

## Tiscali's Board of Directors approves the results as at 30 September 2013 Strong performance in 3Q2013

Cagliari, Italy, 14 November 2013

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

The third quarter shows:

- **Positive Net result at EUR 0,3 million , compared to the negative net result of EUR 3 million in 3Q2012;**
- **EBITDA at EUR 15,8 million, compared to EUR 10,5 million in 3Q2012;**
- **EBIT at EUR 4 million, compared to EUR 0,1 million in 3Q2012;**
- **Revenues in line with the same figure of 3Q2012.**

The financial results as at 30 september 2013 shows:

- **Consolidated revenues in the first nine months of the year at EUR 168.7 million (-2.6% YoY, EUR 173.2 million in the first 9 months of 2012);**
- **Total Broadband Customers: 504.6 thousand (+38 thousand YoY);**
- **Gross Operating Result of EUR 55 million (+2.8% YOY) compared with EUR 53.5 million in the first 9 months of 2012)**
- **Net EBITDA after write-downs and receivables and other provisions of EUR 43 million (+17.9%, compared with EUR 36.4 million in the first 9 months of 2012);**
- **Positive Group EBIT in the first 9 months fo 2013 of EUR 7.8 million (+47% YoY), compared with a positive balance of EUR 5.3 million in the first 9 months of 2012;**
- **Negative Net result of EUR 3.4 million, an improvement with respect to the negative balance of EUR 5.2 million as at 30 September 2012;**
- **Gross Margin percentage up slightly YoY to 53% (52.2% in the first 9 months of 2012);**
- **Media Revenues up at EUR 17.2 million (+3.7% YoY);**
- **Voice Revenues at EUR 12.6 million (+33.8% YoY);**
- **Business Revenues at EUR 13.5 million (+20.5% YoY);**
- **Positive free cash flow of EUR 16.2 million;**
- **Net financial position improved to EUR 184.7 million (-2.6% YoY).**

Tiscali's Board of Directors has approved the report as at 30 September 2013. Despite the particularly competitive and challenging market context over the last few years, the results confirm, especially in the third quarter, the commitment with which the company continues to respond with regard to the optimisation of the management of the traditional business and the direction which has guided the process for innovation of the services (with Indoona, Istella and Streamago), also confirming the systematic growth already reported in the previous quarter of the year as well. In fact, this trend reflects the results of a precise strategy undertaken over the last few years, which

### Investor Relations

Gianluca Nonnis  
Ph. +39 070 4601207 - [ir@tiscali.com](mailto:ir@tiscali.com)

### Press Office

Image Building  
Mara Baldessari – Simona Vecchies  
Tel: +39 02 89 01 13 00 – [tic@imagebuilding.it](mailto:tic@imagebuilding.it)

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

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

envisages the coverage of a larger portion of the supply chain on the telecommunications market concentrating innovation resources on over the top services and digital media.

**Tiscali Group: – Gross Margin percentage up – EBITDA on the rise - indirect costs down – satisfactory growth in Media Revenues and B2B and ADSL customer base – Positive Net Result in the quarter**

Tiscali Group revenues during the first nine months of 2013 came to EUR 168.7 million, down slightly with respect to the balance of EUR 173.2 million recorded in the first nine months of 2012. The third quarter 2013 shows revenues in line with the third quarter 2012

During the first nine months of 2013, internet access and voice services – the Group's core business – represented around 80.2% of turnover. The Gross Operating Result before provisions came to EUR 55 million, compared with EUR 53.4 million in the first 9 months of 2012 (+2.8% YoY, equal to 32.6% of revenues).

The Gross Margin percentage came to 53% compared with a figure of 52.2% in the same period of 2012.

As at 30 September 2013, the number of ADSL customers came to 504.6 thousand (+38 thousand YoY, compared with a figure of 466.6 thousand in the first 9 months of 2012), of which 358.8 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 macro-economic context and the competitive pressure of the Italian TLC market, which sees a drop in fixed lines.

