

Tiscali: Board of Directors approves results as at 30 September 2008

- Revenues for nine-month period at EUR 783.2 million, up by 27% year on year
- Revenues for three-month period at EUR 248.0 million, up by 12% year on year

- EBITDA¹ for nine-month period at EUR 146.4 million, up by 41% year on year
- EBITDA for three-month period at EUR 50.6 million, up by 22% year on year

- 3.1 million active users at 30 September 2008, of which ca 2.4 million ADSL subscribers: increase of 427 thousands “dual play” (ADSL + Voice) customers year on year

Cagliari, 12th November 2008

Tiscali Group’s revenues in the first nine months of 2008 totalled EUR 783.2 million, an increase of 27% with respect to the figure of EUR 614.3 million reported in the same nine-month period in 2007. Tiscali Group revenues in the third quarter of 2008 amounted to EUR 248.0 million, up by 12% on the EUR 221.3 million reported in the third quarter of 2007. The 2008 figure includes both organic growth and growth via external channels in relation to the acquisition of Pipex in the UK².

During the first nine months of 2008, internet access and voice services - the Group’s ‘core business’ - represented around 87% of total turnover. The Gross Operating Income (Adjusted EBITDA) before provisions came to EUR 146.4 million, up by 41% with respect to the Adjusted EBITDA of EUR 103.5 million reported during the first nine months of 2007. During the third quarter of 2008, the adjusted EBITDA amounted to EUR 50.6 million, up by 22% when compared with the figure of EUR 41.6 million recorded in the third quarter of 2007.

At 30 September 2008, there were over 3 million active users, of which ca 2.4 million ADSL users; this figure includes ca 1.3 million direct customers (LLU) and ca 1.1 million customers who acquire ‘bundled’ services (voice with VoIP and CPS and internet access). ARPU both in Italy and UK remain unchanged despite the increased competitive pressure and the devaluation of the pound sterling against the Euro.

The first nine months of 2008 have seen an improvement of the net financial position, with a reduction of net debt of EUR 78.5 million and of EUR 22.2 million in Q32008. Furthermore, it is to be highlighted that the Group generated a positive operative cash flow generated in the third quarter of 2008, of EUR 8.5 million before the repayment of the bank debt interests.

¹ Adjusted EBITDA before provisions

² During the quarter and the nine months ended as at 30 September 2008, the subsidiaries in Germany and the Czech Republic (no longer operational after the disposal of the related assets and currently in liquidation) have been included under continuing operations and consequently have been reflected in the individual lines of the quarterly and nine-month profit and loss account.

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■ REVENUES AND RESULTS BY GEOGRAPHIC AREA

Italy: ADSL Revenues +24%, Voice +36% YoY

During the first nine months of 2008, Tiscali Italia SpA generated revenues of EUR 235.0 million, up by 10% with respect to the EUR 213.5 million in the same period during 2007. Revenues from ADSL and voice services, the Italian subsidiary's core business, posted a higher growth rate. In detail, revenues from ADSL access services came to EUR 92.1 million, up by 24% when compared with the EUR 74.1 million during the first nine months of 2007. Voice revenues amounted to EUR 69.4 million, up by 36% with respect to the first nine months of 2007 (EUR 50.9 million).

Group's revenues in Italy during the third quarter of 2008 amounted to EUR 76.9 million, up by 4% when compared with the same period in the previous year (EUR 73.8 million). Revenues deriving from ADSL access services, approximately EUR 33 million, were up by 26% when compared with the EUR 26 million in the third quarter of 2007. Voice revenues in the third quarter of 2008 amounted to around EUR 24 million, up by 22% when compared with the third quarter of last year.

At 30 September 2008, Tiscali saw a net increase of around 63 thousand new ADSL customers in Italy versus 30 September 2007, which took the total of customers using this service to over 581,000 of which more than 371,000 direct customers linked up via the Tiscali network infrastructure (unbundling).

