

## Tiscali's Board of Directors approves the results as at 30 September 2012

Cagliari, 13 November 2012

Tiscali S.p.A.'s Board of Directors has approved the results as at 30 September 2012:

- Consolidated revenues in the first nine months of the year at EUR 173.2 million;
- Gross Operating Result (EBITDA) of EUR 53.5 million;
- Net EBITDA after the write-down of receivables and other provisions at EUR 36.5 million, a clear improvement with respect to the previous year (+22.1% YoY);
- Positive Group EBIT of EUR 5.3 million, compared with a negative balance of EUR 12.5 million in the first 9 months of 2011;
- Negative Net result of EUR 5.3 million as at 30 September 2012, a significant improvement with respect to the negative balance of EUR 25.2 million as at 30 September 2011;
- Gross Margin percentage up to 52.2% (46.9% in first 9 months of 2011);
- Media Revenues up by 17% YoY to EUR 16.6 million (first 9 months of 2011 at EUR 14.2 million);
- Positive free cash flow of EUR 18.3 million;
- Net financial position improved to EUR 189.7 million (-6.4% YoY).

Tiscali's Board of Directors has approved the report as at 30 September 2012.

### **Tiscali Group: – Gross Margin percentage up – indirect costs down – satisfactory growth in Media Revenues**

Tiscali Group revenues during the first nine months of 2012 came to EUR 173.2 million, down with respect to the balance of EUR 202.9 million recorded in the first nine months of 2011.

During the first nine months of 2012, internet access and voice services – the Group's core business – represented around 83.5% of turnover. The Gross Operating Result (EBITDA) before provisions, totalling EUR 53.5 million (29.8% of revenues), was basically in line (-1.6%) when compared with the corresponding figure of EUR 54.4 million reported as at 30 September 2011. Gross margin percentage stood at 52,2% (47% in 9M2011).

At 30 September 2012, the number of ADSL and Voice customers came to 491 thousand. Of these, 467 thousand are ADSL users, of which 335.1 thousand connected under the unbundling offer. The customer base using dial-up access (narrowband) and analogue voice services stood at around 39.3 thousand users, while Dual Play customers came to over 336 thousand. The decrease with respect to the corresponding figure for 2011 partly reflects the impact of the cancellation during 2011 of lines relating to defaulting or silent customers, a process started in the second half of 2010. In October the

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strong increase in customer acquisition let the company reverse the trend showing a positive balance.

## REVENUES BY BUSINESS LINE

### **Access: equating to 78% of total revenues**

The segment in question, which includes revenues from Internet access services via broadband (ADSL) and narrowband (dial-up) and the flat component of the bundled ranges (access fees), in the first nine months of 2012 generated revenues of around EUR 135.1 million, down by 12.2% with respect to the figure in the same period in 2011 (EUR 153.7 million). The drop was attributable to the decrease in the customer base and the natural reduction of the narrowband segment.

### **Voice: 5.5% of total revenues**

The Voice segment includes traditional and wholesale telephone services. During the first nine months of 2012, voice service revenues came to EUR 9.5 million, compared to the figure of EUR 21 million in the first nine months of 2011. The drop in Voice revenues was due not only to the natural reduction in analogue voice but also the sharp decrease in wholesale services made further to the low margins of the same.

### **Business Services: 6.5% 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 2011 to EUR 11.2 million, in line with the corresponding balance as at 30 September 2011 (EUR 11.1 million).

### **Media and value added services: +17% YoY, with a traffic increase of 15.4%**

In the first nine month of 2012, the revenues in the media and added value services segment amounted to EUR 16.6 million, an increase of 17% compared to the figure for the first nine months of 2011 (EUR 14.2 million). The increase, higher than the trend for the entire market (estimable at around 11%) is attributable to the rise in traffic on the properties managed by the concessionary agent Veesible and the increase of its customer base, achieved thanks to the focusing of the editorial product on the information segment, the strong coverage of direct customers and the verticalisation of the targets, which lead to an improved profit of the traffic. As a point of fact, all the network sites in the first 9 months of 2012 developed more than 10 billion pages visited, registering growth of 15.4% with respect to the same figure in 2011 (more than 8.6 billion pages visited).

