

## Tiscali's Board of Directors approves the results for the first quarter of 2011

Cagliari, 12 May 2011

Tiscali S.p.A.'s Board of Directors has approved the results as at 31 March 2011.

- Consolidated revenues amounting to EUR 69 million, a slight increase with respect to the same results from the 1st Q of 2010;
- Group EBITDA before provisions increased to EUR 18.5 million YoY, Ebitda after provisions equalled EUR 11.2 million;
- Group net loss of EUR 6.4 million, compared with a loss of EUR 0.3 million in 1st Q of 2010;
- Positive free cash flow at EUR 5.5 million;
- Negative net financial position of EUR 202.4 million, an improvement of 12% YoY, compared with a negative balance of EUR 230.3 million in the same period of 2010;
- Dual Play users up 10% YoY and mobile users nearly triple YoY (99 thousand); total Broadband and Voice customers amount to 569 thousand, of which 541 thousand ADSL.

Tiscali's Board of Directors has approved the quarterly report as at 31 March 2011. Despite the difficulties deriving from the important financial restructuring process faced by the company, the results confirm the validity of this process and the commercial relaunch undertaken.

### Tiscali Group: Revenues in line YoY

Tiscali Group revenues during the first quarter of 2011 came to EUR 69 million, a slight increase with respect to the balance of EUR 68.6 million recorded in the same quarter of 2010.

During the first quarter of 2011, internet access and voice services – the Group's core business – represented around 86% of total turnover. The Gross Operating Result (adjusted EBITDA) before provisions came to EUR 18.5 million, a slight increase of 2.8% with respect to the figure for the same period in 2010 (EUR 18 million).

As at 31 March 2011, ADSL customers came to around 541 thousand (net of approximately 13 thousand ADSL lines cancelled in the quarter), compared with an activated client figure as at 31 March 2010, of around 572 thousand. The number of clients already activated and linked via the Tiscali network infrastructure (unbundling) came to around 370 thousand (389 thousand units in Q1 2010).

In the first quarter 2011, the number of Dual Play customers is equal to 366 thousand, up 10% YoY (332 thousand in 1Q2010); at the same time, total mobile customers numbered 99 thousand, nearly triple with respect to the corresponding YoY figure.

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The unbundling network coverage in Italy at 31 March 2011 amounted to 687 sites, up around 6% with respect to the number of sites as at 31 March 2010 (651).

## REVENUES BY BUSINESS LINE

### **Access: equal to 45% of total revenues**

The segment in question, which includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services and the flat component of the bundled offers, generated revenues during the quarter of EUR 31.3 million, representing around 45% of the Group's total revenues, down slightly compared to the figure for the same period in 2010 (EUR 33.4 million), mainly as a result of the natural reduction in the narrowband component.

### **Voice: + 16.1% YoY**

During the first quarter of 2011, voice service revenues were up with respect to the previous year. In absolute value, voice revenues during the first quarter of 2011 amounted to EUR 28.1 million, an increase of 16.1% compared to EUR 24.2 million in 2010. Total voice revenues, EUR 19.1 million, concern the voice traffic components generated by the VoIP services, up 9% on the same period in 2010 (EUR 17.5 million).

### **Business Services: 6% of revenues**

Revenues from business services (VPN, housing, hosting services, domains and leased lines and IT services), excluding those from access and/or voice products for the same customer base already included in their respective business segments, amounted in the first quarter of 2011 to EUR 4 million, down 37.5% with respect to the EUR 6.4 million in the same period of 2010. The decrease in these revenues is mainly due to the negative effect on the revenues deriving from minor volumes generated by the outsourcing of Tiscali UK.

### **Media and value added services: + 52% YoY**

In the first quarter of 2011, the revenues in the media and added value segment (linked to direct and indirect advertising through commercial contracts with search engines) amounted to EUR 4.7 million, an increase of 52% compared to the figure for the 1st Q of 2010 (EUR 3.1 million). The excellent results achieved and the net improvement with respect to the previous year is due to the effects of the sales area reorganisation, involving the entering into of several new commercial agreements aimed at enhancing the portal and the Tiscali ADV dealer network and the increase of traffic on the Tiscali.it portal and other network properties. In Q1 2011, all of the network websites recorded over 2.8 billion page views, an increase of 22% on the figures for Q1 2010 (over 2.3 billion page views).