Customers who at 30 September 2008 subscribed to double play services (data and voice via the internet) came to around 244 thousand, 110 thousand new customers with respect to the total of double play customers in Italy at 30 September 2007. The customer base that utilizes dial-up access services (narrowband) and CPS voice are about 325 thousand.

Tiscali Italia S.p.A ended the first nine months of 2008 with a **gross operating result (adjusted EBITDA)** of EUR 46.4 million, compared with a figure of EUR 48.3 million in the first nine months of 2007. By contrast, the Gross Margin, an indicator of the Italian subsidiary's industrial performance, rose by 10% on an annual basis and was constant in terms of its percentage of revenues. The decrease in the result was therefore entirely due to the increase in operating costs, which rose from EUR 72.3 million in the first nine months of 2007 to EUR 85.1 million in the first nine months of 2008 (+ 18%) and, as part of the same, marketing costs up by 17% in absolute value. At **operating result (EBIT)** level, Tiscali Italia S.p.A during the first nine months of 2008 generated a loss of EUR 3.4 million (positive balance of EUR 2.4 million in the same period in 2007), against a positive result in the third quarter of 2008 of EUR 5.8 million (EUR 5.7 during the third quarter of 2007).

United Kingdom: ADSL Revenues +20%, Voice +109% YoY

During the first nine months of 2008, Tiscali UK generated EUR 534.6 million in revenues, up by 35% when compared with the first nine months of 2007 (revenues totalling EUR 394.6 million). This performance is the result of both organic growth and that by external channels, via the acquisition of Pipex in September 2007.

UK operations also saw the highest growth rates in the ADSL and Voice segments. In fact, ADSL access services reported EUR 295.1 million in revenues (55% of total revenues) in the first nine months of 2008, up by 20% when compared with the figure of EUR 245.8 million in the same period in 2007. Voice services, which also include analogue products sold alongside ADSL services, generated revenues of EUR 183.3 million, an increase of 109% on the EUR 87.8 million for the same period in 2007.

Revenues in the UK during the third quarter of 2008 amounted to EUR 165.9 million, up by 17% when compared with the same period in the previous year (EUR 141.4 million). Revenues deriving from ADSL Services, around EUR 84 million, are essentially stable with respect to the third quarter of 2007, but with a greater incidence of dual and multiplay revenues. Voice revenues during the third quarter of 2008 amounted to around EUR 64 million, up 77% when compared with the third quarter of the previous year.

Tiscali UK's ADSL customers at 30 September 2008 came to more than 1,774,000, of which around 889,000 direct customers (ULL), and approximately 887,000 customers who subscribe to dual play services.

The ARPU for broadband and retail voice services in the UK during the first nine months of the year stood at EUR 28 a month, stable when compared with 2007 net of the exchange effect, despite the greater competitive pressure.

The **gross operating result (adjusted EBITDA)** generated by the subsidiary Tiscali UK during the first nine months of 2008 came to EUR 82.9 million (16% of revenues), with growth of 41% when compared with the EUR 58.6 million (15% of revenues) in the first nine months of 2007. The increase is attributable - in the face of essential stability in the industrial margin - to the acquisition of Pipex and the drop in indirect costs, as a percentage of revenues.

Performance at **operating result level (EBIT)** during the first nine months of 2008 - net of restructuring costs for EUR 35.4 million linked to the acquisition of Pipex - came to a loss of EUR 18.4 million, an improvement with respect to the loss of EUR 21.7 million in the first nine months of 2007. The loss of EUR 53,8 million, up with respect to the loss of EUR 25.1 million in the first nine months of 2007, is attributable to restructuring costs and net interests (EUR 107.7 million in September 2008 compared with EUR 51.9 million in 2007).

