

## The Tiscali Board of Directors approves the results of the first quarter 2010

Cagliari, 11 May 2010

The Board of Directors of Tiscali S.p.A. approved the results as at 31 March 2010.

- **Consolidated EBIT amounting to EUR 3.8 million, +133% YoY**
- **Net loss amounted to EUR 0.3 million, a considerable improvement of 98% compared to the first quarter of 2009 (minus EUR 17.2 million);**
- **Consolidated revenues at EUR 68.6 million (EUR 73.5 million in 1Q09), stable compared to the same figure of EUR 68.8 million in 4Q09; significant growth of the Business segment;**
- **EBITDA of the Group before provisions totalled EUR 18 million, substantially in line with the comparable figure of the 1Q09 (EUR 18.5 million)**
- **Net financial position at EUR 217.2 million, a substantial improvement of 65% YoY (EUR 629.8 million for the same period in 2009);**
- **Total Broadband and Voice customers at 672 thousand of which 598,000 ADSL (572K already active)**
- **Dual Play customers at 332 thousand + 27% YoY, +10% compared to 4Q09**

The Tiscali Board of Directors approved the quarterly report at 31 March 2010. The results confirm the success of the restructuring process and business recovery plan undertaken.

### **Tiscali Group: EBIT + 133% YoY, increase of Dual Play customers**

Tiscali Group revenues in the first quarter of 2010 levelled at EUR 68.6 million, slightly down from the EUR 73.5 million reported in the same quarter of 2009, however, substantially in line with the fourth quarter of 2009 (EUR 68.8 million).

In the first quarter of 2010, Internet access and voice services – the Group's core business – represented about three fourths of turnover. The gross operating result (adjusted EBITDA) before provisions amounted to EUR 18 million, substantially in line compared to the same period in 2009 (EUR 18.5 million); however, with profitability as a percentage of revenues up by 1 percentage point (26% in the first quarter of 2010 compared to 25% in 2009).

At 31 March 2010 the number of ADSL customers amounted to about 598 thousand (572 already active) compared to a figure of active users of 554,000 as of 31<sup>st</sup> March 2009. The number of customers already activated and connected to through the Tiscali network (unbundling) amounted to about 389 thousand, an increase compared to 31 March 2009 (about 373 thousand).

Over 332 thousand customers subscribed to the dual play offer (data and voice over the internet), with an increase of about 70 thousand compared to 31 March 2009, and 30 thousand customers compare to 4Q09. The customer base that uses dial-up access (narrowband) and CPS voice is around 113 thousand, a decrease compared to the first quarter of the previous year (237 thousand).

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## REVENUES BY BUSINESS LINE

### **Access: 48.7% of total revenues**

This segment, which includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services and the flat component of the bundled proposals, generated revenues during the quarter of EUR 33.4 million, representing around 48.7% of the Group's total revenues, down compared to the figure for the same period in 2009 (EUR 37.3 million), basically due to the decrease of the narrowband customer base, and however up compared to the fourth quarter of 2009 (EUR 32.6 million).

### **Voice: VoIP +4.5% YoY**

In the first quarter of 2010 the revenues from voice services were substantially in line with the previous period. The voice revenues of 2010 totalled EUR 24.2 million, compared to EUR 24.8 million in 2009. The total voice revenues included EUR 17.5 million for voice traffic components generated by VoIP services, an increase of 4.5% in the same period in 2009 (EUR 16.8 million).

### **Business services**

Revenues from business services (VPN, housing, hosting services, domains and leased lines), excluding those pertaining to access and/or voice products for the same customer base which are included in their respective business segments, amounted to EUR 6.4 million in the first quarter of 2010, a 88.2% increase over the EUR 3.4 million in 2009. This important increase in business revenues is due to the significant reorganization and strengthening of the business sales area implemented during the second half of 2009, and the enrichment of the portfolio.

### **Media and value added services**

In the first quarter of 2010, the revenues of the media and value added services segment (deriving from direct and indirect advertising by means of commercial agreements with search engines) amounted to EUR 3.1 million, down with respect to last year (EUR 6.3 million), but up compared to the fourth quarter of 2009 (ca EUR 2 million). This decreasing is mainly due to the lack of Google deal revenues coming from Tiscali.uk portal, out of the consolidated perimeter at the end of the second quarter 2009. While the increasing trend, compared to the 4<sup>th</sup> quarter 2009, is due to the effects of reorganizing the sales area where the company is focused to develop the business line in 2010, and, moreover, in the first quarter of this year several business agreements were stipulated to strengthen the Tiscali portal and dealer network of Tiscali:ADV.

