

## Tiscali's Board of Directors approves the results as at 30 September 2011

Cagliari, 10 November 2011

Tiscali S.p.A.'s Board of Directors has approved the results as at 30 September 2011.

- Consolidated revenues in the first 9 months of EUR 202.9 million, slightly down from the figures for the same period in 2010 (EUR 206.9 million);
- Media revenues up 36.4% YoY to EUR 14.2 million
- Access revenues up 2.4% YoY to EUR 150.3 million (EUR 146.7 in 9M2010); VoIP revenues up 6.8% YoY to EUR 57.7 million (EUR 54.1 million the first 9 months of 2010)
- Gross Margin 3Q2011 at 48,6%, an increase vs 3Q2010 (43%) and vs 2Q2011 (46,1%)
- Group EBITDA before provisions up 7.7% YoY to EUR 54.4 million (EUR 50.5 million in 9M2010);
- Net result: loss of EUR 25.2 million as at 30 September 2011 compared to a loss of EUR 15.4 million in 9M2010;
- Total active broadband customers of over 504 thousand units, Dual play customers over 351 thousand units;
- Stable net financial position: net debt of EUR 202.6 million in 9M2011 compared to EUR 202.2 million in the corresponding period of 2010;

Tiscali's Board of Directors approved the report as at 30 September 2011.

### Tiscali Group: Dual Play and Media service revenues grow

In the first nine months of 2011, Tiscali Group revenues stood at EUR 202.9 million, slightly down 1.9% compared to the EUR 206.9 million recorded in the corresponding period of 2010. This is mainly due to the natural reduction in the narrowband segment and the B2B revenues due to termination of the outsourcing contract with the former subsidiary Tiscali UK, compounded by the strong seasonal factor in the sector for the third quarter.

In the first 9 months of 2011, internet access, the VoIP segment and analogue voice services – the Group's core business – represented around 84% of turnover. The Gross Operating Result (EBITDA), adjusted before provisions, amounted to EUR 54.4 million, an increase of 7.7% over the comparable figure for the first 9 months of 2010 (EUR 50.5 million).

As at 30 September 2011, total ADSL customers amounted to over 504 thousand units; (-13.2% YoY) with over 348 thousand unbundled customers (ULL). *Dual Play* customers are over 351 thousand. The reduction in customer base is mainly due to the impact of massive cancellation made in the period.

#### Investor Relations

Gianluca Nonnis  
Tel.: +39 070 46011 - [ir@tiscali.com](mailto:ir@tiscali.com)

#### Ufficio Stampa

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)

There were over 126 thousand mobile telephone customers as at 30 September 2011, testifying a constant growth trend.

## REVENUES BY BUSINESS LINE

### **Access: Broadband and VoIP revenues up 2.4%**

This segment includes revenues from broadband internet access services (ADSL), VoIP revenues and the flat component of the bundled offers, and generated revenues of EUR 150.3 million in the first 9 months of 2011 (74% of total revenues), an increase of 2.4% over the figure for the same period in 2010 (EUR 146.8 million). VoIP revenues alone posted a 6.8% increase in the first 9 months of 2011 to EUR 57.7 million (EUR 54.1 million in the first 9 months of 2010). This is particularly significant if read in light of the highly competitive context in which there are an increasing number of promotions offered to customers, with resulting pressure on the ARPU and profit margins.

### **Business Services: 5.5% of total revenues**

Revenues from business services (VPN, housing, hosting services, domains and leased lines, etc.), therefore excluding those regarding the access and/or voice products aimed at the same customer base, already included in the respective business lines, amounted to EUR 11.1 million for the first 9 months of 2011, down from the figure for the corresponding period of 2010 (EUR 18.4 million). This reduction is mainly due to the negative effect of the disposal of the UK subsidiary.

### **Media and value added services: 5% of the total revenues, increase of 36% in 9M11 vs 9M10**

In the first 9 months of 2011, revenues in the media and added value services (linked to direct and indirect advertising through commercial contracts with search engines) amounted to about EUR 14.2 million, an increase over the same period of the previous year (EUR 10.4 million). This was thanks to the increase of portal traffic on properties of Tiscali:ADV and the expansion of the customer base arising from the focus on editorial contents.

### **GROSS OPERATING RESULT (EBITDA): +7.7% YoY – GROSS MARGIN 3Q2011 at 48,6%, an increase vs 3Q2010 (43%) and vs 2Q2011 (46,1%)**

The Gross Operating Result (adjusted EBITDA), before allocations for risk, write-down, depreciation and amortisation provisions, amounted to EUR 54.4 million, an increase of 7.7% compared to the EUR 50.5 million in the corresponding period of 2010.

