

# Bit Market Services

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Oggetto : Tiscali Half Year Financial Results

## *Testo del comunicato*

Tiscali's Board of Directors today has:

- 1.Examined and approved the results as at 30th June 2015
- 2.Approved the merger agreement related to the business combination between Tiscali and Aria;
- 3.Called the Shareholders' Extraordinary Meeting on 29th September 2015 in sole calling

Cagliari, 25 August 2015

**Tiscali's Board of Directors today has:**

1. **Examined and approved the results as at 30<sup>th</sup> June 2015**
2. **Approved the merger agreement related to the business combination between Tiscali and Aria;**
3. **Called the Shareholders' Extraordinary Meeting on 29<sup>th</sup> September 2015 in sole calling**

Financial results as at 30<sup>th</sup> June 2015:

- **Consolidated revenues totalling EUR 103.8 million (EUR 106.7 million in 1H2014);**
- **Access Revenues at EUR 77.4 million, slightly up with respect to the correspondent figure in 2014 (EUR 77.3 million in 1H2014);**
- **Gross operating result at EUR 36.8 million, 43.3% up YoY (EUR 25.7 million in 1H2014);**
- **Net EBITDA after provisions of EUR 24.8 million, 25.6% up YoY (EUR 20.5 million in 1H2014);**
- **Positive Group EBIT of EUR 7.1 million, a sharp improvement with respect to the correspondent figure in 2014 (positive balance of EUR 2.1 million in 1H2014);**
- **Group net loss of EUR 2 million, a sharp improvement with respect to the correspondent figure in 2014, negative for EUR 5.7 million;**
- **Total active customers at 574.8 thousand (+5.5 thousand YoY), of which Broadband customers equating to about 457.2 thousand and mobile customers at 107.1 thousand;**
- **Media Revenues at EUR 10.5 million (EUR 11.4 million in 1H2014);**
- **Negative net financial position of EUR 193.6 million.**

**Tiscali's Board of Directors has approved the financial report as at 30 June 2015.**

## **Tiscali Group**

Tiscali Group revenues during the first semester of 2015 came to EUR 103.8 million, down with respect to the balance of EUR 106.7 million recorded in the same period of 2014.

During the first six months of 2015, 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 36.8 million, a sharp improvement compared with EUR 25.7 million in the 1H2014 (+43.3% YoY, 35.5% of total revenues).

As at 30 June 2015, the number of active customers was 574.8 thousand, up 5.5 thousand compared to the correspondent figure in 2014 (569.3 thousand). 457.2 thousand were ADSL customers, down compared to the correspondent figure in 2014 of 489.2 thousand. This reduction is partly due to the massive cancellation of about 14.3 thousand non paying and non active customers in the first semester of 2015. We also report the excellent performance of the mobile telephony segment, which benefited also at the beginning of 2015 of the launch of the new very competitive flat offers. In the period, the number of active SIM was about 107.1 thousand, significantly up compared to the same figure in 2014 of 64.6 thousand customers.

### **Investor Relations**

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## REVENUES BY BUSINESS LINE

### **Access: +0.2% YoY, 74.6% of total revenues**

The segment in question, which includes revenues from broadband (ADSL) internet access services, the flat component of the bundled offers and VoIP, generated revenues during the first half of 2015 for EUR 77.4 million, slightly up (+0.2% YoY) compared to the figure for the same period in 2014 (EUR 77.3 million). The increase is mainly attributable both to the VOIP segment and the MVNO segment; this last one recorded a growth of over 100% going from EUR 2.2 million in the first semester 2014 to EUR 4.3 million in the first six months of 2015.

### **Narrowband: 0,6% of total revenues**

The narrowband segment recorded EUR 0.6 million at 30 June 2015, a physiological decline compared to the correspondent figure of 2014, equating to EUR 0.7 million.

### **Voice: 5.4% of total revenues**

The Voice segment includes traditional and wholesale telephone services. During the first semester of 2015, voice service revenues came to EUR 5.6 million (-19.7% YoY), compared to the figure of EUR 7 million registered in the 1H2014.

### **Business Services: 8.6% of 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 semester of 2015 to EUR 8.9 million, down of a 3.9% with respect to the EUR 9.3 million in the 1H2014

### **Media and value added services: 10,1% of total revenues**

In the first six months of 2015, the revenues in the media and added value services segment amounted to EUR 10.5 million, slightly down (8.6%) compared with the corresponding figure for the same period in 2014 (EUR 11.4 million).