## GROSS OPERATING RESULT (EBITDA)

The Gross Operating Result (adjusted EBITDA) for the period, before provisions for risks, write-downs, depreciation and amortisation, came to around EUR 18.5 million, a slight increase with respect to the corresponding balance of EUR 18 million in the first quarter of 2010.

EBITDA net of write-downs of receivables and other provisions was EUR 11.2 million in the first quarter of 2011, compared with EUR 14.4 million in the same period of 2010. The reduction is mainly due to depreciation and the sharp increase in the provision for doubtful accounts, a direct result of policies of debt collection and bad debt write-down of positions taken in prior years dating back to the course of 2010 and first quarter of 2011.

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**Indirect operating costs** during the first quarter of 2011 came to EUR 16.2 million (23% of revenues), a reduction of 12.4% when compared with the same balance last year (EUR 18.5 million, 27% of revenues).

## OPERATING RESULT (EBIT)

The operating result (EBIT) for the first quarter of 2011, net of provisions, write-downs and restructuring costs, was a loss of around EUR 2.3 million with respect to the positive balance for 2010, equating to EUR 3.8 million. The reduction is mainly due to depreciation and the sharp increase in the provision for doubtful accounts, as above described. Despite this, there was an improvement in EBIT of 8% when compared with the 4th Q of 2010 (negative balance of EUR 2.5 million).

## NET PROFIT (LOSS)

The Group presented a net loss of EUR 6.4 million, down with respect to the same figure in 2010 (EUR 0.3 million), but an improvement of around 28% when compared with the 4th Q of 2010 (a net loss of EUR 8.9 million).

## Financial position

As at 31 March 2011, the Tiscali Group held cash, cash equivalents and bank deposits totalling EUR 8.9 million, against a net financial debt, at the same date, of EUR 196 million (EUR 197.6 million as at 31 December 2010).

EUR mln	Notes	31 March 2011	31 December 2010
A. Cash and Bank deposits		8.9	10.3
B. Other cash equivalents		0.1	0.4
C. Securities held for trading		-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>9.0</b>	<b>10.8</b>
<b>E. Current financial receivables</b>		<b>-</b>	<b>-</b>
F. Non-current financial receivables	(1)	6.3	6.3
G. Current bank payables	(2)	10.5	12.8
H. Current portion of non-current debt	(3)	15.6	17.0
I. Other current financial payables (*)	(4)	1.2	1.5
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>27.3</b>	<b>31.2</b>
<b>K. Net current financial debt (J) – (E) – (D) – (F)</b>		<b>11.9</b>	<b>14.2</b>
L. Non-current bank payables	(5)	125.6	124.7
M. Bonds issued		-	-
N. Other non-current payables (**)	(6)	58.5	58.7
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>184.1</b>	<b>183.4</b>
<b>P. Net Financial Debt (K) + (O)</b>		<b>196.0</b>	<b>197.6</b>

(\*) includes leasing payables

(\*\*) includes leasing payables and payables due to shareholders

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**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 15.6 million relating to payables to Senior Lenders (principal and interest portions repayable within 12 months);
- (4) Includes EUR 1.2 million of short-term leasing of the subsidiary Tiscali Italia S.p.A.;
- (5) The entire amount of EUR 125.6 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 58.5 million.

In order to ensure consistency with the data provided in previous reports, the above table includes guarantee deposits under other cash equivalents and non-current financial receivables. The table below provides a reconciliation of the above financial position with the same statement prepared in accordance with Consob Communication DEM/6064293 dated 28 July 2006, so as to provide clarity.

EUR mln	31 March 2011	31 December 2010
<b>Consolidated net financial debt</b>	<b>196.0</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>202.4</b>	<b>204.3</b>

During the quarter, investments totalling approximately EUR 8 million have been made, primarily relating to the acquisition of new clients. In the quarter, the company recorded a positive free cash flow of EUR 5.5 million

## Significant events during the first quarter of 2011

### Collection of the last portion of the Tiscali UK Escrow

On 17 March 2011, the last portion of the escrow was collected, deriving from the sale of Tiscali UK Ltd for a total of GBP 1,250,000. In pursuance of the GFA agreements, this amount was intended to partially repay the Senior Loan, on 22 March 2011.

