

## **Tiscali: the Board of Directors approves the 2013 draft financial statements**

Cagliari, Italy, 13 June 2014

### **Tiscali S.p.A.'s Board of Directors meeting today has:**

- 1. Examined and approved the 2013 draft financial statements;**
- 2. Achieved preliminary and non-binding adhesion from all the lenders of the GFA to the debt restructuring proposal of the Company;**
- 3. Called the Shareholders' Meeting on 18 July 2014 in sole calling.**

### Results for the year 2013

- **Consolidated revenues at EUR 223.4 million (-4.5% YoY);**
- **Media Revenues at EUR 23.8 million (+1.5% YoY);**
- **B2B Revenues at EUR 18.1 million, up 10% YoY;**
- **Gross Margin percentage up to 52.5% (53% FY2012);**
- **Net Ebitda after provisions up 18.5% YoY to EUR 52.5 million;**
- **Positive Group EBIT of EUR 9.3 million, a sharp improvement with respect to the comparable figure for 2012 (negative EUR 0.08 million);**
- **Negative Group net result of EUR 4.8 million (compared with the same figure in 2012, negative for EUR 15.8 million), a strong improvement;**
- **ADSL customers 498 thousand; growth of 19 thousand YoY;**
- **Net Financial Position, EUR 198.5 million, compared with EUR 192.9 million in the same period in 2012, with a reduction in exposure to suppliers amounting to EUR 35 million.**

### The 4<sup>th</sup> quarter reveals:

- **EBITDA of EUR 9.4 million, compared with EUR 7.8 million in the 4th quarter of 2012;**
- **Positive EBIT of EUR 1.5 million, compared with a negative figure of EUR 5.4 million in the 4th quarter of 2012;**

#### **Investor Relations**

Gianluca Nonnis  
Tel: +39 070 46011 - ir@tiscali.com

#### **Press Office**

Image Building  
Mara Baldessari – Simona Vecchies  
Tel: 02 89 01 13 00 – tlc@imagebuilding.it

Tiscali S.p.A.  
Sa Illetta  
09122 Cagliari  
Italy

[www.tiscali.it](http://www.tiscali.it)

The 2013 results, despite the particularly competitive and challenging market context over the last few years, confirm the commitment with which the company continues to respond with regard to the optimisation of the management of the traditional business, as well as the direction which has guided the process for innovation of the services (with Indoona, Istella and Streamago). In a particularly challenging market environment, customer access growth of the fixed network testifies the strength of the brand and the validity of the distribution strategy strongly focused on web and pull channels. At the same time the results achieved testify to the validity of the actions taken in order to safeguard a larger part of the supply chain on the telecommunications market (from landline to mobile) focusing innovation resources on Over the Top services and digital media .

## **Tiscali Group: Consolidated revenues at EUR 223.4 million – satisfactory growth in Voice and B2B Revenues – Indirect costs down**

Group revenues during 2013 came to EUR 223.4 million, down by 4.5% with respect to the balance of EUR 233.8 million recorded in 2012.

During 2013, internet access and voice services – the Group's core business – represented around 80% of turnover. The Gross Operating Result before provisions came to EUR 67.1 million, down (-5% YoY) with respect to the figure reported at the end of 2012, EUR 70.5 million.

The Gross Margin percentage came to 52.5% (53% in 2012).

At the end of 2013, the number of ADSL customers came to 498 thousand (+19 thousand YoY, compared with a figure of 479 thousand in the same period of 2012), of which 366 thousand are direct customers (LLU). This systematic growth mainly depends on the satisfactory performance of the pull channels (web and inbound) and the sharp competitiveness of the consumer and SoHo offers. This is particularly important if one considers the delicate macro-economic context and the difficult competitive scenario on the Italian TLC market, especially with reference to the wireline segment. We also report the promising performance of the mobile telephony segment, which benefited both in the last quarter of 2013 and beginning of 2014 of the launch of the new very competitive bundle offers.

