

## Tiscali's Board of Directors approves the results as at 30 September 2014

Cagliari, Italy, 14 November 2013

Tiscali S.p.A.'s Board of Directors has approved the results as at 30 September 2014.

- **Consolidated revenues in the first nine months of the year at EUR 158.8 million (-5.9% YoY, EUR 168.7 million in the first 9 months of 2013);**
- **Business Revenues at EUR 14.4 million (EUR 13.4 million in the first 9M2013);**
- **Net EBITDA after write-downs and receivables and other provisions of EUR 30.1 million (EUR 43 million in the first 9 months of 2013);**
- **Positive Group EBIT in the first 9 months of 2014 of EUR 2.2 million (compared with a positive balance of EUR 7.8 million in the first 9 months of 2013);**
- **Negative Net result of EUR 9.5 million, with respect to the negative balance of EUR 3.4 million as at 30 September 2013;**
- **Total Broadband Customers: 484 thousand;**
- **Positive free cash flow of EUR 10.6 million;**
- **Net financial position at EUR 191.3 million.**

### Tiscali Group

Tiscali Group revenues during the first nine months of 2014 came to EUR 158.8 million, down with respect to the balance of EUR 168.7 million recorded in the first nine months of 2013.

During the first nine months of 2014, internet access and voice services – the Group's core business – represented around 79.6% of turnover. The Gross Operating Result before provisions came to EUR 37.1 million, compared with EUR 55 million in the first 9 months of 2013 (-34.6% YoY).

As at 30 September 2014, the number of ADSL customers came to 484 thousand, compared with a figure of 504,6 thousand in the first nine months, of which 360.7 thousand are Dual Play customers and 356.6 are direct customers (LLU).

The decrease in the customer base figure is due to different factors. The fixed-line market recorded a marginal decline, partly due to the tough macroeconomic environment and partly to the fixed-mobile substitution process. In this scenario, the trade policy undertaken by Tiscali in 2014 saw a sharp choice of pull channels (web and inbound) that have maintained a remarkable performance with respect to more expensive acquisition channels. Moreover, for about 6 months, the customers' acquisition flow in the bitstream area was negatively impacted by the temporary reduced network coverage due to the gradual technology replacement, going from the ATM bitstream central to the Ethernet one, for which Tiscali concluded its systems' adjustments in October 2014. These factors had a negative impact on the acquisition flow in the first 9 months of the year.

### 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 – [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

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

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

## REVENUES BY BUSINESS LINE

### **Access: equal to 73.1% 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 2014 generated revenues of around EUR 116 million, down by 6.6% with respect to the figure in the same period of 2013 (EUR 124.3 million). The decrease is due to both the natural decrease in the narrowband segment (-34.3% YoY) and the reduction in the average revenue per user due to the promotions applied to new customers, and following the aggressive commercial policy undertaken 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. On the other hand, the decrease was partially offset by an increase of the component of revenues from mobile services, up by 95,2% YoY, with an increase rate in the customer base of active SIMs of about 126% with respect to figure as at 30 September 2013.

### **Voice: 7.1% of total revenues**

The Voice segment includes traditional and wholesale telephone services. During the first nine months of 2014, voice service revenues came to EUR 11.2 million (-11.1% YoY), compared to the figure of EUR 12.6 million in the same period of 2013.

### **Business Services: 9.1% 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 2014 to EUR 14.4 million, up 7.1% with respect to the EUR 13.4 million in the first 9 months of 2013, testifying the improved focus towards the business and PA market.

### **Media and value added services: 9.9% of revenues**

In the first nine months of 2014, the revenues in the media and added value services segment amounted to EUR 15.7 million, down 8.9% with respect to the figure for the same period in 2013 (EUR 17.2 million). The decrease is mainly due to the contraction of the online advertising segment that, in contrast to the recent past, suffers the effects of the macroeconomic recession and of the reduction in advertising spending.

## GROSS OPERATING RESULT

The Gross Operating Result for the first nine months of 2014, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 37.1 million, down with respect to the corresponding balance of EUR 55 million in the same period of 2013 (-32.5% YoY). The decrease is due not only to the decline in revenues as detailed above, but also to the lack of some savings achieved in 2013 with the major network service providers whose effects did not occur in the first nine months of 2014.

The EBITDA, net of write-downs of receivables and other provisions came to EUR 30.1 million in the first nine months of 2014, down with respect to the comparable figure for 2013 of EUR 43 million, partially offset by the reduction in the bad debt provision. This provision recorded, in fact, a decrease

of 41% compared to the same period of 2013, due to the significant improvement in new customers' screening processes and to the growing incidence of automatic payment.

**Indirect operating costs** during the first nine months of 2014 came to EUR 43.1 million (27.1% of revenues), slightly up compared with the same balance last year (EUR 41.8 million, 24.8% of revenues).

## **OPERATING RESULT (EBIT)**

The operating result (EBIT) for the first nine months of 2014, net of provisions, write-downs and restructuring costs, revealed a positive balance of EUR 2.2 million with respect to the positive balance of EUR 7.8 million in the same period last year.

## **NET RESULT**

The Group's net result in the first nine months of 2014 was negative for EUR 9.5 million with respect to the negative figure of EUR 3.3 million in the first 9 months of 2013.

## FINANCIAL POSITION

As at 30 September 2014, the Tiscali Group held cash, cash equivalents and bank deposits totalling EUR 11 million, against net financial debt, at the same date, of EUR 191.3 million (EUR 191.6 million as at 31 December 2013).