## GROSS OPERATING RESULT

The Gross Operating Result for the semester, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 36.8 million (35.5% of total revenues), a sharp improvement with respect to the corresponding balance of EUR 25.7 million in the first six months of 2014 (+43.3% YoY). The gross operating result mainly reflects the positive effect from non-recurring transactions concluded during the period.

EBITDA net of write-downs of receivables and other provisions was EUR 24.8 million (23.9% of total revenues) in the first semester 2015, up compared with the same balance for the 1H2014 of EUR 20.5 million (19.2% of total revenues).

**Indirect operating costs** during the first semester of 2015 came to EUR 30.9 million (29.8% of revenues) slightly up compared with the same balance last year (EUR 29.5 million, 27.7% of revenues).

## **OPERATING RESULT (EBIT)**

The operating result (EBIT) for the first semester of 2015, net of provisions, write-downs and restructuring costs, revealed a positive balance of EUR 7.1 million, with respect to the positive balance of around EUR 2.1 million in the same period last year.

## **NET RESULT**

The Group's net result in the first semester of 2015 was a loss of EUR 2 million, a sharp improvement compared with a negative balance of EUR 5.7 million reported in the same period of 2014.

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## Financial position

As at 30 June 2015, the Tiscali Group held cash and bank deposits totalling EUR 3.6 million, against net financial debt, at the same date, of EUR 193.6 million (EUR 199.5 million as at 31 December 2014).

<i>(EUR mln)</i>	Notes	30 June 2015	31 December 2014
A. Cash and Bank deposits		3.6	4.8
B. Other cash equivalents		0.0	0.0
C. Securities held for trading			-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>3.6</b>	<b>4.8</b>
<b>E. Current financial receivables</b>		<b>6.1</b>	<b>0.1</b>
F. Non-current financial receivables	(1)	7.3	6.9
G. Current bank payables	(2)	12.1	12.5
H. Current portion of non-current debt	(3)	54.9	52.8
I. Other current financial payables (*)	(4)	9.8	10.6
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>76.9</b>	<b>75.9</b>
<b>K. Net current financial debt (J) – (E) – (D) - (F)</b>		<b>59.8</b>	<b>64.1</b>
L. Non-current bank payables	(5)	76.6	80.5
M. Bonds issued		0.0	0.0
N. Other non-current payables (**)	(6)	49.9	48.0
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>126.4</b>	<b>128.5</b>
<b>P. Net Financial Debt (K) + (O)</b>		<b>186.2</b>	<b>192.6</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 short term component 54.9 million relating to the debt to Senior Lenders (debt and interest to be repaid within 12 months);
- (4) Includes mainly the short-term leasing of Sale & lease-back transaction on Sa Illetta;
- (5) Includes long component amounted to EUR 76.6 million relating to the debt to Senior Lenders;
- (6) .Includes mainly the long-term leasing of Sale & lease-back transaction on Sa Illetta;

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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 of the financial statement:

<i>(EUR mln)</i>	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Consolidated net financial debt</b>	<b>186.2</b>	<b>192.6</b>
Other cash equivalents and non-current financial receivables	7.3	6.9
<b>Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006</b>	<b>193.6</b>	<b>199.5</b>

In the first six months of 2015, investments were made for about EUR 18.8 million, against a corresponding figure in the first semester of 2014 that amounted to 9.4 million euro, mainly related to the extension and development of the network, of IT services and the installation and activation of new ADSL customers, as well as the purchase of machinery for new projects Istella and Indoona.

## Significant events during the first semester of 2015

### Authorization granted by the Shareholders' meeting to the Board of Directors of Tiscali for the Capital Increase

In execution of the Restructuring Agreements and SEF Agreement, on January 30, 2015, the Extraordinary Shareholders' Meeting of Tiscali has granted the Board of Directors a mandate to increase the capital, in tranches, by issuing up to 1,000,000,000 ordinary shares of the Company with the exclusion of option rights pursuant to art. 2441, paragraph 5, of the Civil Code.

### Approval of the Capital Increase by the Board of Directors of Tiscali

On 16 February 2015 the Board of Directors of Tiscali has approved the operation of capital increase reserved for Société Générale under the SEF Agreement.

