

**Tiscali's Board of Directors approves the quarterly report at 31<sup>st</sup> March 2009.  
Positive developments of the debt renegotiation process**

Cagliari, 14<sup>th</sup> May 2009

Tiscali SpA's Board of Directors has approved the results at 31<sup>st</sup> March 2009.

- **Consolidated revenues: EUR 202.6 million**
  - **UK Revenues: GBP 119.3 million**
  - **Italy Revenues: EUR 75.0 million**
- **Consolidated EBITDA: EUR 41.0 million**
  - **UK EBITDA: GBP 17.2 million, 14% of revenues**
  - **Italy EBITDA: EUR 21.3 million, 28% of revenues**
- **ADSL Users: 2.2 million, 554,000 in Italy, 1.7 million in the UK**

On 8<sup>th</sup> May 2009 Tiscali's Board of Directors approved the disposal for cash of 100% of the Tiscali UK Ltd shares to the Carphone Warehouse Group PLC, for an Enterprise Value of GBP 255.5 million (including about GBP 20 million related to certain working capital debts). Closing is subject to regulatory approvals and to completion of the debt renegotiation process. In the quarterly results, Tiscali UK is considered as "continued operations" because the disposal operation is part of the broader process of debt renegotiation.<sup>1</sup>

In this respect, we foresee that the agreements with the senior lenders, which currently are being defined, will be finalised and communicated to the market shortly.

The revenues of the Tiscali Group during the first quarter of 2009 stood at EUR 202.6 million, decreasing compared to the EUR 269.0 million registered in the first quarter of 2008. The decrease is mostly due to the lower client base in the English subsidiary, which is being disposed of and to a significant devaluation of the EUR-GBP exchange rate, which explains half of the variation. The subsidiary Tiscali Italia indeed reported stable voice and access operations and revenues and a significant increase in profitability.

In the first quarter of 2009, Internet and voice access - the core business of the Group - represented more than 90% of sales.

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<sup>1</sup> The reported figures as at 31<sup>st</sup> March 2008 and 2009, include the subsidiaries TiNet and other minor subsidiaries as held for sale operations.

**Investor Relations**

Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

**Press Office** Image Building  
Mara Baldessari, Simona Vecchies  
+39 0289011300 Email: tlc@imagebuilding.it

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

www.tiscali.com

Gross Operating Result provision (Adjusted EBITDA) was equal to EUR 41.0 million, with a profit margin of 20.3% of revenue compared to the Adjusted EBITDA of EUR 47.7 million registered in the first quarter of 2008. Also the number of Adjusted EBITDA has to be read in a differentiated way for the English and Italian subsidiaries; in particular the Italian subsidiary showed a remarkable increase of the annual adjusted EBITDA of about 81%, and the English subsidiary showed a decrease of about 19% (in local currency).

At the end of the first quarter of 2009, the Tiscali Group had over 2.2 million ADSL users, of which 1.2 million were direct (LLU) and about 1.3 million purchased VoIP and CPS voice services.

■ **Results by geographic region**

**Italy**

During the course of the first quarter of 2009, Tiscali Italia S.p.A. realised revenues of EUR 75.0 million, substantially in line with the amount of EUR 75.2 million of the same period of 2008 .

At 31 March 2009, Tiscali Italia S.p.A. registered 554,000 ADSL clients, of which 373,000 activated and connected through the Tiscali unbundled network infrastructure (LLU), and 262,000 clients who subscribed to dual play services. Active DSL customers at 31 March 2009 were 542,000, stable if compared to 545,000 active DSL customers at 31 December 2008.

The ARPU of voice and access services in Italy was equal to EUR 31 per month, an increase compared to ARPU of EUR 29 in 2008 and in line with business objectives.

Tiscali Italia closed the first quarter of 2009 with a gross operating result (adjusted EBITDA) of EUR 21.3 million (28.4% of revenue), an increase of 81% compared to EUR 11.8 million (15.7% of revenue) from the first quarter of 2008.

At the operating result level (EBIT), Tiscali Italia S.p.A realised a positive result in the first quarter of 2009 of EUR 5.0 million compared to a negative result of EUR 3.6 million of the first quarter in 2008.