### Tiscali S.p.A.: 2010 draft financial statements approved

On 25 March 2011, Tiscali's Board of Directors approved the 2010 draft financial statements.

## Significant events after the end of the first quarter of 2011

### The shareholders' meeting approves the 2010 financial statements

On 29 April 2011, Tiscali S.p.A.'s ordinary shareholders' meeting, held in Cagliari in second calling, approved the 2010 financial statements. The figures from the draft financial statements were confirmed, as approved by the Board of Directors on 25 March 2011.

### Partial repayment of the Senior Loan

On May 10, 2011 were repaid 5.5 million of the Senior Loan, already reclassified as financial liabilities in the short term.

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## **Business outlook and prospects**

The Company will continue to concentrate its operational efforts on the expansion of the user base, with particular attention to the increase in dual play customers. Furthermore, the enhancement of the commercial business and advertising sales structure may lead to an increase in revenues in the respective areas, fully exploiting the network infrastructure and the web positioning of the Tiscali brand.

Particular attention will be paid to the improvement of the collection cycle vis-à-vis bulk customers as well as the improvement of the ADSL customer activation procedures, with a consequent decrease in the average activation times and rise in the redemption. Furthermore, specific focus will be concentrated on the development activities of the FTTH network in the selected areas thanks to the partnership with ZTE.

The results presented confirm the endeavour made by management with regard to the operational management so as to maintain satisfactory performances despite the difficult macro-economic context and particularly challenging competitive market situation.

The Group's senior debt includes financial and operating covenants. As at 31 March 2011, said covenants had been observed.

Note that the interim management report as at 31 March 2011 shall be made available to the general public as per the formalities and within the deadlines laid down by law.

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<b>CONSOLIDATED INCOME STATEMENT</b> (EUR mln)	<b>31 March 2011</b>	<b>31 March 2010</b>
<b>Revenues</b>	69.0	<b>68.6</b>
Other income	2.8	0.6
Purchase of materials and outsourced services	42.8	41.8
Payroll and related costs	9.5	11.1
Other operating (income) charges	1.0	(1.8)
<b>Gross Operating Result (Adjusted EBITDA)</b>	<b>18.5</b>	<b>18</b>
Write-downs of receivables from customers	7.3	3.6
Stock option plan cost	-	-
<b>Gross Operating Result (EBITDA)</b>	<b>11.2</b>	<b>14.4</b>
Restructuring costs, provisions for risk reserves and write downs	0.5	0.1
Amortisation/depreciation	13.0	10.4
<b>Operating result (EBIT)</b>	<b>(2.3)</b>	<b>3.8</b>
Share of results of equity investments valued using the equity method	-	-
Net financial income (charges)	(3.6)	(4.1)
<b>Pre-tax result</b>	<b>(5.9)</b>	<b>(0.3)</b>
Income taxes	(0.5)	-
<b>Net result from operating activities (on-going)</b>	<b>(6.4)</b>	<b>(0.2)</b>
Result from assets disposed of and/or destined for disposal	-	(0.1)
<b>Net result</b>	<b>(6.4)</b>	<b>(0.3)</b>
Minority interests	-	-
<b>Group Net Result</b>	<b>(6.4)</b>	<b>(0.3)</b>

	31 March 2011	31 December 2010
<b>CONSOLIDATED BALANCE SHEET</b>		
(EUR mln)		
Non-current assets	216.0	221.4
Current assets	143.1	145.5
Assets held for sale	-	-
<b>Total Assets</b>	<b>359.1</b>	<b>366.9</b>
Group shareholders' equity	(98.4)	(92.0)
Shareholders' equity pertaining to minority shareholders	-	-
<b>Total Shareholders' equity</b>	<b>(98.4)</b>	<b>(92.0)</b>
Non-current liabilities	207.8	206.9
Current liabilities	248.8	251.1
Liabilities directly related to assets held for sale	0.9	0.9
<b>Total Liabilities and Shareholders' equity</b>	<b>359.1</b>	<b>366.9</b>

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## STATEMENT OF THE APPOINTED EXECUTIVE

*I, the undersigned, Luca Scano, executive in charge of drawing up the corporate accounting documents of Tiscali SpA, declare – pursuant to Article 154.2 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



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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 31 March 2011 Tiscali reported around 707 thousand customers in Italy, of which around 541 thousand ADSL. Of these, around 366 thousand are Dual Play customers*

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

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