## GROSS OPERATING RESULT (EBITDA)

The Gross Operating result (EBITDA) for the period, before provisions for risks, writedowns, depreciation and amortisation, was EUR 18 million, substantially in line compared to the EUR 18.5 million in 2009.

EBITDA net of writedowns of receivables and other provisions was EUR 14.4 million in the first quarter of 2010 (21% of revenues), a slight decrease compared to 2009 (EUR 15.0 million, 20% of revenues), but improving in terms of incidence on revenues.

During the first quarter of 2010, **indirect operating costs** stood at EUR 18.5 million (27% of revenues), a reduction of 21.6% compared to last year (EUR 23.5 million, 32% of revenues).

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2

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## OPERATING RESULT (EBIT)

The operating result (EBIT) for the first quarter of 2010, net of provisions, writedowns and restructuring costs, was positive for EUR 3.8 million, a considerable improvement with respect to the comparable figure in of 2009, equating to EUR 1.6 million (+ 133% YoY).

## NET RESULT

The Net Result for the Group is negative for EUR 0.3 million, a considerable improvement with respect to the loss of EUR 17.4 million in the previous year. The improvement is mainly due to the reduction in financial charges for EUR 15.6 million compared to the same period in the previous year.

## Financial position

At 31.03.10, the Tiscali Group held cash and cash equivalents totalling EUR 6.3 million, against a net financial debt, at the same date, of EUR 217.2 million (EUR 212.2 million at 31.12.09).

EUR mln	31.03.10	31.12.09
A. Cash	6.3	16.2
B. Other cash equivalents	0.6	0.6
C. Securities held for trading	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>6.9</b>	<b>16.8</b>
<b>E. Current financial receivables</b>	<b>5.9</b>	<b>6.4</b>
F. Non-current financial receivables	12.5	12.7
F. Current bank payables	13.8	13.6
G. Current portion of non-current debt	5.4	10.9
H. Other current financial payables (*)	9.3	10.8
<b>I. Current financial debt (G) + (H) + (I)</b>	<b>28.6</b>	<b>35.3</b>
<b>J. Net current financial debt (J) – (E)– (F) – (D)</b>	<b>3.2</b>	<b>(0.7)</b>
K. Non-current bank payables	155.5	152.9
M. Bonds issued	-	-
M. Other non-current payables (**)	58.5	59.0
<b>O. Non-current financial debt (L) + (M) + (N)</b>	<b>214.0</b>	<b>211.8</b>
<b>P. Net financial debt (K) + (O)</b>	<b>217.2</b>	<b>211.2</b>

(\*) includes payables for leasing contracts

(\*\*) includes payables for leasing contracts and amounts due to shareholders

For the sake of clarity, the table below provides a reconciliation of the above financial position with the statement prepared in accordance with Consob resolution DEM/6064293 dated 28 July 2006.

EUR mln	31.03.10	31.12.10
<b>Consolidated net financial debt</b>	<b>217.2</b>	<b>211.2</b>

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Other cash and cash equivalents and current and non-current financial receivables*	13.1	13.2
<b>Consob consolidated net financial debt</b>	<b>230.3</b>	<b>224.4</b>

\* Non-current financial receivables include the amount due from the buyer of TiNet Group (Talia) for EUR 6.3 million. Current financial receivables include the security deposit for the Sa Illetta property, amounting to EUR 6.3 million.

It should be mentioned that, as a prudent measure, the net financial position does not include the escrow account for the sale of UK assets, reported in the financial statements at EUR 31.4 million.

## Significant events during the first quarter of 2010

### Tiscali Italia S.p.A. new organization for customer support service

On 7 January 2010 Tiscali announced that as part of its program to relaunch on the Italian market, also by improving the quality of its technical and administrative customer support services and by optimizing internal resources, it has decided to internalize those services. Internalization of before sales and after sales customer support is considered a critical factor for success in the telecommunications industry, in addition to enabling the group to save on costs.