## **GROUP REVENUES BY BUSINESS SEGMENT**

### **Access: 73.4% of revenues**

The segment in question, which includes revenues from Internet access services via broadband (ADSL) and narrowband (dial-up), the flat component of the bundled ranges and VoIP and mobile telephone revenues, in 2013 generated revenues of around EUR 164 million (equal to 73.4% of total Group revenues), down by 7.8% with respect to the same figure in 2012 (EUR 177.8 million). The decrease is attributable to both the natural decrease in the narrowband segment (-34.9% YoY) and the reduction in the average revenue per user (ARPU) due to the promotions applied to new customers, as a consequence of the very aggressive commercial policy particularly focused on pull channels (web and inbound) which have a low acquisition cost. In addition, the downward trend is partly due to the reduction in traffic not yet fully compensated by migration to flat solutions.

EUR 66.4 million of total Access revenues concern the voice traffic components generated by the VoIP services.

**Voice: 7.1% of revenues, + 8.5% YoY**

The Voice segment includes traditional and wholesale telephone services. During 2013, voice revenues amounted to EUR 15.9 million (+8.5% YoY), up with respect to the balance of EUR 14.6 million recorded in the previous year.

**Business Services: 8.1% of revenues, +10% YoY**

Revenues from business services (VPN, housing, hosting services, domains and leased lines), excluding those from access and/or voice products for the same customer base already included in their respective business segments, amounted in 2013 to EUR 18.1 million, up 10% with respect to the EUR 16.4 million in 2012. The increase is due to the recent introduction of some important contracts with major companies and public administrations.

**Media and value added services: 10.6% of revenues, +1.5% YoY**

In 2013, the revenues in the media and added value services segment amounted to EUR 23.8 million, essentially in line with the figure of EUR 23.4 million registered in 2012. The result relating to digital advertising revenue was particularly satisfactory in light of the stagnation underway in the advertising market, with regard to both traditional mediums and the on-line segment. The increase in Media revenues is essentially attributable to the rise in traffic on the Tiscali.it portal and on other network sites, as well as the improved performance of the sales network.

## **GROSS OPERATING RESULT**

The Gross Operating Result for the year, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 67.1 million, down slightly with respect to the balance of EUR 70.6 million in 2012 (-5% YoY).

The EBITDA, net of write-downs of receivables and other provisions came to EUR 52.4 million, up sharply with respect to the comparable figure for 2012 of EUR 44.3 million (+18.5% YoY), thanks to the minor weight of the provision for the write-down of receivables.

**Indirect operating costs** during 2013 came to EUR 57 million (25.5% of revenues), a reduction compared with last year's figure (EUR 57.8 million, 24.7% of revenues).

## **OPERATING RESULT (EBIT)**

The operating result (EBIT) for 2013, net of provisions, write-downs and restructuring costs, was a profit of EUR 9.3 million, a net improvement with respect to the same figure in the previous year (a loss of EUR 0.08 million) thanks to the lower impact of the amount set aside to the receivables write-down provision and the reduced weight of amortisation and depreciation.

## **NET RESULT**

The Group's net result for 2013 was a loss of EUR 4.8 million, a sharp improvement with respect to the comparable negative figure of EUR 15.8 million reported in 2012.

## **INVESTMENTS**

The investments relating to the maintenance of the network and IT infrastructure, as well as the activation of new customers, amounted to EUR 24.8 million, mainly attributable to the development of the network, the IT services and the connection and activation of new broadband customers.

## FINANCIAL POSITION

At 31 December 2013, the Tiscali Group held cash and cash equivalents totalling EUR 3.1 million, against a net financial debt, at the same date, of EUR 191.6 million (EUR 186.5 million as at 31 December 2012).

