

## Tiscali's Board of Directors approves the results for the first half of 2013

Cagliari, 28 August 2013

Tiscali S.p.A.'s Board of Directors has approved the results as at 30 June 2013:

- **Consolidated revenues in the period amounting to EUR 114.3 million (EUR 118.5 million in 1st Half of 2012);**
- **Total Broadband customers equating to over 492 thousand, +24 thousand units YoY, +9 thousand units in the second quarter 2013;**
- **Gross Operating Result of EUR 35.5 million (EUR 39 million in 1st half of 2012)**
- **Net EBITDA after the write-down of receivables and other provisions at EUR 27.2 million (+4,9% YoY), EUR 7.5 million gross of restructuring costs;**
- **Positive Group EBIT of EUR 3.7 million (EUR 5.2 million in 1st half of 2012);**
- **Negative Net result of EUR 3.6 million as at 30 June 2013 (EUR -2.3 million in 1st half of 2012);**
- **Gross Margin percentage up to 53.8% (51.7% in first half of 2012)**
- **Media Revenues at EUR 12.5 million (EUR 12.4 million in 1st Half of 2012);**
- **Voice Revenues at EUR 8.8 million (+39.3% YoY);**
- **Business Revenues at EUR 8.9 million (+21.6% YoY);**
- **Positive free cash flow of EUR 13.1 million;**
- **Cash flow before changes in working capital amounted to 31.6 million;**
- **Net financial position improved to EUR 185.2 million (-4% YoY).**

Tiscali's Board of Directors has approved the half-year report as at 30 June 2013. The results have been affected by a particularly competitive and challenging market context. Despite this, the commitment with which the company has continued to meet with regard to the optimization of the management of traditional business and the vision that has guided the process of innovation in services (with Indoona, Istella and Streamago), have allowed us to achieve satisfactory results, showing organic growth particularly in the second quarter of 2013 compared to the first. This trend reflects the results of a precise strategy undertaken in the last few years and which provides for the oversight of a larger part of the value chain in the telecommunications market, concentrating innovation resources on over the top services.

**Renato Soru, President and CEO of Tiscali, said:** "The important work of reorganization and optimization put in place over the last few years has allowed us, in spite of the difficult market conditions and the high competition in the industry, to improve margins, increase consumer and business broadband customer base and reach a substantial balance sheet strength, cash generation and honor our financial obligations on time. At the same time we have worked to enhance the media segment area already important but with further growth potential for the future that, with the portal

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tiscali.it has become a true platform of digital information, with a wide range of IT services and that now reaches about 11 million unique visitors per month, supporting the growth of advertising segment. Besides, the effort already started a couple of years ago to look for new markets and create new value has guided the process of innovation in the over the top services segment: streamago (streaming platform for consumer and business users), indoona (the new service communication and media sharing that has already exceeded 1.5 million downloads) and istella (innovative search engine and content sharing that reached the 700,000 queries a day). Istella is the only Big Data of the web collected in Italy. These are three services focused on areas of higher growth and potential of the Web. "

## **Tiscali Group: Gross Margin percentage up. Satisfactory growth in Business and Media Revenues**

Tiscali Group's revenues during the first half of 2013 came to EUR 114.3 million, down with respect to the balance of EUR 118.5 million recorded in the first half of 2012. However, bearing witness to the validity of the action undertaken by management, there was interesting growth in total revenues between the first and second quarter of 2013, disclosing a growth of 4.5% and a figure of EUR 58.4 million for the 2nd Q of 2013 (EUR 55.9 million in the 1st Q of 2013).

During the first half of 2013, internet access and voice services – the Group's core business – represented around 80% of total turnover. The Gross Operating Result before provisions came to EUR 35.5 million compared with EUR 39 million in the 1st Half of 2012 (-9.1% YoY).

As at 30 June 2013, the number of ADSL customers came to more than 492 thousand (494 thousand in the 1st Half of 2012, up of 24 thousand units YoY), of which over 352 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. The result is particularly important in a recessionary macroeconomic environment and sees a decline in fixed lines and strong competitive pressure.

## **REVENUES BY BUSINESS LINE**

### **Access: equating to 73% of total revenues**

The segment in question, which includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services, the flat component of the bundled offers, VoIP and MVNO revenues, generated revenues during the first half of EUR 82.3 million, down 8.5% compared to the figure for the same period in 2012 (EUR 89.9 million). The decrease is attributable to both the natural decrease in the narrowband segment (-32.5% YoY) and the reduction in the average revenue per user further to the impact of the promotions applied to new customers.

