

The Tiscali Board of Directors approves the results for the first half of 2010

Cagliari, 27 August 2010

The Tiscali S.p.A. Board of Directors has approved the results as at 30 June 2010.

- **Net result up by 97%: negative EUR 12.6 million in the first half 2010 compared to the first half of 2009 (negative EUR 402.8).**
- **Net financial position with a net improvement of 68% YoY: Negative of EUR 193.1 million as of 30 June 2010, compared with a negative figure of EUR 607.9 million in the first half of 2009.**
- **Total broadband customers at 609 thousand, of which 582 thousand already active (+6% YoY).**
- **362 thousand Dual play customers, +38% YoY, + 9% over 1Q10.**
- **Consolidated revenues amounted to EUR 140.6 million in the first half 2010, a slight decrease on the 2009 figure but up 5% QoQ (2Q10 vs. 1Q10)**
- **Group EBITDA before provisions totalled EUR 36.3 million (EUR 48.4 million in the first half of 2009).**
- **Positive consolidated EBIT of EUR 4.2 million.**
- **CAPEX in 1H10 at EUR 14.9 million.**

Tiscali's Board of Directors approved the half-year report as at 30 June 2010. The results include the income and equity effects of the release of the escrow account on August 2010 and related to the Tiscali UK Ltd disposal.

Tiscali Group: Net Result + 97% YoY, Dual Play customers and revenues increase

The Tiscali Group's revenues in the first half of 2010 came to EUR 140.6 million, down 7.3% compared to EUR 151.6 million in the first half of 2009, mainly due to the negative impact on revenues from the sale of Tiscali UK (about EUR 6.2 million) and the contraction of the narrowband and analog voice segment. However, confirming the effectiveness of the commercial re-launch, the revenue trend in the second quarter 2010 (EUR 72 million) reflects an organic growth of 5% compared to the first quarter 2010.

In the first half of 2010 internet access and voice services – the Group's core business – represented around 83% of turnover. The adjusted gross operating result (EBITDA) before provisions stood at EUR 36.3 million, down by 25% compared to the figure in the first half of 2009 (EUR 48.4 million). This is largely due to the reduction in revenues for the reasons stated above.

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As at 30 June 2010, total ADSL customers stood at 609 thousand; 582 thousand of these are already active (+33K YoY) with more than 395 thousand direct customers (LLU). In the same period, Dual Play customers (data and voice via internet) increased by 99 thousand (+38% YoY), bringing total double play customers in Italy to around 362 thousand, of which 30 thousand recorded in the second quarter of 2010.

The mobile customers at 30 June 2010 amounted to 55,000. The customer base using dial-up access (narrowband) and CPS voice services stood at around 99 thousand users.

REVENUES BY BUSINESS SEGMENT

Access: 48% of total revenues

The segment under consideration, which includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services and the flat component of bundled offers, generated revenues of EUR 66.9 million in the first half, equal to 48% of total revenues, down compared with the corresponding half in 2009 (EUR 72.0 million). The decrease is due to contraction of the narrowband and analog voice segment. The profitability in terms of broadband revenues up by 3% over the same period in 2009, thanks to the increase of customers number.

Voice: VoIP +11% YoY

Voice service revenues in the first half of 2010 increased by 3.3% over the first half of 2009. In absolute terms, voice revenues in the first half of 2010 amounted to EUR 50.3 million, compared to EUR 48.7 million in the first half of 2009. EUR 36.6 million of total voice revenues relate to voice traffic components generated by VoIP services, up by 11% over the same period in 2009 (EUR 32.9 million).

Business Services: +68% YoY

Revenues from business services (VPN, housing, hosting, domain and leased line services), excluding those from access and/or voice products for the same customer base which are already included in their respective business lines, amounted to EUR 12.8 million in the first half of 2010, a 68.4% increase over the EUR 7.6 million of 2009.

This important result is the outcome of the commercial re-launch undertaken at the end of 2009, through the restructuring and strengthening of the sales network.

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Media and value added services: +42% 2Q10 vs. 1Q10

In the first half of 2010, revenues from the media and value added services segment (deriving from direct and indirect advertising through sales agreements with search engines) amounted to roughly EUR 7.5 million, down compared to the same period of 2009 (EUR 12.8 million). This result is affected by the loss of income component of Google linked to the Tiscali UK portal, out of the group perimeter since the second quarter 2009. However, in line with the commercial re-launch of the Italian operations, the media revenue trend is positively impacted by the new commercial agreement aimed at enhancing the portal and Tiscali online advertising network; in fact, revenues of the second quarter 2010, equal to EUR 4.4 million, are up by 42% compared to 1Q10. The Tiscali portal pageviews are equal to 1.3 billion in the quarter, up by 3.2% compared to 1Q10.