The gross margin in 9M2011 amounted to 95.2 million euros, against a similar figure equal to 99,6 million in 9M2010. The decrease is due to the strong impact on prices given the competitive environment, the increase in regulated tariffs Uil, and by the decrease in IT service revenues and narrowband. However, in the 3Q2011 Gross Margin percentage stood at 48,6%, an increase compared to 2Q2011 and 3Q2010 to that, showing a trend of organic growth resulting from the policies of rationalization of the network and the positive effect of the termination of the silent lines.

EBITDA, net of write-downs of receivables and other provisions, amounted to EUR 29.9 million in the first 9 months of 2011 (14.7% of revenues), a 15.1% decrease from the figure for the same period of 2010 (EUR 35.2 million, 17% of revenues). The reduction is largely attributable to the provision on bad debt made through the application of more strict policies for credit recovery already started in 2010, in the context of which have already been made known actions of disconnection of delinquent and silent customers.

**Investor Relations**  
Gianluca Nonnis  
Tel. +39 070 46011 - [ir@tiscali.com](mailto:ir@tiscali.com)

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

Net EBITDA for the third quarter of 2011 amounted to EUR 10.3 million, 23,9% up from the second quarter of 2011 (EUR 8.4 million) and despite the decrease in revenues.

The **indirect operating costs** in the first 9 months of 2011 stood at EUR 48.6 million (23,9% of revenues), down both in absolute terms and ratio to the revenues compared to the corresponding figures for 2010 (EUR 55.4 million, 26.8% of revenues), thanks to cost cutting measures adopted starting from the first semester 2010.

## **OPERATING RESULT (EBIT)**

The operating result (EBIT) for the first 9 months of 2011, net of provisions, write-downs and restructuring costs, recorded a loss of EUR 12.5 million compared to the comparable figure for 2010 with earnings of EUR 0.7 million. Despite this figure, there was however, a significant improvement in the operating result for the third quarter of 2011 with a loss of EUR 3.8 million compared to a loss of EUR 6.3 million in the second quarter of 2011.

## **NET PROFIT (LOSS)**

There was a net loss during the period of EUR 25.2 million, a higher loss than that recorded for the corresponding period as at 30 September 2010 of EUR 15.4 million, and reflecting the negative effects of the issues mentioned above. In any case, there was an improvement in the net profit (loss) in the third quarter of 2011 (EUR -7.7 million) compared to the second quarter of 2011 (EUR -11 million).

### **Investor Relations**

Gianluca Nonnis  
Tel. +39 070 46011 - [ir@tiscali.com](mailto:ir@tiscali.com)

### **Press Office**

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

## FINANCIAL POSITION

As at 30 September 2011, the Tiscali Group held cash and other cash equivalents totalling ca. EUR 4.4 million, against a net financial debt, at the same date, of EUR 202.6 million (EUR 204.3 million as at 31 December 2010 with respect to the operating activities only).

(EUR 000)	Notes	GROUP 30 September 2011	Of which: Tiscali S.p.A. 30 September 2011
A. Cash		4,388	117
B. Other cash equivalents		-	-
C. Securities held for trading		-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>4,388</b>	<b>117</b>
<b>E. Current financial receivables</b>		-	-
F. Non-current financial receivables		-	-
G. Current bank payables	(1)	15,872	102
H. Current portion of non-current debt	(2)	8,808	-
I. Other current financial payables (*)	(3)	925	-
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>25,605</b>	<b>102</b>
<b>K. Net current financial debt (J) - (E) - (D) - (F)</b>		<b>21,217</b>	<b>(15)</b>
L. Non-current bank payables	(4)	123,320	-
M. Bonds issued		-	-
N. Other non-current payables to third parties	(5)	58,088	-
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>181,408</b>	-
<b>P. Net financial debt (K) + (O)</b>		<b>202,625</b>	<b>(15)</b>

### Notes:

- (1) Includes bank payables of Tiscali Italia S.p.A. and Tiscali S.p.A. of EUR 15.9 million;
- (2) Includes the short term component of EUR 8.8 million relating to payables to senior lenders, which includes the principal and interest portions repayable within 12 months;
- (3) Includes EUR 0.9 million of short-term leasing of the subsidiary Tiscali Italia S.p.A.;
- (4) The entire amount of EUR 123.3 million relates to the long-term component of the debt due to senior lenders;
- (5) Includes mainly the "Sale and Lease Back Sa Illetta" debt for EUR 58.1 million.

In order to ensure consistency with the data provided in former reports, the above table includes the guarantee deposits under other cash equivalents and non-current financial receivables. The table below provides a reconciliation of the above financial position with the financial position prepared in accordance with Consob resolution no. DEM/6064293 of 28 July 2006.

<i>EUR mln</i>	<b>30 September 2011</b>	<b>31 December 2010</b>
<b>Consolidated net financial debt</b>	<b>196.2</b>	<b>197.6</b>
Other cash equivalents and non-current financial receivables *	6.4	6.7
<b>Consob consolidated net financial debt</b>	<b>202.6</b>	<b>204.3</b>

### Significant events after the 3Q 2011 end

On 18 October 2011, Tiscali signed an agreement with the trade unions regarding a reduction in working hours for a 24-month period. This agreement was needed to reduce operating costs by the company starting from 2009 in order to support income levels and sales development.

