

## Tiscali: Information to the market

Cagliari, 31st July 2009

In compliance with Consob's request sent to the Company on 14 July 2009, pursuant to Article 114 comma 5 of Law Decree N. 58/98 the Company is providing the following additional information on the Tiscali Group. The figures herein below are indicative and may be subject changes upon approval of first half 2009 figures, foreseen for 27<sup>th</sup> August 2009.

We note that Consob's request refers to the financial statements of Tiscali S.p.A as of 31st December 2008, approved by the Shareholders' Meeting of Tiscali S.p.A on 30<sup>th</sup> April 2009, for which the auditing company Ernst&Young had declared itself unable to express an opinion because of the uncertainties expressed on going concern.

It is also important to be noted that the auditing firm Ernst&Young itself, as a result of significant corporate events including the signing of the agreements for the debt restructuring on 3<sup>rd</sup> July 2009, in the Information Document concerning the sale of Tiscali UK, has recognized that the Tiscali Group has launched a series of measures aimed at overcoming the uncertainties mentioned. In particular: (i) the disposal of the Tiscali UK Ltd has been completed; (ii) the cash in from the sale was utilised primarily for the repayment of the indebtedness of the Group, (iii) the Shareholders' meeting of Tiscali S.p.A has resolved a capital increase to be offered to existing shareholders aimed to cover the additional debt, (iv) agreements with key lenders were entered into, who, on the one hand, have committed to subscribe the capital increases and, on the other hand, have agreed to renegotiate the contractual terms of the debt that will remain with the Group upon completion of the transactions described above."

PRESS RELEASE

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## Net Financial position of Tiscali Group and of Tiscali S.p.A, highlighting short term and long term debt

<i>EUR (000)</i>		Tiscali Group 30 June 2009	Tiscali S.p.A. 30 June 2009
	<i>Note</i>		
A. Cash		29,167	4,859
B. Other cash equivalents		-	-
C. Securities held for trading		-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>29,167</b>	<b>4,859</b>
<b>E. Current financial payables</b>		<b>2,616</b>	<b>2,616</b>
F. Non-current financial payables		<b>6,308</b>	<b>473</b>
G. Current bank payables	(1)	537,171	645
H. Current portion of non-current debt		-	-
I. Other current financial payables		10,106	-
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>547,277</b>	<b>645</b>
<b>K. Net current financial debt (J) - (E) - (D) - (F)</b>		<b>509,186</b>	<b>(7,304)</b>
L. Non-current bank payables		-	-
M. Bonds issued		-	-
N. Other non-current payables	(2)	102,117	-
<b>O. Non-current financial debt (L) + (M) + (N)</b>		<b>102,117</b>	<b>-</b>
<b>P. Net financial debt (K) + (O)</b>		<b>611,303</b>	<b>(7,304)</b>

Note:

(1) Debt towards the Senior Lenders, including accrued interests

(2) Includes debt for leasing and shareholder's loan

The net financial position above refers to the Tiscali Group but does not include the subsidiary Tiscali UK, sold to the Carphone Warehouse Group on 3 July 2009.

The net indebtedness, however, does not simulate the effects of the sale of Tiscali UK subsidiary, the proceeds of which were utilised for partial reimbursement of the debt towards the Senior Lenders, nor of the restructuring of financial debt to the Senior Lenders signed on July 3 2009.

In particular, following the sale of Tiscali UK, the Tiscali Group has repaid the Senior Lenders an amount equal to about EUR 208 million.

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Thus, the net financial debt, adjusted for the amounts indicated above, would equal about EUR 400 million. The amount would be further reduced (by more than EUR 200 million) after the implementation of the capital increases approved by the Extraordinary Shareholders' meeting of Tiscali S.p.A on 30<sup>th</sup> June 2009.

## **Overdue debt positions of the Tiscali Group as of 30<sup>th</sup> June 2009**

On 30 June 2009, overdue trade payables, net of payment plans negotiated with suppliers, amounted to ca EUR 64 million.

There were also overdue tax debts for approximately EUR 5 million.

There are no overdue debts towards the employees or the social security system.

## **Possible reaction of the creditors of the Group at 30 June 2009**

On 30<sup>th</sup> June 2009, there were nor solicitations nor requests for payment, outside of those within the ordinary course of business.

The injunctions for payment received by the Company, which are still being negotiated or opposed to, amounted to a total of EUR 1.28 million. In addition there was a civil proceeding before a court in California (USA) for an amount equal to about USD 1 million. No actions were taken to suspend supply.

## **Relationships with related parties of Tiscali S.p.A Tiscali and the Group**

During the 1st half of 2009, the Tiscali Group has had some dealings with related parties on terms deemed customary in the respective reference markets, taking into account the characteristics of goods and services provided.

In the table below the economic and assets values for the Group Tiscali as of 30 June 2009 arising from transactions with related parties are summarised.

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<b>INCOME STATEMENT VALUES</b>			
<i>EUR (000)</i>	Note	<b>Tiscali Group 30 June 2009</b>	<b>Of which: Tiscali S.p.A. 30 June 2009</b>
Shardna	1	-	-
Interoute	2	(283)	-
Andalas Ltd	3	(969)	-
<b>Total</b>		<b>(1,252)</b>	<b>-</b>

  

<b>BALANCE SHEET VALUES</b>			
<i>EUR (000)</i>	Note	<b>Tiscali Group 30 June 2009</b>	<b>Of which: Tiscali S.p.A. 30 June 2009</b>
Shardna	1	331	-
Interoute	2	(1,186)	-
Andalas Ltd	3	(30,847)	-
<b>Total</b>		<b>(31,702)</b>	<b>-</b>

(1) *Shardna S.p.A.*: company invested in by the majority shareholder Renato Soru. The dealings, maintained by the Parent Company, relate to the sub-letting of the Tiscali offices in the suburbs of Cagliari.

(2) *Interoute*: group entirely owned by the Sandoz Family Foundation, shareholders of Tiscali S.p.A with a stake, directly and indirectly ca 6,9% of the share capital.

(3) The shareholder *Andalas Limited* granted a loan in 2004 bearing interest at market rates.

It is to be highlighted that, as previously communicated to the market, under the restructuring plan of the outstanding debt of the Tiscali Group, Dr Renato Soru, the owner, directly and indirectly, of a stake in Tiscali S.p.A equal to about 20% of its share capital, in addition to giving its support to the resolutions necessary to implement the restructuring plan has also renewed its commitment to the Company to underwrite the first capital increase for maximum EUR 190 million (as approved by Tiscali S.p.A on 30<sup>th</sup> June 2009), pro rata, up to a maximum amount equal to EUR 32 million. This commitment underwriting formalised on 2 July 2009 between the Company, its subsidiary Tiscali Finance SA, Renato Soru and the vehicle Andalas Ltd, will be fulfilled by the mechanism of compensation of claims from Andalas Ltd towards Tiscali S.p.A as a result of Tiscali S.p.A undertaking, under certain conditions (including the effective implementation of the above share capital), the debt by Tiscali Finance SA amounting to approximately Euro 30.8 million at 30.06.09.

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## **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's 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 this press release corresponds to the documental results, the books and the accounting entries.*

Romano Fischetti



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*Executive in charge of drawing up the Company's accounting documents*

### **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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