



## PRESS RELEASE

This press release reports unaudited preliminary result for financial year 2012 and does not include any effects of the impairment test (IAS 36) on goodwill currently underway.  
This press release also contains a number of alternative performance indicators not contemplated under IFRS (EBITDA, Net Financial Debt). Definitions of these terms are provided in the attachment.

### **Telecom Italia Media: Group's Preliminary Results at 31 December 2012 Presented to the Board of Directors**

**REVENUES:** 222.3 million euro; -6.7% compared to 2011 (238.2 million euro)

**EBITDA:** -44.8 million euro; -72.1 million euro compared to 2011 (27.3 million euro)

**NET FINANCIAL POSITION:** 260.1 million euro; +121.4 million euro compared to year-end 2011 (138.7 million euro)

Good performance of the La7 channels' gross advertising revenues (-3.5%), overperforming the market trend (-15.3%)

La7 and La7d closed 2012 with an average audience share of 3.46% (4.11% in January 2013) and 0.41% (0.47% in January 2013), respectively

TIMB's margins continued to improve

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*Milan, 7 February 2013*

The ongoing Telecom Italia Media Board of Directors, chaired by Severino Salvemini, met to examine the Group's preliminary results at 31 December 2012.

**Consolidated Group revenues** for 2012 amounted to 222.3 million euro, decreasing by 6,7% compared to 2011 (238.2 million euro).

This performance was influenced by the following factors: a decline in La7's revenues (-16.1 million euro) due both to the loss of revenues from the Competence Center activities, which amounted to 13.3 million



euro in 2011, and the reduction in channels' gross advertising revenues (-3.5%), which however outperformed the sharply contracting market <sup>1</sup>; lower revenues of the MTV Group (-18.6 million euro); an increase in revenues from Network Operator TIMB (+20.2 million euro), only partially offsetting the result.

**EBITDA** was negative at **-44.8 million euro**, decreasing by 72.1 million compared to 2011 (positive at 27.3 million euro), the latter including the 20.5 million euro indemnity for the early termination of the Competence Center agreement. Moreover, this result was affected by the increase in the costs of La7's programming, which were significantly expanded by launching new programmes and new faces, and the decline in MTV's EBITDA.

**Net financial position** amounted to **260.1 million euro**, increasing by 121.4 million euro compared to year-end 2011 (138.7 million euro). The change was mainly attributable to **CAPEX (56.9 million euro)**, EBITDA negative at -44.8 million euro, and a decrease of 36.1 million euro in working capital, which were partially offset by the collection of receivables related to the fiscal consolidation scheme (19.3 million euro). Moreover, compared to the previous year, the performance was also affected by Cairo's lower revenues as the company had factored receivables at the end of 2011, whereas in 2012 it did not factor any.

At 30 September 2012, net financial position amounted to 224.1 million euro.

## **RESULTS BY BUSINESS UNIT**

### **1. La7**

**Revenues** of La7 S.r.l. for 2012 (up to 31 August, this business unit was called TI Media-La7 and included holding operations, in addition to the television operations which have now been transferred to the newco LA7 S.r.l.) for 2012 amounted to **123.2 million euro**, down 11.6% compared to 2011 (139.3 million euro).

**Overall gross advertising revenues** of La7 channels amounted to 179.1 million euro, recording only a slight decrease (-3.5%), even within the extremely severe context of the whole Italian television market <sup>1</sup>.

**The average audience share of La7** in 2012 was 3.46%, slightly dropping compared to the previous year (3.85%). The Network's audience performance for 2012 was impacted by the success of the digital channels and the sport events scheduled in June and July (European football championships and the Olympics). In the second half of the year, the launch of new programmes, such as *Servizio Pubblico*, led to a partial recovery of audience share, whereas a sharp improvement was recorded already in the first weeks of 2013. Average daily audience share in January 2013 was 4.11%.

Furthermore, **audience share of La7d** continued to grow, increasing from 0.28% in 2011 to **0.41%** in 2012, and closing January 2013 with 0.47%.

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<sup>1</sup> -15.3% advertising revenues of the Italian television market in January-November 2012, source: Nielsen.



**EBITDA** was negative at **-66.3 million euro**, a 71.0 million euro decrease compared to 2011 (4,7 million euro). This performance was mainly caused by the increase in programming costs incurred by the channels La7 and La7d to provide an enriched schedule, and the loss of revenues from the Competence Center activities.

## **2. MTV Group**

MTV **revenues** for 2012 amounted to **55.2 million euro**, down 25.2% compared to 2011 (73.8 million euro). This reduction was primarily due to net advertising revenues amounting to 39.8 million euro and decreasing by 19.8% compared to 2011, in addition to lower revenues from Playmaker.

**EBITDA** was negative at -10.7 million euro, a 17.2 million euro decrease compared to 2011 (6.5 million euro).

In 2012 the relaunch of MTV's main channel continued, with the aim of further enhancing its positioning as an all-around entertainment channel. Network audience figures began to be published by Auditel on 16 September 2012. At year-end the MTV free to air channels audience share reached 0.64% and 1.6% among the 15-34 year-old target. The network reaches daily more than 5 million individuals.

In December, the agreement regarding the sale to Viacom International Media Networks Italia of the business unit including the activities of the channels Nickelodeon, Comedy Central and Nick Junior was signed.

## **3. Network operator (TIMB)**

Network Operator **revenues** in 2012 amounted to **75.1 million euro**, increasing by 20.2 million euro compared to 2011 (54.9 million euro). This positive performance was mainly driven by the evolution of extant contracts and the new channels for which an agreement was finalized.