### Non-binding preliminary agreement for an industrial merger with Aria S.p.A.

On March 19, 2015 was signed a non-binding letter of intent for an industrial merger with Aria S.p.A., Italian provider that offers wireless Broadband, on the basis of the license obtained in the auction of 2008 for use of the 3.5 GHz band throughout the national territory.

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

On March 31<sup>st</sup> 2015 have been paid EUR 5 million of capital of the Senior loan and cash interest for EUR 2.7 million. Also on the same date, were paid about 0.2 million of previous interest, related to the previous GFA loan agreement restored on 23 December 2014.

### Tiscali launches Streamago Social

In the first week of April, Tiscali launches Streamago Social, the iOS app that for the first time ever makes it possible to broadcast live video and audio on Facebook timelines and public pages, an app to enrich social communication with a new powerful tool for live broadcasting.

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

On April 28th 2015 Tiscali has won the tender, announced by Consip, for the provision of connectivity services of Public Administration under the Public Connectivity System (SPC), offering the best total global price. After being assessed to be the most advantageous in May 2014, the tender submitted by Tiscali has successfully passed all the tests of economic and technique fairness, confirming again its first place in the Consip ranking. The tender concerns a framework contract "multivendor" for the provision of data transport services, advanced communications, security and expert advice on all the national territory for a duration of 7 years. As stated in the tender, the share held by Tiscali as a contracting company is 60% of the total value of the contract.

## Approval of 2014 final year financial statement

On April 30<sup>th</sup> 2015 the Shareholders' meeting of Tiscali S.p.A. Board of Directors has approved the 2014 final year financial statement.

## Litigation

In June 2015, the case started by Tiscali, before the Court of Milan against Telecom Italia S.p.A. and relating to compensation for damages incurred as a result of the abusive conduct in place by Telecom Italia S.p.A. and the subject of separate proceedings by the Competition and Market A-428 of 2013, has been reconciled with the counterparty as part of a complex agreement concerning the composition of some further mutual disputes in trade relations between them intervening.

## **Events after the end of 1H2015**

### Tiscali and Aria will raise an integration process that will become effective by the end of 2015

On July, 15<sup>th</sup> 2015 the Board of Directors of Tiscali approved the final agreement for integration with the Aria Group. In view of the significant industrial profiles of this transaction, the Company has devoted considerable effort to the project, in order to reconcile the terms of the same with the needs of the Group arising from the Restructuring Agreements.

Following the negotiations, the Company has acquired the concrete possibility to have, in the context of the above mentioned integration, the availability of financial resources to be used for the repayment of the Facility A1, approximately EUR 42.4 million. Therefore, once an agreement on this issue - and in consideration of the relevant industry profiles of integration and its potential positive long-term impact - Tiscali chose to pursue this case in place of the capital increase. Thus said, in the future it could be the case to use similar instruments as the SEF, in order to meet the financial needs of the Company, also in consideration of future market conditions.

## **Business outlook and prospects**

Tiscali is engaged in a complex process of consolidating its positions in traditional business combined with the required service innovation and the development of its position on the Public Administration which will take place thanks to the recent award of the tender SPC.

As for the integration operation with the Air Group, it will strengthen the industrial and financial position of Tiscali, consolidating consumer and business customer segments in the broadband access, both landline and mobile, and creating a single operator in the domestic market able to offer throughout Italy ultra broadband access services through the combination of the two network infrastructures.

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As for the consumer segment of the fixed network, the major focus will continue to be placed on customer acquisitions mainly through the web and inbound channels. In addition, in July the of ultra-broadband services have been launched: this commercial development will further expand the range of services portfolio and contribute to the increase in ARPU. On the basis of the growth recorded in the last 12 months Tiscali tip on expanding its customer base of mobile services.

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, the management At the same time, the management will be involved in all the preparatory activities for the implementation of the contracts that will result from the recent award of the tender SPC. 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, thus allowing to maximize the use of the IT and network infrastructure of the company.

As for the segment of digital media, the first quarter saw a marginal decline in the level of revenues, whose reasons are described above. Nevertheless, the company is convinced that the historical undersizing the digital advertising market in Italy compared to traditional media has to be covered. Thus said, 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 Indoon Streamera, the new search engine Istella and the brand new app Streamago, 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.