<i>(EUR mln)</i>	Notes	31 December 2013	31 December 2012
A. Cash and Bank deposits		3.1	4.4
B. Other cash equivalents		0.1	0.1
C. Securities held for trading		-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>3.1</b>	<b>4.5</b>
<b>E. Current financial receivables</b>		<b>0.1</b>	<b>-</b>
F. Non-current financial receivables	(1)	6.9	6.3
G. Current bank payables	(2)	11.9	6.3
H. Current portion of non-current debt	(3)	131.8	9.5
I. Other current financial payables (*)	(4)	4.3	0.1
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>148</b>	<b>16</b>
<b>K. Net current financial debt (J) – (E) – (D) - (F)</b>		<b>137.9</b>	<b>5.1</b>
L. Non-current bank payables		0.0	122.7
M. Bonds issued		-	-
N. Other non-current payables (**)	(5)	53.7	58.6
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>53.7</b>	<b>181.3</b>
<b>P. Net Financial Debt (K) + (O)</b>		<b>191.6</b>	<b>186.5</b>

(\*) includes short-term financial leasing payables

(\*\*) includes long-term financial leasing payables

### Notes:

(1) Includes mainly the interest-bearing restricted deposit relating to the financial Sale & lease-back transaction on Sa Illetta;

(2) Includes the bank payables of Tiscali Italia S.p.A. and Tiscali S.p.A.;

(3) Includes the entire amount of the payables to Senior Lenders;

(4) Includes mainly the short-term leasing of Sale & lease-back transaction on Sa Illetta;

(5) Includes mainly the long-term leasing of Sale & lease-back transaction on Sa Illetta;

The above table includes guarantee deposits under other cash equivalents and non-current financial receivables. The table below provides a reconciliation of the above financial position with the same statement prepared in accordance with Consob communication No. DEM/6064293 dated 28 July 2006 as shown in the explanatory notes.

<i>(EUR mln)</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Consolidated net financial debt</b>	<b>191.6</b>	<b>186.5</b>
Other cash equivalents and non-current financial receivables	6.9	6.4
<b>Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006.</b>	<b>198.5</b>	<b>192.9</b>

As of 31 December 2013, the residual Group debt arising from the Group Facility Agreement (GFA) signed by the Company on 2<sup>nd</sup> July 2009, amounted to EUR 131.8 million.

### **Restructuring of the senior loan**

As noted, the Company is engaged in a long process of negotiations aimed at restructuring the debt arising from the GFA. The negotiating process has seen the submission to the creditors of the loans granted under the GFA (Lenders) a preliminary and non-binding proposal, relating to a restructuring of the group's financial debt and which involves, among other things, a partial recapitalization of the Group, a rescheduling of the residual debt and a reset of the financial covenants currently provided by the GFA.

The above mentioned proposal has recently obtained by all the lenders a preliminary consent subject to, among other things, the completion of the authorization of the competent deliberant bodies of some of the Lenders and the definition of the necessary contractual documentation, thus enabling the Group to pursue a case of debt restructuring under the consensual GFA.

The Board of Directors, acknowledging the recent positive developments in the ongoing negotiation, conferred the Chairman and CEO with a mandate to put in place all the necessary initiatives for the finalization and implementation of the above mentioned debt restructuring operation.

### **Significant events during the financial year**

#### Istella Launch

On 21 March 2013, Istella became accessible, the search engine for the archiving, research and sharing of the archives and contents which avails itself of the participation of users, institutions and companies. Istella does not propose to replace existing search engines, but rather systematize the national cultural heritage index-linking the Italian domains with particular care.

## Payment of interest and principal on the Senior Loan under the GFA

During 2013, the following payments were made:

- On 3 January 2013, cash interest on the senior debt was paid for EUR 0.9 million.
- On 3 July 2013, EUR 7.5 million was repaid in full with regard to the Senior Loan already reclassified under short-term financial liabilities, along with the payment of the interest on the principal for EUR 0.5 million.