■ **REVENUES BY BUSINESS LINE**

Access: ADSL Revenues +21% YoY

This segment includes revenues from broadband (ADSL) and *narrowband* (dial-up) internet access services and the flat rate component of the bundled services, and generated revenues during the first nine months of the year of EUR 427.6 million, representing around 55% of total Group revenues in the period under review, an increase of around 12% compared to the figure for the same period in 2007 (EUR 381.3 million). An analysis of ADSL revenues on their own,

which include the flat rate component of bundled access and voice service offers, reveals an increase during the first nine months of 2008 when compared with the same period in 2007 of 21% (EUR 387.1 million as against EUR 319.9 million).

Access revenues during the third quarter of 2008 amounted to EUR 128.6 million, equating to 52% of total revenues. Of this figure, EUR 117.6 million derives from ADSL access services, up by 5% when compared with the figure for the third quarter of 2007.

At 30 September 2008, total ADSL customers totalled around 2.4 million, of which around 1.3 million were direct, i.e. connected via the Tiscali unbundling (ULL) network.

Voice: +79% YoY

The voice segment includes both the traditional telephone services and a component of the variable traffic generated by voice services on IP offered jointly with internet access. These services have enabled the achievement of significant growth in revenues during the first nine months of 2008 (+79%) when compared with the same period last year, especially thanks to the offers of voice products (both in analogue and VoIP mode) provided to customers together with access services. The voice revenues during the first nine months of 2008 totalled EUR 252.8 million, compared to EUR 141.0 million in the first nine months of 2007. Total revenues for the first nine months of 2008 included EUR 92.6 million for the voice traffic components generated by the VoIP services.

Voice revenues during the third quarter of 2008 amounted to EUR 87.8 million, equating to 35% of total revenues, up by 55% when compared with the figure in the third quarter of 2007 (EUR 56.7 million). This growth is partly attributable to the acquisition of the customers of the Pipex voice division.

Total voice revenues during the third quarter of 2008, EUR 26.2 million, concern the voice traffic components generated by VoIP services. Total Group revenues include EUR 117.6 million deriving from ADSL access services, up by 5% with respect to the figure in the third quarter of 2007.

Business services: +29 YoY

During the first nine months of 2008, revenues from business services (VPN services, housing, hosting, domains and leased lines), which do not include revenues from access and/or voice products for the same customer base that are included within their respective business lines, amounted to EUR 55.2 million, a 29% increase with respect to the EUR 42.7 million in the first nine months of 2007. This figure reflects the acquisition of Pipex B2B users in the UK and a greater focus on the development of services in Italy.

During the third quarter of 2008, the revenues in this segment amounted to EUR 19.3 million, an increase of 22% when compared with the same figure in 2007.

Media and value added services

During the first nine months of 2008, revenues for this segment (deriving from direct and indirect advertising via commercial agreements with search engines) amounted to EUR 35.8 million, or 5% of total revenues. This business line does not include revenues deriving from the sale of contents which are classified under the access line.

■ **GROSS OPERATING RESULT (EBITDA): +41% YoY**

The adjusted Gross Operating Result (EBITDA) during the first nine months of 2008, before provisions to risk reserves, write downs and amortisation/depreciation, came to EUR 146.4 million, up by 41% when compared with the figure of EUR 103.5 million in the same period in 2007. During the third quarter of 2008, the adjusted Gross Operating Result (EBITDA) came to EUR 50.6 million, up by 22% with respect to the result in the third quarter of 2007 (EUR 41.6 million).

EBITDA net of the write down of receivables and other provisions came to EUR 118.7 million during the first nine months of 2008 (+38% compared to EUR 86.2 million in the first nine months of 2007), while in the quarter the EBITDA totalled EUR 43.9 million, up by 27% when compared with the same figure for the third quarter of 2007 (EUR 34.6 million). The increase in the item writedown of receivables and other provisions is due to the provision relating to stock options costs for EUR 5.2 million, as well as the adoption of more restrictive policies on Italy.