## REVENUES BY BUSINESS LINE

### **Access: equal to 73.7% of total 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 the first nine months of 2013 generated revenues of around EUR 124.3 million, down by 7.9% with respect to the figure in the same period in 2012 (EUR 135 million). The decrease is attributable to both the natural decrease in the narrowband segment (-33.6% YoY) and the reduction in the average revenue per user due to the promotions applied to new customers, following the aggressive commercial policy undertaken on pull channels (web and inbound).

### **Voice: 7.5% of total revenues**

The Voice segment includes traditional and wholesale telephone services. During the first nine months of 2013, voice service revenues came to EUR 12.6 million (+33.8% YoY), compared to the figure of EUR 9.4 million in the same period of 2012.

### **Business Services: 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 nine months of 2013 to EUR 13.5 million, up 20.5% with respect to the EUR 11.2 million in the first 9 months of 2012.

**Investor Relations**  
Gianluca Nonnis  
Ph. +39 070 4601207 - ir@tiscali.com

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

**Press Office**  
Image Building  
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Tel: 02 89 01 13 00 – [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

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## **Media and value added services: 10.2% of revenues**

In the first nine months of 2013, the revenues in the media and added value services segment amounted to EUR 17.2 million, up 3.7% with respect to the figure for the same period in 2012 (EUR 16.6 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 (EBITDA)**

The Gross Operating Result for the first nine months of 2013, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 55 million, up 2.8% with respect to the corresponding balance of EUR 53.5 million in the same period of 2012.

The EBITDA, net of write-downs of receivables and other provisions came to EUR 43 million in the first nine months of 2013, up with respect to the comparable figure for 2012 of EUR 36.5 million (+17.9% YoY), thanks to the minor weight of the provision for the write-down of receivables. The EBITDA in the quarter is equal to EUR 15.8, up 50% with respect to the correspondent period in 2012.

**Indirect operating costs** during the first nine months of 2013 came to EUR 41.8 million (24.8% of revenues), down slightly compared with the same balance last year (EUR 42.8 million, 24.7% of revenues).

## **OPERATING RESULT (EBIT)**

The operating result (EBIT) for the first nine months of 2013, net of provisions, write-downs and restructuring costs, revealed a positive balance of around EUR 7.8 million, a clear improvement with respect to the positive balance of EUR 5.3 million in the same period last year. Furthermore, mention is made of the constant growth in the operating result (EBIT) over the year, which in the 3rd quarter of 2013 reported a balance of EUR 4 million compared with EUR 2.6 million in the 2Q2013.

## **NET RESULT**

The Group's net result in the first nine months of 2013 was negative for EUR 3.4 million, up with respect to the negative figure of EUR 5.2 million in the first 9 months of 2012. The confirmation of the systematic growth during the year comes from the fact that the net result is positive of EUR 0.3 million in 3Q2013, despite the negative result of EUR 3 million in the same period of 2012.

## FINANCIAL POSITION

As at 30 September 2013, the Tiscali Group held cash, cash equivalents and bank deposits totalling EUR 8.7 million, against net financial debt, at the same date, of EUR 178.3 million (EUR 186.5 million as at 31 December 2012).

<i>(EUR mln)</i>	Notes	30 September 2013	31 December 2012
A. Cash and Bank deposits		8.7	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>8.8</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)	6.0	6.3
H. Current portion of non-current debt	(3)	108.9	9.5
I. Other current financial payables (*)	(4)	0.3	0.1
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>115.3</b>	<b>16</b>
<b>K. Net current financial debt (J) – (E) – (D) – (F)</b>		<b>100.1</b>	<b>5.1</b>
L. Non-current bank payables	(5)	19.5	122.7
M. Bonds issued		-	-
N. Other non-current payables (**)	(6)	58.8	58.6
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>78.3</b>	<b>181.3</b>
<b>P. Net Financial Debt (K) + (O)</b>		<b>178.3</b>	<b>186.5</b>

(\*) includes short-term financial leasing payables

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

### Notes:

- (1) Includes 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 short-term component equal to EUR 108.9 million relating to payables to Senior Lenders (principal and interest portions repayable within 12 months);
- (4) Includes EUR 0.3 million the short-term leasing of the subsidiary Tiscali Italia S.p.A.;
- (5) The entire amount of EUR 19.5 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 58.4 million.