## Financial Covenants under the GFA

As of December 31, 2013 some of the financial parameters set by the GFA were not met, resulting in the occurrence of a so called Event of Default as a result of which the Lenders could theoretically decide, with the favourable vote of persons who hold a total of more than two-thirds of the debt arising from the GFA, to declare the entire amount of the loan, granted under the GFA, due and payable. However it should be noted that all of the Lenders at the time of accession, albeit in a conditional and not binding manner to the restructuring proposal presented by the company, has agreed to a period of standstill set for the definition of the contractual documentation and till July 31, 2014, extendable upon Tiscali's request, if necessary, for an additional month.

## WOL settlement agreement signed

On 7 August 2013, the Company entered into a settlement agreement with the financial institutions, on the basis of which the same financial institutions waive all compensatory action vis-à-vis WOL relating to the transactions carried out by them with the VEB shareholders' associations.

## **Events after the end of year 2013**

### Tender for the provision of connectivity services to public administrations (B2B Services)

On May 15, 2014 was made the opening of the envelopes of the tender CONSIP Spa (B2B services), and Tiscali was the company with the best financial offer. The tender is on to custody of connectivity services for governmental bodies, throughout the national territory, for a total duration of 7 years. The selection of Tiscali will be subject to the usual formal and substantial checks of all the parameters of the offer, including the technical requirements. Once successfully completed the tests, Tiscali will be awarded a minimum of 52% up to a maximum of 60% of the services offered

## **BUSINESS OUTLOOK AND PROSPECTS**

The macro-economic context continues to be characterised by high instability and decreasing consumption levels, even if the tendential figures disclose a probable pick up towards the end of 2014. In this scenario, Tiscali is concentrating its efforts on the implementation of the business plan and on the definition of a financial restructuring plan that would allow the achievement of a balanced equity, economic and financial performance of the Group in the long period. From the industrial point of view, Tiscali intends to continue with the process of operational efficiency and rationalization combined with the necessary innovation in services.

As for the consumer segment of the fixed network, the major focus will continue to be placed on customer acquisitions mainly in the LLU areas, in order to optimize network investment and ensure the best quality of service. At the same time in line with what is done in the second half of 2013, Tiscali tip on expanding its customer base of mobile telephony, both with stand-alone products (mainly bundle) and to implement bundled fixed-mobile services in line with recent

market trends. From a commercial standpoint, low cost channels will continue to be preferred, or rather the web and inbound, in addition to sales outlets throughout Italy.

On the market for business services, management attention will be placed on the enlargement of the customer base on traditional services and innovative ones, among which a major role is played by Open Net (wifi service) and streaming. At the same time it is expected that the positive outcome of the awarded bid SPC can allow a substantial dimensional shift for the service offered to the public administration.

As for the segment of digital media, it is expected that the recent downturn in the market has been a temporary setback in a multi-year growth path, a path led by the historical undersizing of the digital advertising market compared to traditional media. The model of digital media will increase more and more in importance in the business model of Tiscali thanks to the expansion of network traffic (tiscali.it and partner sites) and enlargement of the commercial furniture to the new digital mobile platforms.

On a parallel, the considerable commitment on innovation continues, with specific focus on the Indoono and Steamago products and the new search engine Istella, for which work will be carried out so as to extend the customer base and usage rates, so to turn the audience reached to profit.

In the second half of the year the company and the management will be committed to the definition and implementation of the restructuring plan of the senior debt arising from the GFA, thereby allowing the Group and the Company to achieve a financial and capital structure consistent with the expected cash flow and able to fulfil the development of targets of the business plan.

The 2013 final year results are in line with the targets previously communicated. The 2014 targets show Revenues and EBTDA in line with 2013.