**EBITDA** was **43.2 million euro**, a 20.3 million euro improvement compared to 2011 (22.9 million euro).

TIMB's three digital multiplexes covered 94.9% of the Italian population.

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Pursuant to sub-section 2, clause 154-*bis* of the Unified Finance Act, the manager in charge of drafting the company's accounting documents, Mr. Luigino Giannini, has declared that the accounting disclosures contained in this press release correspond to the data records, accounting books and accounts entries.

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*The preliminary Group's results at 31 December 2012 will be illustrated to the financial community tomorrow during a conference call scheduled for 10.00am (CET). Journalists may listen in to the presentation by phone on 800 408 088 (callers from Italy) and +39 06 33 485 042 (International callers). For those who are unable to follow the live conference call, a recorded version of the presentation will be available for 2 days at the number: +39 06 334 843 (access code: 491045# for Italian; 380934# for English).*

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## Attachments

### ALTERNATIVE PERFORMANCE INDICATORS

In addition to the conventional financial indicators established under IFRS, this press release regarding the preliminary results at 31 December 2012 contains certain alternative performance indicators in order to facilitate understanding of the company's earnings management and its balance sheet and financial situation. These indicators, which also feature in the interim financial statements (the quarterly reports at 31 March, 30 June and 30 September), should not be construed as a substitute for the conventional indicators contemplated under IFRS.

The alternative performance indicators used herein are described below:

- **EBITDA:** Telecom Italia Media uses this indicator as a financial target in internal presentations (Business Plans) and external presentations (for analysts and investors). It provides a useful unit of measurement for assessing the Groups operating performance, both as a whole and at the business unit level.

These indicators are as follows:

**Profit (loss) before tax from continuing operations**

- + Financial charges
- Financial income
- +/- Other charges/(income) from equity investments
- +/- Share of results of equity investments in associates and companies under joint control accounted for using the equity method
  
- +/- Impairment losses/(Reversals) of non-current assets
- +/- Capital losses/(Gains) on disposals of non-current assets
- + Depreciation and amortization

**EBITDA – Operating result before depreciation and amortization, capital gains/(losses), and impairment reversals/(losses) on non-current assets**

- **Net Financial Debt:** The Telecom Italia Media Group deems that Net Financial Debt is an accurate indicator of its ability to meet its financial obligations, measured by Gross Financial Debt minus Cash and Cash Equivalents and other Financial Assets (financial receivables and securities other than equity investments).



The data herewith presented are preliminary and are unaudited.

## FOREWORD

Following the early adoption of IAS 19 (Revised 2011) – Employee Benefits (“IAS 19R 2011”), which requires a retrospective application, data from the previous periods of FY 2011 used for comparison have been restated.

## Consolidated Separate Income Statement

(in thousands of euro)	Year 2012	Year 2011 (Reconstructed)	Change	
	(a)	(b)	(a-b)	%
Revenues	222,294	238,189	(15,895)	(6.7)
Other income	5,105	26,287	(21,182)	(80.6)
		<i>Of wich: proceeds for CC contract resolution</i>	-	20,500
<b>Total operating revenues and other income</b>	<b>227,399</b>	<b>264,476</b>	<b>(37,077)</b>	<b>(14.0)</b>
Acquisition of goods and services	(196,685)	(167,150)	(29,535)	(17.7)
Employee benefits expenses	(67,432)	(61,457)	(5,975)	(9.7)
Other operating expenses	(8,266)	(8,575)	309	3.6
Changes in inventories	150	9	141	n.s.
Internally made assets	-	-	-	-
<b>OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION - EBITDA</b>	<b>(44,834)</b>	<b>27,303</b>	<b>(72,137)</b>	<b>n.s.</b>
<b>OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION - EBITDA - COMPARABLE</b>	<b>(44,834)</b>	<b>6,803</b>	<b>(51,637)</b>	<b>n.s.</b>

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(in millions of euro)		LA7	MTV Group	Network Operator	Other activities <sup>(1)</sup>	Changes	Group Total
<b>Revenues</b>	<b>Year 2012</b>	<b>123.2</b>	<b>55.2</b>	<b>75.1</b>	<b>0.8</b>	<b>(32.0)</b>	<b>222.3</b>
	Year 2011 comparable <sup>(2)</sup>	139.3	73.8	54.9	0.6	(30.4)	238.2
	Change	(16.1)	(18.6)	20.2	0.2	(1.6)	(15.9)
<b>EBITDA</b>	<b>Year 2012</b>	<b>(66.3)</b>	<b>(10.7)</b>	<b>43.2</b>	<b>(11.1)</b>	<b>0.1</b>	<b>(44.8)</b>
	Year 2011	4.7	6.5	22.9	(6.8)		27.3
	Year 2011 comparable <sup>(2)</sup>	(15.8)	6.5	22.9	(6.8)		6.8
	Change	(71.0)	(17.2)	20.3	(4.3)	0.1	(72.1)
	Comparable change <sup>(2)</sup>	(50.5)	(17.2)	20.3	(4.3)	0.1	(51.6)

<sup>(1)</sup> It includes Telecom Italia Media S.p.A.'s activities after the transfer of TV operations to LA7 S.r.l..

<sup>(2)</sup> The amount does not include the income of Euro 20,5 million related to the indemnity for early termination of the Competence Center contract with Telecom Italia in the year 2011.