<i>(EUR mln)</i>	Notes	30 September 2014	31 December 2013
A. Cash and Bank deposits		11.0	3.1
B. Other cash equivalents		0.0	0.0
C. Securities held for trading		-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>11.1</b>	<b>3.1</b>
<b>E. Current financial receivables</b>		<b>0.1</b>	<b>-</b>
F. Non-current financial receivables	(1)	6.9	6.9
G. Current bank payables	(2)	12.8	11.9
H. Current portion of non-current debt	(3)	137.9	131.8
I. Other current financial payables (*)	(4)	7.2	4.3
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>157.8</b>	<b>148.0</b>
<b>K. Net current financial debt (J) – (E) – (D) – (F)</b>		<b>139.8</b>	<b>137.9</b>
L. Non-current bank payables		0.0	0.0
M. Bonds issued		0.0	0.0
N. Other non-current payables (**)	(5)	51.5	53.7
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>51.5</b>	<b>53.7</b>
<b>P. Net Financial Debt (K) + (O)</b>		<b>191.3</b>	<b>191.6</b>

(\*) includes short-term leasing payables

(\*\*) includes long-term 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., Tiscali S.p.A. and Vevisible S.r.l.;
- (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;

### Investor Relations

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

4

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. 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 note:

<i>(EUR mln)</i>	<b>30 September 2014</b>	<b>31 December 2013</b>
<b>Consolidated net financial debt</b>	<b>191.3</b>	<b>191.6</b>
Other cash equivalents and non-current financial receivables	6.9	6.9
<b>Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006</b>	<b>198.2</b>	<b>198.5</b>

Investments were made during the first nine months of 2014 for around EUR 13.4, mainly relating to the acquisition of new customers, compared with the same figure in the corresponding period of 2013 which came to EUR 18.3 million. The decrease in investments is mainly due to the reduction in the acquisition of broadband customers.

### Business outlook and prospects

The macro-economic context continues to be characterised by high instability and decreasing consumption levels. At the same time the telecommunication market is characterized by a price and volume contraction trend and a strong competitive pressure. In this scenario, Tiscali is focusing 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.

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, 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 (web and inbound) will continue to be preferred, in addition to sales outlets throughout Italy, with a communication strategy mainly focused on web channels. The company also aims to enrich the quality of broadband access service, which is still the core business, with new features. Among these, the next launch of the Social Wi-Fi, which will allow all Tiscali users to share a small part of their Wi-Fi network and become part of a community to benefit in return of other Tiscali users' Wi-Fi.

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.

As already stated previously, the positive outcome of the awarded bid SPC (Tiscali awarded first place on the basis of the economic bid) will allow a substantial dimensional shift for the service offered to the public administration, thus allowing maximum exploitation of the IT and network infrastructure of the Company.

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

5

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)

As for the segment of digital media, it is expected that the recent downturn in the market is 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 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) and the progressive enlargement of the commercial proposal onto the new digital mobile platforms.

On a parallel, the considerable commitment on innovation continues, with specific focus on the Indoona and Steamago products and the new search engine Istella, so as to extend the customer base and usage rates, so to turn the audience reached to profit.

The company and the management have continued working on the definition of the restructuring plan of the Group senior debt arising from the Group Facility Agreement, in order to allow 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. Over the past few months and up to the date of approval of the quarter ended September 30, 2014, the Company continued the negotiation of the new terms and conditions of the loan contract. It is likely to be that this restructuring process could end up with a positive outcome in a short time period.

For the year end 2014 the Company forecast a revenue target expected slightly down compared to 2013 and a net EBITDA in a range between EUR 40 and 45 million.

Note that the interim management report as at 30 September 2014 shall be made available to the general public as per the formalities and within the deadlines laid down by law.

<b>CONSOLIDATED INCOME STATEMENT</b> (EUR mln)	<b>30 September 2014</b>	<b>30 September 2013</b>
Revenues	158.8	168.7
Other income	1.6	5.4
Purchase of materials and outsourced services	98.8	95.4
Payroll and related costs	25.7	25.8
Other operating costs / (income)	(1.0)	(2.1)
<b>Gross operating result</b>	<b>37.1</b>	<b>55</b>
Write-downs of receivables from customers	7.0	12
<b>EBITDA</b>	<b>30.1</b>	<b>43</b>
Restructuring costs, provisions for risk reserves and write-downs	0.6	5.6
Amortisation/depreciation	27.4	29.6
<b>Operating result (EBIT)</b>	<b>2.2</b>	<b>7.8</b>
Net financial income (charges)	(11.0)	(10.1)
<b>Pre-tax result</b>	<b>(8.9)</b>	<b>(2.3)</b>
Income taxes	(0.6)	(1.1)
<b>Net result from operating activities (on-going)</b>	<b>(9.5)</b>	<b>(3.4)</b>
Result from assets disposed of and/or destined for disposal	0.0	-
Net result	(9.5)	(3.4)
Minority interests	0.0	-
<b>Group Net Result</b>	<b>(9.5)</b>	<b>(3.4)</b>

<b>CONSOLIDATED BALANCE SHEET</b> <i>(EUR mln)</i>	<b>30 September 2014</b>	<b>31 December 2013</b>
Non-current assets	149.6	163.4
Current assets	69.2	59.3
<b>Total Assets</b>	<b>218.8</b>	<b>222.7</b>
Group shareholders' equity	(161.7)	(151.9)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
<b>Total Shareholders' equity</b>	<b>(161.7)</b>	<b>(151.9)</b>
Non-current liabilities	59.7	61.1
Current liabilities	320.8	310.5
<b>Total Liabilities and Shareholders' equity</b>	<b>218.8</b>	<b>222.7</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



---

### *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 2014 Tiscali reported 484 thousand ADSL customers. Of these, 360.7 thousand are Dual Play customers.*

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

#### **Investor Relations**

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

9

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)