## **GROSS OPERATING RESULT (EBITDA): 31% of revenues**

The Gross Operating Result for the first nine months of 2012, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 53.5 million, in line (-1.6%) with respect to the corresponding balance of EUR 54.4 million in the first nine months of 2011.

The EBITDA, net of write-downs of receivables and other provisions came to EUR 36.5 million in the first nine months of 2012 (+21.1% YoY, equal to 21% of revenues), a sharp improvement with respect to the comparable figure for 2011 (EUR 29.9 million, 14,7% of revenues).

**Indirect operating costs** during the first nine months of 2012 came to EUR 42.8 million (25% of revenues), a reduction of 11.9% when compared with the same balance in the first nine months of 2011 (EUR 48.6 million, 23.9% of revenues).

## **OPERATING RESULT (EBIT)**

The operating result (EBIT) for the first nine months of 2012, net of provisions, write-downs and restructuring costs, revealed a positive balance of around EUR 5.3 million, up sharply with respect to the negative balance of EUR 12.5 million in the same period last year. The improvement again reflects the decrease in amortisation and depreciation (also further to the review of the useful life of certain tangible and intangible fixed assets) and the net decrease in the provision for the write-down of receivables.

## **NET RESULT**

The Group's net result in the first nine months of 2012 was negative for EUR 5.3 million, up with respect to the comparable negative figure of EUR 25.2 million in the first 9 months of 2011.

## FINANCIAL POSITION

As at 30 September 2012, the Tiscali Group held cash, cash equivalents and bank deposits totalling EUR 5.6 million, against net financial debt, at the same date, of EUR 183.3 million (EUR 193.5 million as at 31 December 2011).

<i>EUR mln</i>	Notes	30 September 2012	31 December 2011
A. Cash and Bank deposits		5.6	6.6
B. Other cash equivalents		0.1	0.1
C. Securities held for trading		-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>5.7</b>	<b>6.7</b>
<b>E. Current financial receivables</b>		<b>0</b>	<b>-</b>
F. Non-current financial receivables	(1)	6.3	6.3
G. Current bank payables	(2)	6	14
H. Current portion of non-current debt	(3)	9.4	9.6
I. Other current financial payables (*)	(4)	0.1	0.6
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>15.6</b>	<b>24</b>
<b>K. Net current financial debt (J)–(E)–(D)–(F)</b>		<b>3.6</b>	<b>11.0</b>
L. Non-current bank payables	(5)	121.3	124.4
M. Bonds issued		-	-
N. Other non-current payables (**)	(6)	58.5	58.1
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>179.7</b>	<b>182.5</b>
<b>P. Net Financial Debt (K) + (O)</b>		<b>183.3</b>	<b>193.5</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 9.4 million relating to payables to Senior Lenders (principal and interest portions repayable within 12 months);
- (4) Includes EUR 0.1 million of short-term leasing of the subsidiary Tiscali Italia S.p.A.;
- (5) The entire amount of EUR 121.3 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 57.1 million.

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It should be noted that the net financial position drawn up by the Company in accordance with the matters requested by the specific Consob Communication, shown in Note 24 to the abridged quarterly consolidated financial statements, amounts to EUR 189.7 million.

A statement of reconciliation between the two net financial positions is presented below:

<i>EUR mln</i>	<b>30 September 2012</b>	<b>31 December 2011</b>
<b>Consolidated net financial debt</b>	<b>183.3</b>	<b>193.5</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>189.7</b>	<b>200</b>

During the first nine months of 2012, investments were made for around EUR 19 million. Furthermore, in the same period the Company generated a Free cash flow of EUR 18.3 million, an improvement with respect to the corresponding figure in 2011 (EUR 11.8 million).