**United Kingdom**

During the first quarter of 2009, Tiscali UK realised EUR 131.3 million of revenues, a decrease of 17% (in local currency) compared to the first quarter of 2008 operations (equal to EUR 198.0 million). ADSL users at 31 March 2009 totalled about 1.7 million. Among these, there were about 787,000 direct clients (ULL), and about 806,000 clients who subscribed to dual play service.

The unbundled network in the United Kingdom at 31 March 2009 covered 958 sites. The ARPU of access and voice services in the United Kingdom stood at GBP 22 per month, a slight decline compared to GBP 21 per month for the first quarter of 2008 because of heightened competitive pressure and the negative impact of the EUR-GBP exchange rate, which also negatively influenced revenues.

The gross operating result (adjusted EBITDA) realised by the UK subsidiary in the first quarter of 2009 stood at EUR 19.0 million (14.5% of revenue) compared to EUR 34.7 million (17.5% of

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Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

**Press Office** Image Building

Mara Baldessari, Simona Vecchies  
+39 0289011300 Email: [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

revenue) of the first quarter of 2008. The contraction of the gross operating result was negatively impacted from the effect of the devaluation of the EUR-GBP exchange rate.

At the operating result level (EBIT), Tiscali UK realized in the first quarter of 2009 a negative result of EUR 12.4 million compared to the loss of EUR 8.1 million of the first quarter of 2008.

### Revenue by line of business

#### Access

The segment in question, which includes revenue from broadband (ADSL) and narrowband (dial-up) Internet access services and the flat component of bundled offers generated revenues this quarter of EUR 108.9 million, representative of about 53.8% of the Group's total revenue in the year, in decline compared to the information from the same period of 2008 (EUR 159.8 million).

As of 31<sup>st</sup> March 2009 ADSL customers were over 2.2 million users of whom over 1.2 million were direct and 1.1 million were dual play.

#### Voice

The voice segment includes both traditional telephone and the variable traffic component generated by VoIP services offered together with Internet access. In terms of revenue, during the first quarter of 2009, these services generated about 10.1% less compared to the same period of 2008. In absolute value the voice revenue in the first quarter of 2009 amounted to EUR 74.3 million, compared to EUR 82.7 million in the first quarter of 2008.

#### Business services

Revenues from business services (VPN services, housing, hosting, domains and leased lines), which exclude those inherent to access and/or voice products sold to business customers, already included in the respective business lines, in the first quarter of 2009 were equal to EUR 8.9 million, a decrease compared to EUR 10.3 million in the first quarter of 2008.

#### Media and value added services

In the first quarter of 2009 revenue from the media and added value services segment (from direct and indirect advertising by way of commercial agreements with search engines) amounted to EUR 8.6 million, a decrease compared to the same preceding period of operations (EUR 12.9 million) because of the contraction of the advertising market.

#### Gross operating results (EBITDA)

The adjusted Gross Operating Results (EBITDA) of operations, before provisions stood at EUR 41.0 million, a decrease of 14.0% compared to the EUR 47.7 million of the first quarter of 2008 also because of the devaluation of the EUR-GBP exchange rate.

The EBITDA net of provisions was equal to EUR 34.4 million in the first quarter of 2009 (17.0% of revenue), a decrease of 14.4% compared to the same figure of the first quarter of 2008 (EUR 40.2 million, equal to 15.0% of revenue).

**Indirect Operating costs** in the first quarter of 2009 stood at EUR 47.6 million (23.5% of revenue), with a significant contraction in terms of incidence on revenue compared to the information from the first quarter of 2008 (EUR 78.2 million, 29.1% of revenue) reflecting a more

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Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

efficient use of marketing expenses and the implementation of the business reorganisation plan in Italy.

### Operating result (EBIT)

The operating result (EBIT) of the first quarter of 2009, was negative at EUR 7.2 million, an improvement compared to EBIT loss recorded in the first quarter of 2008, equal to EUR 15.8 million due to a reduction of restructuring costs.

### Consolidated net result, +54% YoY

The net result of the first quarter of 2009 is negative by EUR 17.2 million, an improvement compared to the net loss of EUR 37.5 million of the first quarter of 2008, also thanks to a reduction in restructuring and financial costs. The net result was influenced by about EUR 11 million of interest related to the financing of Banca Intesa San Paolo and JP Morgan.