## **BUSINESS CONTINUITY**

Given the above, the Directors, assessing the existing assumption of business continuity of the Group in the current macroeconomic environment and in the current competitive scenario, have identified the following factors that indicate the existence of some significant uncertainties: (i) the equity, financial and economic imbalance of the Group, made evident by the negative consolidated shareholders' equity of EUR 151.8 million, largely due to the negative economic performance and the weight of the significant indebtedness; (ii) the afore-mentioned presence of a so-called Event of Default under the GFA, resulting from breach of financial covenants set forth therein; and (iii) the approach of the expiration date of the Tranche A of the loan granted under the GFA (July 3, 2014), when the Company should repay the entire outstanding amount of such tranche in capital, amounting to approximately Euro 82.5 million, plus interest accrued to the date of July 3, 2014.

In light of these uncertainties, the achievement of a balanced equity, economic and financial performance of the Group in the long term is subject to the need to finalize with the Lenders the ongoing restructuring plan. After making the necessary verifications, the Board of Directors, in consideration of the accession, albeit conditional and non-binding, expressed by all the Lenders on the above described proposal for restructuring, has the reasonable expectation that the restructuring plan included in this proposal will likely be completed in a reasonable time so to



enable the desired long-term financial stability, and has therefore adopted the assumption of the business continuity in the preparation of the draft financial statement for the year 2013.

Note that the draft financial statements as at 31 December 2013 shall be made available to the general public as per the formalities and within the deadlines laid down by law.

## **Shareholders' meeting called**

Tiscali's Board of Directors called the ordinary shareholders' meeting **in sole calling** for 18 July at 11.00 a.m. at the registered offices. All the documents submitted to the shareholders' meeting will be made available to the general public at the Company's registered offices, at Borsa Italiana S.p.A. and on the Company website ([www.tiscali.com](http://www.tiscali.com)) by the deadlines envisaged by current legislation. The holders of "Tiscali S.P.A. 2009 – 2014 Warrants" (the "Warrants") are hereby informed that, pursuant to Article 4.1 of the related Regulations, the exercise of the Warrants is suspended as from 14 giugno 2014 (inclusive), the day after the Tiscali S.p.A. Board meeting which resolved to call the shareholders' meeting (the "Day of Calling") until 19 July 2014 (inclusive) day after that when the shareholders' meeting will take place (the "Shareholders' meeting date").

## **STATEMENT OF THE APPOINTED EXECUTIVE**

*I, the undersigned, Pasquale Lionetti, Executive in charge of drawing up Tiscali S.p.A's corporate accounting documents, hereby declare in pursuance of Article 154 bis, section 2 of Italian Legislative Decree No. 58/98, as amended, that the accounting disclosure contained in this press release is consistent with the documental results, the books and ledgers and the accounting records.*

Pasquale Lionetti



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*Executive in charge of drawing up the Company's accounting documents*

(EUR mln)

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Revenues	223.4	233.8
Other income	2.1	2.4
Purchase of materials and outsourced services	128.5	133.3
Payroll and related costs	34.6	34.5
Other operating costs / (income)	(4.7)	(2.1)
<b>Gross operating result</b>	<b>67.1</b>	<b>70.6</b>
Write-downs of receivables from customers	14.6	26.3
Stock option plan cost	0.0	0.0
<b>EBITDA</b>	<b>52.4</b>	<b>44.3</b>
Restructuring costs, provisions for risk reserves and write-downs	3.4	1.6
Amortisation/depreciation	39.8	42.8
<b>Operating result (EBIT)</b>	<b>9.3</b>	<b>(0.1)</b>
Portion of result of equity investments carried at equity	0.0	0.0
Net financial income (charges)	(13.2)	(13.2)
<b>Pre-tax result</b>	<b>(3.9)</b>	<b>(13.3)</b>
Income taxes	(0.8)	(2.5)
<b>Net result from operating activities (on-going)</b>	<b>(4.8)</b>	<b>(15.8)</b>
Result from assets disposed of and/or destined for disposal	0.0	(0.0)
Net result	(4.8)	(15.8)
Minority interests	0.0	0.0
<b>Group Net Result</b>	<b>(4.8)</b>	<b>(15.8)</b>