GROSS OPERATING RESULT (EBITDA)

The Gross Operating Result (adjusted EBITDA), before allocations to provisions for risks, write-downs and amortisation/depreciation, totalled roughly EUR 36.3 million, down by 25% compared to EUR 48.4 million in the first half of 2009. The result of the second quarter is equal to EUR 18.3 million and is up by approximately 2% in 2Q10 compared to 1Q10.

In the first half of 2010, EBITDA net of write-downs of receivables and other provisions totalled EUR 26.2 million (19% of revenues), a decrease of 30.9% on the figure for the first half of 2009 (EUR 37.9 million, 25% of revenues). The decrease is largely due to the negative effect on revenues from the Tiscali UK disposal and to the physiological contraction of the narrowband and analog voice segment. EBITDA for the second quarter is approximately EUR 11.8 million, down from first quarter 2010 (EUR 14.4 million) mainly due to the greater impact of the bad debt-

During the first half of 2010, **indirect operating costs** stood at EUR 37.8 million (27% of revenues), a reduction in terms of proportion of revenues compared to the first half of 2009 (EUR 43.2 million, 28.5% of revenues).

OPERATING RESULT (EBIT)

The Operating Result (EBIT) in the first half of 2010, net of provisions, write-downs and restructuring costs, was a positive EUR 4.2 million, down compared to the figure in 2009 (EUR 10.9 million), mainly due to declining revenues and margins for the reasons reported above.

NET RESULT

The Net Result for the period was a negative EUR 12.6 million, a marked improvement of 97% compared to the negative net result as at 30 June 2009, equal to EUR 402.8 million and includes the negative effect of the assets disposed equal to EUR 8.2 million (of which EUR 7.1 million write-down of the Escrow Account, relating to the Tiscali UK Ltd disposal, and whose release has been announced to the market on 2 August 2010).

FINANCIAL POSITION

At 30 June 2010, the Tiscali Group held cash and cash equivalents totalling EUR 7.1 million, against a net financial debt, at the same date, of EUR 193.1 million (EUR 211.1 million at 31 December 2009 relating solely to operating activities).

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EUR (mln)	30.06.10	31.12.09
A. Cash	7.1	16.2
B. Other cash equivalents	0.6	0.6
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	7.7	16.8
E. Current financial payables	21.9	-
F. Non-current financial receivables	12.6	12.7
G. Current bank payables	10.9	13.6
H. Current portion of non-current debt	27.8	10.9
I. Other current financial payables (*)	2.7	4.3
J. Current financial debt (G) + (H) + (I)	41.4	28.8
K. Net current financial debt (J) – (E) – (F) – (D)	(0.8)	(0.8)
L. Non-current bank payables	135.7	152.9
M. Bonds issued	-	-
N. Other non-current payables (**)	58.2	59.0
O. Non-current financial debt (L) + (M) + (N)	193.9	211.8
P. Net financial debt (K) + (O)	193.1	211.1

(*) includes leasing payables

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

The item current financial receivables (E) includes the first tranche of the release of the escrow receivable before the end of August 2010, amounting to EUR 21.6 million. Consequently, the Group's NFP improved significantly compared to the NFP at 31 December 2009, which prudentially did not include the escrow amount.

For the purpose of clarity, we have shown below the reconciliation of the operating financial position with the above financial position, drawn up in light of Consob communication no. DEM/6064293 of 28 July 2006.

EUR (Mln)	30.06.10	31.12.09
Consolidated net financial indebtedness	193.1	211.1
Other cash and cash equivalents and current and non-current financial receivables *	13.2	13.3
Consolidated net financial indebtedness (Consob)	206.3	224.4

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

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Events following the close of the first half of 2010

Conclusion of the Escrow Account evaluation process

On 2 August 2010, the evaluation process relating to the Escrow Account set up upon completion of the sale of Tiscali Uk Ltd to the TalkTalk Ltd Group on 6 July 2009 was completed. Tiscali and Talk Talk Group Ltd defined the release of roughly EUR 24.6 million to Tiscali; EUR 21.6 million was released immediately, while the remaining EUR 3 million will be released in two tranches of an equal amount on 31 October 2010 and January 2011.