## Events subsequent to the end of the first quarter of 2010

### The General Shareholders' Meeting approves 2009 financial statements

On 28 April 2010 the Tiscali S.p.A. ordinary general shareholders' meeting, which met in Cagliari on second call, approved the 2009 financial statements, which reported rising EBITDA and EBIT. The figures in the draft financial statements were confirmed and approved by the Board of Directors on 26.03.10.

## Outlook and prospects

The company will focus its efforts in the implementation of the customer base, particularly with respect to the Dual Play customer base. Furthermore, with the enhancement of the business and online advertising sales force it is more likely to bring a widening of the revenue base in the respective areas, with the aim of totally take advantage of the network infrastructure and the web positioning of the brand Tiscali. Particular attention will be paid to the improvement of cash cycle with the massive customer base, together with the improvement of the ADSL customer activation procedure, with an decrease of the average rate of activation time and increase of redemption.

The quarterly report on operations at 31 March 2010 shall be disclosed to the public in the manner and terms prescribed by law.

<b>CONSOLIDATED INCOME STATEMENT</b> <i>(EUR mln)</i>	<b>31 March 2010</b>	<b>31 March 2009</b>
<b>Revenues</b>	<b>68.6</b>	<b>73.5</b>
Other income	0.6	1.2
Purchase of materials and outsourced services	41.8	43.6
Payroll and related costs	11.1	11.5
Other operating charges (income)	(1.8)	1.1
<b>Gross Operating Result (Adjusted EBITDA)</b>	<b>18</b>	<b>18.5</b>
Writedowns of receivables from customers	3.6	3.4
Stock option plan cost	0.03	0.2
<b>Gross Operating Result (EBITDA)</b>	<b>14.4</b>	<b>15.0</b>
Restructuring costs, provisions for risk reserves and writedowns	0.1	0.5
Amortisation/depreciation	10.4	12.9
<b>Operating result</b>	<b>3.8</b>	<b>1.6</b>
Share of results of equity investments carried at equity	-	<b>(0.07)</b>
Net financial income (charges)	(4.1)	(19.7)
<b>Pre-tax result</b>	<b>(0.2)</b>	<b>(18.1)</b>
Income taxes	-	(0.5)
<b>Net result from operating activities (on-going)</b>	<b>(0.2)</b>	<b>(18.6)</b>
Result from assets disposed of and/or destined to be disposed of	(0.1)	1.2
<b>Net result</b>	<b>(0.3)</b>	<b>(17.4)</b>
Minority interests	-	<b>(0.2)</b>
<b>Group Net Result</b>	<b>(0.3)</b>	<b>(17.2)</b>

<b>CONSOLIDATED BALANCE SHEET</b> <i>(EUR mln)</i>	<b>31 March 2010</b>	<b>31 December 2009</b>
Non-current assets	235.6	239.6
Current assets	185.0	188.9
Assets held for sale	-	-
<b>Total Assets</b>	<b>420.6</b>	<b>428.6</b>
Group shareholders' equity	(67.7)	(67.0)
Shareholders' equity pertaining to minority shareholders	-	-
<b>Total Shareholders' equity</b>	<b>(67.7)</b>	<b>(67.0)</b>
Non-current liabilities	251.2	239.3
Current liabilities	236.2	255.4
Liabilities directly related to assets held for sale	0.9	0.9
<b>Total Liabilities and Shareholders' equity</b>	<b>420.6</b>	<b>428.6</b>

## STATEMENT OF THE APPOINTED MANAGER

*I, the undersigned, Luca Scano, manager in charge of drawing up the corporate accounting documents of Tiscali SpA, declare – pursuant to Article 154-bis(2) of the Italian Finance Consolidation Act – that the quarterly results contained in this press release correspond to the accounting documents, books and records of the parent company and to the information provided by the companies included in the consolidation area.*

Luca Scano



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*Executive appointed to draw up the corporate 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 primary telecommunications companies in Italy. Tiscali provides its private and corporate customers with a wide range of services: internet access through dial-up and ADSL, as well as voice, VoIP, media, and value-added services and other technologically advanced products.

As of 31<sup>st</sup> March 2010 Tiscali had a total of 722 million active users in Italy, 572 thousand of which are ADSL users and 332 thousand are dual play customers.

Visit the Tiscali website at [www.tiscali.it](http://www.tiscali.it)

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