Indirect operating costs in the first nine months came to EUR 225.7 million (29% of revenues), down in terms of percentage of revenues when compared with the result for the first nine months of the previous year (EUR 182.7 million, 30% of revenues).

During the third quarter of 2008, indirect operating costs came to EUR 62.5 million (25% of revenues), down in terms of percentage of revenues when compared with the third quarter of 2007 (EUR 61.2 million, 28% of revenues).

■ **OPERATING RESULT (EBIT)**

The Operating Result during the first nine months of 2008, net of provisions and restructuring costs, was a loss of EUR 50.7 million, when compared with the same figure in the first nine months of 2007 (a loss of EUR 36.3 million) due to additional amortization/depreciation and a review of the provision policy for amounts due from customers with a more prudent approach. During the third quarter of 2008, the Operating Result, net of provisions and restructuring costs, came to a loss of EUR 17.9 million with respect to the loss of EUR 7.8 million in the third quarter of the previous year, for the same dynamics as above.

■ **NET RESULT**

The net result during the first nine months of 2008 presented a negative balance of EUR 98.2 million, compared with a net loss of EUR 87.6 million (relating to continued operations) in the first nine months of 2007. The figures reflects net interest expense totalling EUR 64.4 million principally linked to the loan granted by Banca IMI and JPMorgan.

Net result in the third quarter 2008 is negative for EUR 40.9 millions, facing a net loss of EUR 30.6 millions (related only to continued operation) in the third quarter 2007. The figure reflects net interests for EUR 29.6 millions.

■ INVESTMENTS

The expansion of the unbundling network and subsequent operational investments relating to the connection and activation of new ADSL customers have generated total investments in the nine month period of EUR 143.7 million, of which EUR 71.7 million attributable to investments in intangible assets and around EUR 71.8 million to investments in tangible assets.

Investments in Italy came to around EUR 45.1 million, while in the UK they totalled about EUR 92.9 million.

■ FINANCIAL POSITION: NET DEBT REDUCTION

At 30 September 2008, the Tiscali Group could count on cash and cash equivalents for a total of EUR 34.4 million, against a net financial position as of the same date which was negative for a total of EUR 556.7 million (EUR 578.9 million at 30 June 2008 referring to continued operations).

EUR thousands	30 September 2008	30 June 2008	31 December 2007
A. Cash	34,424	43,267	134,231
B. Other cash equivalents	14,831	15,724	16,290
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A) + (B) + (C)	49,255	58,991	150,521
E. Current financial receivables	8,131	7,956	12,130
F. Non current financial receivables	4,564	10,530	1,274
G. Current bank payables	52,444	25,925	176,204
H. Current portion of non-current debt	-	-	-
I. Other current financial payables (*)	22,634	30,418	19,502
J. Current financial debt (G) + (H) + (I)	75,078	56,334	195,706
K. Net current financial debt (J) – (E)– (F) – (D)	13,129	21,133	31,781
L. Non-current bank payables	440,147	440,849	450,053
M. Bonds issued	-	53,897	43,842
N. Other non-current payables (**)	103,478	105,324	109,553
O. Non-current financial debt (L) + (M) + (N)	543,625	600,070	603,449
P. Net financial debt (K) + (O)	556,754	578,936	635,230

(*) includes leasing payables

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

The first nine months of 2008 have seen an improvement of the net financial position, with a reduction of net debt of EUR 78.5 million and of EUR 22.2 million in Q32008. Furthermore, it is to be highlighted that the Group generated a positive operative cash flow generated in the third quarter of 2008, of EUR 8.5 million before the repayment of the bank debt interests.

The trend in current payables relates to the repayment of the bridge loan granted by Banca IMI and JP Morgan in July 2007 for EUR 150 million with the proceeds deriving from the share capital increase for around EUR 150 million concluded in February 2007, as well as the utilisation for EUR 25 million of the credit facility made available by the same banks for a total of EUR 50 million.

