estimated. Due to the incorporation of Aria Italia in Tiscali the Issuer plans to look for financial resources for approximately EUR 42.4 million to be allocated to the repayment in full of the Facility A1, expiring December 29, 2015.

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Although the total net financing needs of the group Post-Merger remaining after repayment of the Facility A1 (approximately EUR 167.3 million) consists mostly of bank credit and withdrawing from trade payables overdue (for addition Tiscali Group post-merger agreements signed with Telecom Italy, please refer to the risk factor 2.1.8), at the date of the Prospectus, the Issuer has not identified specific actions to cover this need financial debt remaining, particularly in view limits the assumption of debt and the carrying out of special operations arising from restructuring agreements with Senior Lenders of the Tiscali group - as modified due to the Consent and Letter Amendment - and the Rigensis Financing that the Aria group has signed with Rigensis Bank .

In the event that the creditors of the post-merger Tiscali Group seeks the return of its accounts receivable and the Tiscali Group post-merger would not be able to obtain additional deferrals of payment of its debts in the short and/or to obtain timely - according methods consistent with the commitments arising from the above referred financial arrangements - financial resources to an extent adequate to meet the net current financial requirements remaining after having repaid the Facility A1, the Tiscali Group post-merger could no longer continue its business.

Given the scale of the net borrowing requirement in the short term of Tiscali Group post-merger, and the absence at the date of the Prospectus for specific measures for full coverage of this demand, the investor is asked to pay particular attention to the uncertainties that insist on going concern basis of Tiscali Group post-merger.

Notwithstanding the above, it should be noted that the going concern basis of Tiscali Group post-merger depends - apart from the financial covenants and other obligations provided for in those financial arrangements (including the prohibition to distribute dividends) - also from 'implementation of the Combined Plan 2015-2018 updated according to the times and the measures therein (the aforementioned Plan includes among other things an increase in revenues of Tiscali Group post-merger, a significant break with the historical trends of the Tiscali Group and the Aria Group and misalignment in the trend of the sector that is expected to record lower growth rates than those forecast for the Tiscali Group post-merger).

In this regard it is noted that in a market environment characterized by profound and rapid technological changes, the capacity of the Tiscali Group post-merger to maintain its competitive position in the areas affected by the actions of technological innovation is closely linked to the ability of the same to make significant investments in this field (please refer to the risk factor 2.3.6 regarding the risks related to changes in the competitive dynamics in the development of broadband).

The updated Combined plan of the Group Post-Merger provides for the implementation of investments in the planning of approximately EUR 226.3 million, of which EUR 57.8 million included in the estimate of the total net financing needs of the group for the twelve months following the date of the Prospectus. Considering that for the funding of the total investments planned over the plan, the aforementioned updated Combined Plan is based inter alia on the achievement of deferred payment agreements with debtors of the Tiscali Group post-merger, investors shall draws attention about the significant uncertainties that insist at the Date of the Prospectus on the ability of that group to invest functional to counter the deterioration of the competitive positioning arising from much of the competitive dynamics and consequently on the going concern basis of the Group.

The Company took advantage of Advisory Financial Banca IMI and Borghesi e Associati, of legal advisory of Studio Giliberti Pappalettera Tricornia and tax advice of Studio Facchini Rossi e Soci. The Aria Group has used the legal advice of the Studio Avvocati Zappalà and tax consultancy study Ludovici&Partners.

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**Information about Tiscali**

*Tiscali S.p.A. (Borsa Italiana. Milan: TIS) is one of the leading alternative telecommunications companies in Italy. Tiscali provides its private and business customers with a vast range of services: internet access through dial-up, ADSL and Fiber Optic technology, as well as voice, VoIP, media, and added-value services and other technologically advanced products.*

*As at 30 September 2015 Tiscali reported around 573.1 active customers, of which 449.8 thousand were ADSL customers and over 113.7 thousand are mobile customers.*

*The Tiscali website may be accessed at [www.tiscali.it](http://www.tiscali.it)*

*Il web site di Tiscali è raggiungibile all'indirizzo [www.tiscali.it](http://www.tiscali.it)*

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