### **Voice: 7.8% of total revenues**

The voice segment includes traditional and wholesale telephone services. During the first half of 2013, voice service revenues came to EUR 8.8 million (+39.3% YoY), compared to the figure of EUR 6.4 million registered in the 1st Half of 2012.

### **Business Services: 7.8% of total revenues**

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 the first half of 2013 to EUR 8.9 million, up 21.6% with respect to the EUR 7.3 million in the 1st Half of 2012.

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## **Media and value added services: 10.9% of revenues**

In the first half of 2012, the revenues in the media and added value services segment amounted to EUR 12.5 million, in line with the figure for the first half of 2012 (EUR 12.4 million). 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.

## **GROSS OPERATING RESULT**

The Gross Operating Result for the period, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 35.5 million, down with respect to the corresponding balance of EUR 39 million in the first quarter of 2012 (-9.1%).

The EBITDA, net of write-downs of receivables and other provisions came to EUR 27.2 million in the first half of 2013, up with respect to the same figure for 2012 of EUR 25.9 million (+4.9% YoY).

**Indirect operating costs** during the first half of 2013 came to EUR 29.3 million (25.7% of revenues) up slightly compared with the same balance last year (EUR 27.6 million, 23.3% of revenues).

## **OPERATING RESULT (EBIT)**

The operating result (EBIT) for the first half of 2013, net of provisions, write-downs and restructuring costs, revealed a positive balance of around EUR 3.7 million, down with respect to the positive balance of around EUR 5.2 million in the same period last year, but disclosing systematic growth in the 2nd Q of 2013 (EUR 2.7 million) compared with the 1st Q of 2013 (EUR 1 million). The decrease is mainly attributable not only to the reduction in the gross operating result, but to restructuring charges for EUR 3.8 million essentially relating to the process for rescheduling the financial debt underway and the settlement of the dispute with certain shareholders of the subsidiary WOL NV. Gross of this costs, the operating result would have been equal to EUR 7.5 million.

## **NET RESULT**

The Group's net result was a loss of EUR 3.6 million in the first half of 2013, compared with a loss of EUR 2.3 million in the 1st Half of 2012. Gross of restructuring costs the result would have been slightly positive.

## **FINANCIAL POSITION: Improvement in NFP**

As at 30 June 2013, the Tiscali Group held cash and bank deposits totalling EUR 13.2 million, against net financial debt, at the same date, of EUR 178.7 million (EUR 186.5 million as at 31 December 2012).

<i>(EUR mln)</i>	Notes	30 June 2013	31 December 2012
A. Cash and Bank deposits		13.2	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>13.3</b>	<b>4.5</b>
<b>E. Current financial receivables</b>		<b>0.1</b>	<b>-</b>
F. Non-current financial receivables	(1)	6.4	6.3
G. Current bank payables	(2)	4.2	6
H. Current portion of non-current debt	(3)	9.3	9.5
I. Other current financial payables (*)	(4)	0.7	0.1
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>14.2</b>	<b>16.0</b>
<b>K. Net current financial debt (J) – (E) – (D) – (F)</b>		<b>(5.5)</b>	<b>5.1</b>
L. Non-current bank payables	(5)	125.5	122.7
M. Bonds issued			
N. Other non-current payables (**)	(6)	58.7	58.6
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>184.2</b>	<b>181.3</b>
<b>P. Net Financial Debt (K) + (O)</b>		<b>178.7</b>	<b>186.5</b>

(\*) includes short-term leasing payables

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

Notes:

- (1) Includes Includes the bearing restricted deposit relating to the financial Sale & Lease Back of Sa Illetta; of Tiscali Italia S.p.A. and Tiscali S.p.A. for EUR 4.2 million;
- (2) Includes the bank debt of Tiscali SpA Italy and Tiscali S.p.A.;
- (3) Includes short-term component equal to EUR 9.3 million relating to payables to Senior Lenders, which includes principal and interest portions repayable within 12 months;
- (4) Includes short-term leasing of the subsidiary Tiscali Italia S.p.A.;
- (5) The entire amount of EUR 125.5 million relates to the long-term component of the debt due to Senior Lenders;
- (6) Includes the "Sale and Lease Back Sa Illetta" debt for EUR 58.2 million.

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In order to ensure consistency with the data provided in previous reports, 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 DEM/6064293 dated 28 July 2006, so as to provide clarity.

<i>(EUR mln)</i>	<b>30 June 2013</b>	<b>31 December 2012</b>
<b>Consolidated net financial debt</b>	<b>178.7</b>	<b>186.5</b>
Other cash equivalents and non-current financial receivables	6.4	6.4
<b>Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006</b>	<b>185.1</b>	<b>192.9</b>

Investments were made during the first semester for around EUR 12 million essentially relating to the acquisition of new customers, compared with the same figure in the 1st half of 2012 which came to EUR 12 million.