### Business outlook and prospects

The Company will continue its rationalisation of the customer base, streamline costs and monitor customers, with special focus on increasing dual play customer base and reducing churn rate. To this end, the development of new convergence and rich communication services (such as the recent launch of *indoona*) will play an important role to fully exploit the IP network technological infrastructure, and improve the user experience, thereby responding to market competition which is increasingly marked by the downward pressure on prices, thereby reducing profit margins. As regards the media segment, the aim is to maintain the rate of growth recorded over the last few quarters and the company will focus on increasing network traffic and therefore turnover.

Following on from 2010, further efforts will continue to be made to cut indirect operating costs. Finally, focus will be placed on improving collection cycles from the customers base and also improving ADSL customer activation procedures to reduce waiting times and increase redemption. These actions are mainly targeted to the improvement of cash generation for senior and commercial debt re-payment.

The Group's senior debt includes financial and operating covenants. The covenants were being honoured as at 30 September 2011. In view of the results for the quarter and the competitive arena, Tiscali forecasts that 2011 revenues will be slightly down compared to those in 2010, while Net Income initially forecasted for 2011 will not be achieved due to, among others, the deep impact of bad debt provision, and it has been moved to 2012.

## Filing quarterly report

The quarterly financial report as at 30 September 2011 approved by the Board of Directors and attached to the documentation as provided by prevailing law, was filed and made available to the public, at the company headquarters and with Borsa Italiana S.p.A. It may also be consulted on the Internet site [www.tiscali.it](http://www.tiscali.it) under the "Investor Relations" section.

EUR mln

CONSOLIDATED INCOME STATEMENT	30 September 2011	30 September 2010
Revenues	202.9	206.9
Other income	7.7	1.7
Purchase of materials and outsourced services	124.2	126.5
Payroll and related costs	28.3	33.9
Other operating costs/ (income)	3.7	(2.2)
<b>Adjusted Gross Operating Result (EBITDA)</b>	<b>54.4</b>	<b>50.5</b>
Write-downs of receivables from customers	24.5	15.2
Stock option plan cost	0.0	0.0
<b>Gross Operating Result (EBITDA)</b>	<b>29.9</b>	<b>35.2</b>
Restructuring costs, provisions for risk reserves and write-downs	1.5	0.5
Amortisation/depreciation	40.9	34.0
<b>Operating result (EBIT)</b>	<b>(12.5)</b>	<b>0.7</b>
Share of results of equity investments valued using the equity method	0.0	0.0
Net financial income (charges)	(11.4)	(10.7)
<b>Pre-tax result</b>	<b>(23.9)</b>	<b>(10.0)</b>
Income taxes	(1.3)	(0.9)
<b>Net result from operating activities (on-going)</b>	<b>(25.2)</b>	<b>(11.0)</b>
Result from assets disposed of and/or destined for disposal	0.0	(4.4)
Net result	(25.2)	(15.4)
Minority interests	0.0	0.0
<b>Group Net Result</b>	<b>(25.2)</b>	<b>(15.4)</b>

**Investor Relations**  
Gianluca Nonnis  
Tel. +39 070 46011 - [ir@tiscali.com](mailto:ir@tiscali.com)

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

<b>CONSOLIDATED BALANCE SHEET</b> <i>EUR mln</i>	<b>30 September 2011</b>	<b>31 December 2010</b>
Non-current assets	200.9	221.4
Current assets	120.8	145.5
Assets held for sale	(0.0)	(0.0)
<b>Total Assets</b>	<b>321.7</b>	<b>366.9</b>
Group shareholders' equity	(117.0)	(92.0)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
<b>Total Shareholders' equity</b>	<b>(117.0)</b>	<b>(92.0)</b>
Non-current liabilities	206.7	206.9
Current liabilities	232.1	251.1
Liabilities directly related to assets held for sale	(0.0)	0.9
<b>Total Liabilities and Shareholders' equity</b>	<b>321.7</b>	<b>366.9</b>

## STATEMENT OF THE APPOINTED EXECUTIVE

*I, the undersigned, Luca Scano, executive in charge of drawing up the Company's accounting documents of Tiscali SpA, hereby declare – pursuant to paragraph 2, Article 154-bis of the Italian Finance Consolidation Act – that the accounting information contained in this press release corresponds to the documentary results, books and accounting records of the parent company and to the information provided by the companies included in the consolidation area.*

Luca Scano



---

*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 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 2011, Tiscali had over 504 thousand ADSL customers registered. Of these, over 351 thousand are Dual Play customers.

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

### Investor Relations

Gianluca Nonnis  
Tel. +39 070 46011 - [ir@tiscali.com](mailto:ir@tiscali.com)

### Press Office

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