<b>CONSOLIDATED BALANCE SHEET</b> <i>(EUR mln)</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Non-current assets	163.4	177.7
Current assets	59.3	76.3
Assets held for sale	0.0	0.0
<b>Total Assets</b>	<b>222.7</b>	<b>254.0</b>
Group shareholders' equity	(150.9)	(147.2)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
<b>Total Shareholders' equity</b>	<b>(151.9)</b>	<b>(147.2)</b>
Non-current liabilities	64.1	193.8
Current liabilities	310.5	207.3
Liabilities directly related to assets held for sale	0.0	0.0
<b>Total Liabilities and Shareholders' equity</b>	<b>222.7</b>	<b>254.0</b>

<i>(EUR mln)</i>		
<b>TISCALI S.P.A. INCOME STATEMENT</b>	<b>31 Dicembre 2013</b>	<b>31 Dicembre 2012</b>
Revenues	4.4	4.5
Other income	0.0	0.0
Purchase of materials and outsourced services	1.2	2.0
Payroll and related costs	1.7	1.8
Other operating costs / (income)	(0.8)	(1.5)
<b>Gross operating result</b>	<b>1.9</b>	<b>2.2</b>
Write-downs of receivables from customers		2.2
Stock option plan cost	0.0	0.0
<b>EBITDA</b>	<b>1.9</b>	<b>(0.1)</b>
Restructuring costs, provisions for risk reserves and write-downs	0.9	0.3
Amortisation/depreciation	0.0	0.0
<b>Operating result (EBIT)</b>	<b>1.0</b>	<b>(0.4)</b>
Portion of result of equity investments carried at equity	0.0	0.0
Net financial income (charges)	(1.7)	(0.8)
<b>Pre-tax result</b>	<b>(0.7)</b>	<b>(1.2)</b>
Income taxes	(0.1)	(1.2)
<b>Net result from operating activities (on-going)</b>	<b>(0.8)</b>	<b>(2.5)</b>
Result from assets disposed of and/or destined for disposal	0.0	(0.7)
Net result	(0.8)	(3.1)
Minority interests	0.0	0.0
<b>Group Net Result</b>	<b>(0.8)</b>	<b>(3.1)</b>

<b>TISCALI SPA BALANCE SHEET</b> <i>(EUR mln)</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Non-current assets	133.2	134.1
Current assets	4.2	1.8
Assets held for sale	0.0	0.0
<b>Total Assets</b>	<b>137.5</b>	<b>135.9</b>
Group shareholders' equity	61.1	61.9
Shareholders' equity pertaining to minority shareholders	0.0	0.0
<b>Total Shareholders' equity</b>	<b>61.1</b>	<b>61.9</b>
Non-current liabilities	55.6	58.2
Current liabilities	20.8	15.7
Liabilities directly related to assets held for sale	0.0	0.0
<b>Total Liabilities and Shareholders' equity</b>	<b>137.5</b>	<b>135.9</b>

*This press release contains certain forward-looking statements based on current expectations and projections in relation to future events. These forward-looking statements may be affected by known or unknown risks, uncertain events and the assumptions made. This press release also contains unaudited pro forma financial data. Tiscali does not undertake to publish updates or modify any forward-looking statements, either to provide new information or in response to future events or other circumstances. In light of the aforementioned risks, uncertainties and assumptions, the forward-looking statements contained in this press release may not come to fruition. Any statement relating to past performance or activities should not be considered a guarantee of future performance or of such activities continuing in the future.*

#### **Information on 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 and ADSL, as well as voice, VoIP, media, and added-value services and other technologically advanced products.*

*As at 31 December 2013 Tiscali reported around 498 thousand ADSL customers in Italy. Of these, around 366 thousand are Dual Play customers*

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