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

## **Approved the merger agreement related to the business combination between Tiscali and Aria**

In execution of integration with the Aria Group signed on 16 July 2015, the Board of Directors today approved the draft merger of Aria Italy S.p.A. in Tiscali, which provides that a result of the operation and effect of the exchange ratio indicated in the merger plan of the current shareholders are Aria Group to own a stake in Tiscali's 40.81%. The merger is subject to the satisfaction of certain conditions precedent, including:

1. consent to the transaction by the Senior Lenders pursuant to the Restructuring Agreements;
2. approval of the merger by Tiscali Extraordinary Shareholders' Meeting without the contrary vote of a majority of shareholders attending the meeting, other than the shareholder or shareholders: (i) who would be there to buy a stake in Tiscali post-merger more than 30%; (ii) who hold, even in concert with one another, the majority shareholding, including relative, in Tiscali provided more than 10%;
3. completion of one of the following alternatives:
  - a. contextual transfer to third parties of the lease contract on the building where Tiscali is now based and conclusion of a rental contract at market conditions having as its object the same (option to now decayed, but that the Company reserves the right to revisit in the future); or;
  - b. redefinition of the terms of above mentioned lease, in order to provide for: (1) a total annual rent of EUR 3.7 million (plus VAT) for the years 2016 and 2017; (2) a final fee due in 2022 for an amount of approximately EUR 12.24 million;



4. consent from the Ministry of Economic Development with reference to the exchange rate of the last parent company of Aria, for the maintenance of licenses owned by them as of today;
5. other conditions in line with market practice.

At present the Company is working on the realization of the conditions precedent described above. It is expected that the completion of the merger will enable Tiscali to have the financial resources to proceed with the reimbursement of Facility A1 expiring November 30, 2015 (in the amount of EUR 42.4 million).

As previously mentioned, with the merger of Tiscali Group and Aria, synergies and savings are estimated in around EUR 10 million per year from 2016, mainly due to the integration of networks, the combination of access technologies and to savings in general and administrative costs. In addition, the combination of the assets of the two companies is expected to allow a strong commercial development in the market for ultra-broadband services, with particular focus in the areas of digital divide.

### **Extraordinary Shareholders' meeting called**

Tiscali's Board of Directors called the extraordinary shareholders' meeting **in sole calling** for 29<sup>th</sup> September 2015 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.

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<i>(EUR mln)</i>		
<b>CONSOLIDATED INCOME STATEMENT</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
Revenues	103.8	106.7
Other income	14.1	1.1
Purchase of materials and outsourced services	65.9	64.5
Payroll and related costs	19.9	17.7
Other operating costs / (income)	(4.7)	(0.2)
<b>Gross operating result</b>	<b>36.8</b>	<b>25.7</b>
Write-downs of receivables from customers	12.0	5.1
<b>EBITDA</b>	<b>24.8</b>	<b>20.5</b>
Restructuring costs, provisions for risk reserves and write-downs	0.3	0.2
Amortisation/depreciation	17.3	18.2
<b>Operating result (EBIT)</b>	<b>7.1</b>	<b>2.1</b>
Net financial income (charges)	(9.0)	(7.4)
<b>Pre-tax result</b>	<b>(1.9)</b>	<b>(5.3)</b>
Income taxes	(0.1)	(0.4)
<b>Net result from operating activities (on-going)</b>	<b>(2.0)</b>	<b>(5.7)</b>
Result from assets disposed of and/or destined for disposal	0.0	0.0
Net result	(2.0)	(5.7)
Minority interests	0.0	0.0
<b>Group Net Result</b>	<b>(2.0)</b>	<b>(5.7)</b>

<b>CONSOLIDATED BALANCE SHEET</b> (EUR mln)	<b>30 June 2015</b>	<b>31 December 2014</b>
Non-current assets	149.3	147.9
Current assets	53.7	60.1
<b>Total Assets</b>	<b>203.0</b>	<b>207.9</b>
Group shareholders' equity	(170.7)	(168.8)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
<b>Total Shareholders' equity</b>	<b>(170.7)</b>	<b>(168.8)</b>
Non-current liabilities	135.8	137.0
Current liabilities	237.9	239.8
<b>Total Liabilities and Shareholders' equity</b>	<b>203.0</b>	<b>207.9</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, ADSL and Fiber Optic technology, as well as voice, VoIP, media, and added-value services and other technologically advanced products.*

*As at 30 June 2015 Tiscali reported around 574.8 active customers, of which 457.2 thousand were ADSL customers and over 107 thousand are mobile customers.*

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

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