### Financial situation

At 31 March 2009, Tiscali Group had cash and cash equivalents of EUR 8.7 million, with a net financial debt at the same date of EUR 629.8 million (EUR 601.1 million at 31 December 2008).

EUR million	31 March 2009	31 December 2008
A. Cash	8.7	24.2
B. Other equivalents	13.0	12.7
C. Securities held for trading	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>21.7</b>	<b>36.9</b>
<b>E. Current financial receivables</b>	<b>4.8</b>	<b>5.3</b>
F. Non-current financial receivables	1.5	1.4
G. Current bank payables	520.7	510.0
H. Current portion of non-current debt	-	-
I. Other current financial payables (*)	22.7	21.4
<b>J. Current financial debt (G) + (H) + (I)</b>	<b>543.4</b>	<b>531.4</b>
<b>K. Net current financial debt (J) – (E) – (F) – (D)</b>	<b>515.4</b>	<b>487.8</b>
L. Non-current bank payables	-	-
M. Bonds issued	-	-
N. Other non-current payables (**)	114.5	113.4
<b>O. Non-current financial debts (L) + (M) + (N)</b>	<b>114.5</b>	<b>113.4</b>
<b>P. Net financial debt (K) + (O)</b>	<b>629.8</b>	<b>601.1</b>

(\*) includes debts for leasing

(\*\*) includes debts for leasing and shareholders'

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Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

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**Press Office** Image Building  
Mara Baldessari, Simona Vecchies  
+39 0289011300 Email: [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

Regarding the financial position, it is to be noted that the first quarter of 2009 was characterised by the permanence of the standstill period agreed upon with the main financing institutions, as described in the 2008 consolidated financial statements and the ongoing negotiations with the same financing institutions, finalised to define the debt reorganisation, as described in the "Successive events" paragraph.

The variation of the current bank debts equal to EUR 10.7 million is prevalently determined by the interest provisions on the Banca Intesa and JP Morgan debt for about EUR 11 million.

The total variation of cash is negative by about EUR 15.5 million, reflecting investments of about EUR 16.1 million and costs for interest and other costs on the debt of about EUR 3 million.

Tiscali Italia SpA had a positive cash generation of around EUR 4 million in the first quarter of 2009

**Key events in Q109**

**Disposal agreement for Tiscali International Network (TiNet)**

On 3 February 2009, Tiscali, BS Private Equity S.p.A. and BS Investimenti SGR announced the agreement on the sale of the operations held by Tiscali International Network BV, subsidiary company of Tiscali S.p.A., for a total Enterprise Value of about EUR 47 million including a potential earn-out of EUR 7 million. Also after the acquisition, TiNet will continue to be the IP service supplier for Gruppo Tiscali.

**Request for standstill, new business plan and commencement of financial debt renegotiation process**

Following the examination of the principal preliminary results of 2008 and of the financial situation of the Group, as well as in the light of the deterioration of macroeconomic conditions and the worsening of the competitive context of the sector, the Board of Directors evaluated the necessity to prepare a new Business Plan and a connected Financial Plan allowing the Group to begin a process aiming at the reorganisation of debt and at the long-term financial equilibrium. In consideration of this, and in order to allow for the time necessary to arrange for these plans, the Company has agreed with the financing institutions to concede a standstill period involving a suspension of interest, capital shares and financial covenants. In light of the aforementioned request, on 10 March 2009, the Company suspended said payments. The Company furthermore indicated that the course taken is oriented toward the renegotiation of the financial debt with the main lending institutions of the Group, which have been open to discussions, and that business operations in Italy and in the United Kingdom proceed regularly regarding both clients and suppliers.

**Renato Soru in the Board of Directors**

On 19 March 2009, the Board of Directors of Tiscali S.p.A. appointed Renato Soru, founder and shareholder of the Company, as Director, successively nominated also by the Shareholders' Meeting on 30 April 2009.