**Investor Relations**  
Gianluca Nonnis  
Ph. +39 070 4601207 - ir@tiscali.com

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

**Press Office**  
Image Building  
Mara Baldessari – Simona Vecchies  
Tel: 02 89 01 13 00 – [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

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

The above table includes guarantee deposits under other cash equivalents and non-current financial receivables. For completeness, 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 indicated in the explanatory notes:

<i>(EUR mln)</i>	<b>30 September 2013</b>	<b>31 December 2012</b>
<b>Consolidated net financial debt</b>	<b>178.3</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>184.7</b>	<b>192.9</b>

Investments were made during the first nine months of 2013 for around EUR 18.3 essentially relating to the acquisition of new customers, compared with the same figure in the corresponding period of 2012 which came to EUR 19 million.

### **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 2013. In this scenario Tiscali is focusing its efforts on the implementation of the business plan which envisages heavy operational rationalisation, product innovation and maximisation of the generation of cash to service the trade and financial debt.

With regard to the consumer segment, the greatest focus will continue to be placed on acquisitions of customers mainly in the LLU area, so as to optimize the network investments and provide the best quality service. From a commercial standpoint, low cost and high return channels will continue to be preferred, first and foremost the web and inbound, as well as the points of sale on the Italian territory.

The results shows how the media segment is growing in the Tiscali business model thanks to the expansion of the network traffic (tiscali.it and partner websites) and on the extension of the commercial range to the new digital platforms (smartphones, tablets). On a parallel, the considerable managerial commitment on innovation will continue, with specific focus on the Indoona and Steamago products and the new search engine Istella, for which work will be carried out so as to extend the customer base.

The results presented confirm the endeavour made by management with regard to the operational management so as to maintain satisfactory performances despite the difficult macro-economic context and particularly challenging competitive market situation.

The Group's senior debt includes financial and operating covenants. As at 30 September 2013, said covenants had been observed.

Targets communicated previously are confirmed. The Board of Directors also took note of the discussions concerning the rescheduling and restructuring of senior debt, also with the support of a financial advisor.

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

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<b>CONSOLIDATED INCOME STATEMENT</b> (EUR mln)	<b>9M2013</b>	<b>9M2012</b>
Revenues	168.7	173.2
Other income	5.4	1.6
Purchase of materials and outsourced services	95.4	99.9
Payroll and related costs	25.8	26.6
Other operating costs / (income)	(2.1)	(4.2)
<b>Gross operating result</b>	<b>55</b>	<b>53.5</b>
Write-downs of receivables from customers	12	17.0
<b>EBITDA</b>	<b>43</b>	<b>36.5</b>
Restructuring costs, provisions for risk reserves and write-downs	5.6	0.8
Amortisation/depreciation	29.6	30.4
<b>Operating result (EBIT)</b>	<b>7.8</b>	<b>5.3</b>
Net financial income (charges)	(10.1)	(9.5)
<b>Pre-tax result</b>	<b>(2.3)</b>	<b>(4.2)</b>
Income taxes	(1.1)	(1.0)
<b>Net result from operating activities (on-going)</b>	<b>(3.4)</b>	<b>(5.2)</b>
Result from assets disposed of and/or destined for disposal	-	-
Net result	(3.4)	(5.3)
Minority interests	-	-
<b>Group Net Result</b>	<b>(3.4)</b>	<b>(5.3)</b>

<b>CONSOLIDATED BALANCE SHEET</b> <i>(EUR mln)</i>	<b>30 September 2013</b>	<b>31 December 2012</b>
Non-current assets	166.4	177.7
Current assets	70.1	76.3
<b>Total Assets</b>	<b>236.5</b>	<b>254.0</b>
Group shareholders' equity	(150.4)	(147.2)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
<b>Total Shareholders' equity</b>	<b>(150.4)</b>	<b>(147.2)</b>
Non-current liabilities	88.9	193.8
Current liabilities	297.9	207.3
<b>Total Liabilities and Shareholders' equity</b>	<b>236.5</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 September 2013 Tiscali reported 504.6 thousand ADSL customers. Of these, 358.8 thousand are connected under unbundling.*

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

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Gianluca Nonnis  
Ph. +39 070 4601207 - [ir@tiscali.com](mailto:ir@tiscali.com)

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