Non-current payables are represented by the outstanding amount of the loan granted on 13 September 2007 by Banca IMI and JP Morgan, amounting to EUR 440.2 million. The credit facility and the line of liquidity contain certain financial covenants. The Company confirms compliance with those covenants as at 30 September 2008.

The convertible bond subscribed by Management&Capitali in December 2007 for EUR 60 million has been fully converted, (also in relation to the capitalized interest portion) in around 42.3 million ordinary Tiscali SpA shares, issued in September 2008, corresponding to around 6.9 percent of the capital after the new issue.

■ **SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2008**

On 3rd November, 2008, with regard to what has been reported by the press, the Company confirmed that it is holding negotiations with the BSkyB Group plc in relation to certain UK assets.

On 7th November 2008 Standard & Poor's Ratings Services withdrew its long-term corporate credit ratings, and all debt and recovery ratings, on Tiscali SpA. The ratings withdrawal was made at the Tiscali's request and follows a review of their future financing strategy.

On 11th November 2008 Mario Mariani left the role of CEO of Tiscali Italia SpA. His position is covered by Mario Rosso, supported in the coordination of the Italian operations by Luca Scano, Tiscali Italia CFO.

STATEMENT OF THE APPOINTED MANAGER

I, the undersigned, Romano Fischetti, manager in charge of drawing up the corporate accounting documents of Tiscali SpA, declare - pursuant to paragraph 2, Article 154-{i bis} of the Italian Finance Consolidation Act - that the quarterly results contained in this press release correspond 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.

CONSOLIDATED INCOME STATEMENT (EUR 000)	30 September 2008 Nine Month	30 September 2007 Nine Month
Revenues	783,220	614,332
Other income	4,091	5,092
Purchase of materials and outsourced services	571,712	441,674
Payroll and related costs	77,585	72,515
Other net operating costs (income)	(8,375)	1,722
Gross operating result (adjusted EBITDA)	146,389	103,512
Stock option plan cost	5,225	1,287
Bat debt provision	22,488	16,065
Gross operating result (EBITDA)	118,676	86,160
Other restructuring costs and provisions	37,093	10,368
Depreciation and amortizations	132,244	112,111
Operating result	(50,661)	(36,318)
Share of results of equity investments valued using the equity method	(15)	(342)
Net financial income (charges)	(64,459)	(61,558)
Other net financial income (charges)	-	-
Pre-tax result	(115,134)	(98,218)
Income taxes	5,307	(2,112)
Net result from continued operations	(109,827)	(100,330)
Net result from discontinued operations	-	91,488
Group's net results	(109,827)	(8,842)
Minorities interest	(11,628)	(4,958)
Group's result net of minorities' interest	(98,199)	(3,884)

CONSOLIDATED BALANCE SHEET (EUR 000)	30 settembre 2008	31 dicembre 2007
Non-current assets	1.168.293	1.210.692
Current assets	308.532	389.249
Assets held for sale	-	-
Total Assets	1.476.825	1.599.941
Group shareholders' equity	232.918	169.647
Shareholders' equity pertaining to minority shareholders	2.491	37.322
Total Shareholders' equity	235.409	206.970
Non-current liabilities	709.624	786.623
Current liabilities	531.792	606.348
Liabilities directly related to assets held for sale	-	-
Total Liabilities and Shareholders' equity	1.476.825	1.599.941

This press release contains certain forecast statements based on current expectations and projections in relation to future events. These forecast 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 forecast 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 forecast 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 Europe. With one of the broadest and most interconnected IP technology-based networks worldwide, Tiscali supplies a wide range of services to its customers, both private individuals and companies, namely: internet access through dial-up and ADSL, as well as voice, VoIP, media, and added-value services and other technologically advanced products.

At 30 September 2008, Tiscali had a total of around 3.1 million active users in Italy and the UK. Of these, ca 2.4 million were ADSL subscribers

The Tiscali website may be accessed at www.tiscali.com.