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Chiara Dorigotti / Lisa Nanu  
 +390230901 253/209  
 ir@tiscali.com

**Press Office** Image Building

Mara Baldessari, Simona Vecchies  
 +39 0289011300 Email: [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

**Successive events after Q109**

**Appointment of the Board of Statutory Auditors**

On 30 April 2009, the ordinary shareholders' meeting of Tiscali appointed the new Board of Statutory Auditors, which will remain in this role until the approval of the financial statements at 31 December 2011. The following Auditors were nominated: Aldo Pavan (president); Piero Maccioni (statutory auditor); Andrea Zini (statutory auditor); Rita Casu (deputy auditor); Giuseppe Biondo (deputy auditor).

**Write downs and resolution pursuant to art. 2446 of the civil code**

On 30 April 2009, the Board of Directors presented a proposal of partial settlement of the losses accumulated at 31 December 2008 by the parent company Tiscali SpA by way of integral utilisation of the share premium reserve, carrying forward the remaining part of the losses equal to EUR 151.831 million. The loss of the parent company for 2008 operations was almost entirely due write downs of participation following annual impairment tests.

The Board of Directors did not retain opportune, in this state, to propose any modification to the share capital, neither an increase nor decrease, noting that the operating loss was determined in a significant way by write downs of equity investments, essentially linked to the exceptional market situation, as better explained in the financial statements closed at 31 December 2008.

**Disposal of Tiscali UK to the Carphone Warehouse Group PLC**

On 8 May 2009, Tiscali's Board of Directors approved the disposal for cash of 100% of the shares of Tiscali UK Ltd to Carphone Warehouse Group PLC, for an Enterprise Value of GBP 255.5 million. The closing of the operation is subject to the regulatory approvals and to completion of the Group's total debt reorganisation. In the context of the aforementioned operation, a settlement agreement is furthermore foresee with VNIL (minority shareholder and creditor of Tiscali UK) involving the repurchase of their minority share and the partial write off of the debt.

**Approval of debt reorganisation guidelines**

On 8 May 2009, the Board of Directors approved guidelines for the Group debt reorganisation plan, consistent the business plan of Tiscali Italia, which the credit institutions have been open to support. The objective of the reorganisation plan will be the reduction, rescheduling and the revision of the conditions of debt, also by the use of proceeds from the disposal of UK, as well as the reinforcement of the net worth endowments of the Group, to be realised through one or more share capital increases for a maximum of EUR 210 million, which will be entirely guaranteed, the execution of which is expected within the end of the current year. The debt reorganisation plan will be presented to the market as soon as all of the elements of the same are defined.

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Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

**Press Office** Image Building

Mara Baldessari, Simona Vecchies  
+39 0289011300 Email: [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

**The Board of Directors of Tiscali Italia SpA, 100% controlled by Tiscali SpA: resignation of Mario Rosso and appointment of Renato Soru**

On the 13<sup>th</sup> of May 2009, the Board of Directors of Tiscali Italia SpA, 100% controlled by Tiscali SpA has acknowledged the resignation of Mario Rosso from Chairman and CEO and has accepted the recommendation of Mario Rosso to appoint Renato Soru as Board member of Tiscali Italia SpA, of which he will be also be appointed Chairman and CEO during the forthcoming Board of Directors' meeting of the Italian subsidiary,.

Mario Rosso remains Chairman and CEO of the listed company Tiscali SpA.

■ **Business Plan**

The new Business Plan will be presented to the market after the signing of binding agreements in relation to the debt reorganisation and the conclusion of the disposal of Tiscali UK.

Moreover, please note that the measures implemented as of today and the agreements with the lending institutions which are being finalised and to be formalised confirm and provide further evidence to what has been represented by the Board of Directors to the Company's shareholders, the market and the independent auditors regarding business continuity, and in particular to the statement that *"the Board of Directors deems that, to date, a reasonable probability exists that a financial debt reorganisation of the Tiscali Group can be implemented, consistently with the expected cash flows and therefore suitable for supporting the new Business Plan."*

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Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

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**Press Office** Image Building  
Mara Baldessari, Simona Vecchies  
+39 0289011300 Email: [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