### **Significant events after the end of the first half of 2013**

#### Partial repayment of the Senior Loan

On July 3, 2013 were fully repaid € 7.5 million of the Senior Loan formerly disclosed under current financial liabilities, in addition to the payment of interest on capital of 0.5 million Euro.

#### Signed settlement agreement WOL

On 7 August 2013, the Company entered into a settlement agreement with the financial institutions, according to which the same financial institutions waive any action for damages against WOL respect to transactions effected by them with the shareholders' associations VEB.

### **Business outlook and prospects**

The macroeconomic environment continues to be characterized by instability and decreasing consumption levels, although few data show a recovery trend likely towards the end of 2013. In this context characterized by strong uncertainty Tiscali will focus its efforts on the implementation of the business plan that includes a strong operational rationalization, product innovation and maximize cash generation to service commercial and financial debt.

As for the consumer segment, the major focus will be placed on customer acquisitions mainly in the LLU, in order to saturate the network infrastructure and create greater cost efficiencies, while providing the best quality of service. From the commercial point of view it will continue to favour the channels at low cost and high yield, primarily the web.

The media segment is aiming to capitalize on the marketing effort resulting in the creation of Vevisible, with an emphasis on the expansion of network traffic (tiscali.it and partner sites) and enlargement of the commercial offer to new digital platforms (smartphones, tablets ). At the same time the company will continue the strong commitment on innovation management, with particular focus on the products indoona, streamago and the new search engine istella, for which Tiscali will work with a goal of expanding the customer base.

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The results presented confirm the efforts made by the board in the operational management to maintain satisfactory performance despite the difficult macro-economic situation and in a competitive market particularly challenging.

The Group's senior debt contains financial and operating covenants. As at June 30, 2013, said covenants have been observed.

The Board of Directors also took note of the discussions concerning the rescheduling and restructuring of senior debt, and has consistently updated the economic and financial forecasts for 2013-2017. That updating of the plan, which also takes into account the results of the first half of 2013, does not differ in essential strategies in the plan approved on 29 March 2013.

For the year 2013 is expected a positive EBIT and a negative net result substantially improving with respect to the comparative figure of 2012. All the other targets are confirmed.

Note that the interim management report as at 30 June 2013 shall be made available to the general public as per the formalities and within the deadlines laid down by law.

**TO BE UPDATED**

<b>CONSOLIDATED INCOME STATEMENT</b> <i>(EUR mln)</i>	<b>1<sup>st</sup> semester 2013</b>	<b>1<sup>st</sup> semester 2012</b>
Revenues	114.3	118.5
Other income	1.2	1.1
Purchase of materials and outsourced services	64.7	68.3
Payroll and related costs	17.5	16.6
Other operating costs / (income)	(2.1)	(4.3)
<b>Gross operating result</b>	<b>35.5</b>	<b>39.0</b>
Write-downs of receivables from customers	8.2	13.1
<b>EBITDA</b>	<b>27.2</b>	<b>26.0</b>
Restructuring costs, provisions for risk reserves and write-downs	3.8	0.7
Amortisation/depreciation	19.6	20.0
<b>Operating result (EBIT)</b>	<b>3.7</b>	<b>5.2</b>
Net financial income (charges)	(6.6)	(6.8)
<b>Pre-tax result</b>	<b>(2.9)</b>	<b>(1.6)</b>
Income taxes	(0.7)	(0.7)
<b>Net result from operating activities (on-going)</b>	<b>(3.6)</b>	<b>(2.3)</b>
Result from assets disposed of and/or destined for disposal	-	-
Net result	(3.6)	(2.3)
Minority interests	-	-
<b>Group Net Result</b>	<b>(3.6)</b>	<b>(2.3)</b>

<b>CONSOLIDATED BALANCE SHEET</b> <i>(EUR mln)</i>	<b>30 June 2013</b>	<b>31 December 2012</b>
Non-current assets	170.1	177.7
Current assets	79.1	76.3
<b>Total Assets</b>	<b>249.2</b>	<b>254.0</b>
Group shareholders' equity	(150.7)	(147.2)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
<b>Total Shareholders' equity</b>	<b>(150.7)</b>	<b>(147.2)</b>
Non-current liabilities	198.1	193.8
Current liabilities	201.8	207.3
<b>Total Liabilities and Shareholders' equity</b>	<b>249.2</b>	<b>254.0</b>



## 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*

*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 30 June 2013 Tiscali reported around 492 thousand ADSL customers. Of these, more than 352 thousand are LLU customers.*

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

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