#### **Business outlook and prospects –**

In a macro-economic context characterised by strong uncertainties and a decrease in levels of consumption, and in a competitive scenario characterised by heavy pressure on prices, Tiscali will continue to pay primary attention to rationalising operations, generating cash to service the commercial and financial debt and innovating product portfolio.

With regard to the consumer telecommunications sector, the greatest focus will be placed on acquisitions in the direct area, keeping at saturating the network infrastructures in order to generate greater cost efficiencies, at the same time providing the best quality service. From a commercial standpoint, low cost channels will continue to be preferred, first and foremost the web, with a selective use of the high-cost push channels (first and foremost stores located throughout Italy) in order to come up with a good dual-play customer acquisition performance in October and November. In the business sector, the focus will be placed on the development of trade relations undertaken with key customers and the commercial diffusion of new products (Open-net, EFM, Streamago Premium) which are disclosing significant success on the market.

In the Media segment, development of trade relations with customers will continue, also benefiting from the recent creation of the new Veesible sales structure, so as to continue the revenue growth trend. On a parallel, the considerable managerial commitment on innovation will continue, with specific focus on the Indoona, Streamago and the new search engine project called Istella. Particularly, it is relevant as Indoona already passed the 1 million downloads, with over 350 thousand social network members. All of this is part of Tiscali Strategy to progressively develop media and Over-The-Top service, which should contribute to complement revenues deriving from telecommunication services. Considering the strong increase in profitability, but in light of the first nine month financial results, and the competitive context, Tiscali forecasts a Gross Operating Result in line with the previous year and a Net Result strongly improving when compared with the same figure in 2011 but slightly negative.

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The Group's senior debt includes financial and operating covenants. As at 30 September 2012, said covenants had been observed.

Note that the interim management report as at 30 September 2012 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> <i>EUR mln</i>	<b>30 September 2012</b>	<b>30 September 2011</b>
Revenues	173.2	202.9
Other income	1.6	1.9
Purchase of materials and outsourced services	99.9	127.9
Payroll and related costs	25.6	28.3
Other operating costs / (income)	(4.2)	(5.8)
<b>Gross operating result</b>	<b>53.5</b>	<b>54.4</b>
Write-downs of receivables from customers	17	24.5
<b>EBITDA</b>	<b>36.5</b>	<b>29.9</b>
Restructuring costs, provisions for risk reserves and write-downs	0.8	1.5
Amortisation/depreciation	30.4	40.9
<b>Operating result (EBIT)</b>	<b>5.3</b>	<b>(12.5)</b>
Net financial income (charges)	(9.5)	(11.4)
<b>Pre-tax result</b>	<b>(4.2)</b>	<b>(23.9)</b>
Income taxes	(1.0)	(1.3)
<b>Net result from operating activities (on-going)</b>	<b>(5.2)</b>	<b>(25.2)</b>
Result from assets disposed of and/or destined for disposal	0.0	0.0
Net result	(6.7)	(25.2)
Minority interests	-	-
<b>Group Net Result</b>	<b>(5.3)</b>	<b>(25.2)</b>

<b>CONSOLIDATED BALANCE SHEET</b> (EUR mln)	<b>30 September 2012</b>	<b>31 December 2011</b>
Non-current assets	182.8	194.4
Current assets	87.4	112.7
<b>Total Assets</b>	<b>270.2</b>	<b>307.1</b>
Group shareholders' equity	(135.2)	<b>(130.0)</b>
Shareholders' equity pertaining to minority shareholders	-	-
<b>Total Shareholders' equity</b>	<b>(135.2)</b>	<b>(130.0)</b>
Non-current liabilities	193.2	197.4
Current liabilities	212.2	239.6
<b>Total Liabilities and Shareholders' equity</b>	<b>270.2</b>	<b>307.1</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 - pursuant to Article 154 bis, paragraph 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 2012 Tiscali reported around 467 thousand ADSL customers. Of these, around 336 thousand are Dual Play customers.*

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

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