<b>CONSOLIDATE INCOME STATEMENT</b> (EUR 000)	<b>31st March 2009</b>	<b>31st March 2008</b>
Revenues	202,603	268,991
Other income	1,165	1,161
Purchase of materials and outsourced services	141,651	198,444
Payroll and related costs	19,929	22,807
Other Operating costs	1,146	1,192
<b>Gross operating result (adjusted EBITDA)</b>	<b>41,041</b>	<b>47,709</b>
Write-downs of receivables from customers	6,505	5,996
Stock options costs	162	1,542
<b>Gross operating result (EBITDA)</b>	<b>34,374</b>	<b>40,172</b>
Restructuring costs, provisions for risks and write-downs	3,331	12,954
Amortization	38,281	43,020
<b>Operating result</b>	<b>(7,238)</b>	<b>(15,802)</b>
Share of profit or losses of associates with equity method	(66)	-
Net financial income (expences) finanziari netti	(7,734)	(22,456)
Other net financial income (expences) finanziari netti	-	-
<b>Pre-tax result</b>	<b>(15,039)</b>	<b>(38,258)</b>
Income taxes	(491)	(90)
<b>Profit (Loss) from continuing operations</b>	<b>(15,530)</b>	<b>(38,348)</b>
Profit (Loss) from disposed operations and/or held for sale	(1,880)	(1,625)
<b>Net result</b>	<b>(17,410)</b>	<b>(39,973)</b>
Minority interest	(214)	(2,472)
<b>Net result of the Group</b>	<b>(17,196)</b>	<b>(37,501)</b>

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Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

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+39 0289011300 Email: [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)



<b>CONSOLIDATED BALANCE SHEET</b> (EUR 000)	<b>31 March 2009</b>	<b>31 December 2008</b>
<i>Non current assets</i>	880,399	890,896
<i>Current assets</i>	249,821	258,125
Assets held for sale	55,993	56,795
<b>Total Assets</b>	<b>1,186,213</b>	<b>1,205,817</b>
<b>Shareholders' Equity (Group)</b>	(12,363)	10,823
<b>Minority interests</b>	(6,260)	(6,046)
<b>Total shareholders' equity</b>	<b>(18,623)</b>	<b>4,777</b>
<i>Non current liabilities</i>	232,002	229,690
<i>Current liabilities</i>	950,957	949,076
Liabilities directly related to assets held for sale	21,877	22,274
<b>Total Shareholders' equity and liabilities</b>	<b>1,186,213</b>	<b>1,205,817</b>

*This press release contains some statements of an anticipatory nature founded on the current expectations or on projections about future events. The aforementioned anticipatory statements depend on known and unknown risks, uncertainties and considered presuppositions. Furthermore, this press release contains some pro forma financial information not subject to audit review. Tiscali does not assume any commitment to publicly update or modify the anticipatory statements, either because of new information, or because of future events or otherwise. In light of the aforementioned risks, uncertainties and presuppositions, the anticipatory statements contained in this press release could be unconfirmed. Each statement relative to past occurrences or activities is not to be considered as a statement that these occurrences or activities will continue in the future.*

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Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

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Mara Baldessari, Simona Vecchies  
+39 0289011300 Email: [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)

## **Declaration of the executive in charge of drawing up the Company's accounting documents**

*I, the undersigned Romano Fischetti, executive in charge of drawing up the Company accounting documents for Tiscali S.p.A., certify that pursuant to art. 154-bis, subsection 2, of the Legislative Decree 58/98, as subsequently modified, that the accounting information contained in the present press release corresponds to the documental results, the books and the accounting entries.*

### **Information about Tiscali**

*Tiscali S.p.A. (Italian Stock Market. Milan: TIS) is one of the principal alternative telecommunications companies in Europe. With one of the broadest and most interconnected networks based on IP technology in the world. Tiscali furnishes its clients, privates and companies, with a wide array of services: dial-up and ADSL Internet access, voice, VoIP, media, value added services and other technologically advanced products.*

*At 31 March 2009, Tiscali registered in Italy and in the UK a total of about 2.7 million active users. Of these, over 2.2 million subscribe to ADSL.*

*Tiscali's website can be found at [www.tiscali.com](http://www.tiscali.com).*

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Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
[ir@tiscali.com](mailto:ir@tiscali.com)

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### **Press Office** Image Building

Mara Baldessari, Simona Vecchies  
+39 0289011300 Email: [tlc@imagebuilding.it](mailto:tlc@imagebuilding.it)