The release of these tied up sums contributes to the process of reducing net financial debt undertaken as part of the restructuring plan launched by the Tiscali Group in 2009.

Business outlook

The company will continue to focus its operating efforts on expanding the customer base, with particular emphasis on widening the dual play customer base. In addition, the strengthening of the business commercial structure and advertising sales is expected to lead to an expansion of the revenue base of the respective segments, in order to fully exploit the network infrastructure and positioning of the Tiscali brand on the web. In addition, special emphasis will be focused on improving the collection cycle as regards large customers, as well as improving the procedures for the activation of ADSL customers, with a subsequent decrease in average activation times and an increase in redemption.

The Group's Senior debt contains financial and operating covenants. As at 30 June 2010, the first verification date, the aforementioned covenants were respected.

The results confirm the effectiveness of the restructuring process and of the commercial re-launch undertaken by highlighting, in addition to the substantial benefit in terms of Net Result and NFP YoY, also the organic growth quarter on quarter. Result particularly important in a difficult macroeconomic environment and a competitive market situation very challenging. Given that, and with respect to what has been communicated to the market last October 2009, the Company foresees that revenues performance in 2010 will be in line with 2009 revenues, thanks to the performance of core activities of the Italian business, which offset the negative impact to assets sold. Instead, targets for 2011 and subsequent years are confirmed.

Publication of the First Half 2010 Financial Report

The First Half 2010 Financial Report, approved by the Board of Directors together with the documentation provided by law, has been made publicly available at the headquarters of the Company, Borsa Italiana S.p.A and on the company's website www.tiscali.it, "Investor Relations" section.

Ernst & Young has released a clean opinion of the First Half 2010 Financial Statements to the International Financial Reporting Standards used by the European Union: it is therefore clearly drawn and represents a true and correct financial position, economic result and cash flows of the semester ended at 30 June 2010.

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CONSOLIDATED INCOME STATEMENT (EUR mln)	30 June 2010	30 June 2009
Revenues	140.6	151.6
Other income	1.2	1.8
Purchase of materials and outsourced services	82.4	81.0
Payroll and related costs	23.5	21.1
Other operating charges/(income)	(0.5)	2.9
Gross operating result (adjusted EBITDA)	36.3	48.4
Write-downs of receivables from customers	10.0	10.2
Stock option plan cost	0.1	0.3
Gross operating result (EBITDA)	26.2	37.9
Restructuring costs, provisions for risk reserves and write-downs	0.4	1.9
Amortisation/depreciation	21.6	25.1
Operating result	4.2	10.9
Share of results of equity investments valued using the equity method	-	-
Net financial income (charges)	(8.3)	(39.7)
Pre-tax result	(4.1)	(28.8)
Income taxes	(0.3)	(11.4)
Net result from operating activities (on-going)	(4.4)	(40.2)
Result from assets disposed of and/or destined for disposal	(8.2)	(364.9)
Net result	(12.6)	(405.0)
Minority interests	-	(2.2)
Group Net Result	(12.6)	(402.8)

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CONSOLIDATED BALANCE SHEET (EUR mln)	30 June 2010	31 December 2009
<i>Non-current assets</i>	232.4	239.6
<i>Current assets</i>	174.4	188.9
Assets held for sale	-	-
Total Assets	406.7	428.6
Group shareholders' equity	(80.3)	(67.0)
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	(80.3)	(67.0)
<i>Non-current liabilities</i>	222.2	239.3
<i>Current liabilities</i>	264.0	255.4
Liabilities directly related to assets held for sale	0.9	0.9
Total Liabilities and Shareholders' equity	406.7	428.6

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STATEMENT OF THE APPOINTED MANAGER

I, the undersigned, Luca Scano, manager in charge of drawing up the corporate accounting documents of Tiscali S.p.A., declare – pursuant to paragraph 2, Article 154-bis of the Italian Finance Consolidation Act – that the 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.

Luca Scano



Manager in charge of drawing 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 leading alternative telecommunications companies in Italy. Tiscali supplies a wide range of services to its customers, both private individuals and companies: internet access through dial-up and ADSL, as well as voice, VoIP, media, and added-value services and other technologically advanced products.

As 30 June 2010, Tiscali had more than 740 thousand customers in Italy, of which roughly 582 thousand ADSL customers. Around 362 thousand of these are Dual Play customers.

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

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