

The Tiscali Board of Directors approves the results for the first half of 2011

Cagliari, 5 August 2011

Tiscali S.p.A.'s Board of Directors has approved the results as at 30 June 2011.

- **Consolidated revenues amounted to EUR 140.1 million in the half, in line with the figure recorded in 2010, and up 3% in 2Q2011 vs 1Q2011; growth of media and broadband+VoIP revenues;**
- **Group EBITDA before provisions totalled EUR 38 million, up by 4.7% over the first half of 2010 (EUR 36.3 million);**
- **Operating costs down by 14.8% YoY (EUR 32.2 million in 1H2011, compared to EUR 37.8 million in 1H2010);**
- **Improvement in the net financial position (3.4% YoY): a negative EUR 199.3 million as at 30 June 2011, compared to a negative EUR 206.3 million in the first half of 2010; the Free Cash Flow amounted to EUR 12.4 million in the half, recording a strong increase compared to the corresponding period in 2010 (EUR 2.1 million);**
- **Negative Group EBIT of EUR 8.7 million (positive balance of EUR 4.2 million in 1H2010);**
- **Negative net result of roughly EUR 17 million as at 30 June 2011, compared to a negative EUR 12.6 million in the first half of 2010;**
- **Investments amounted to EUR 14.8 million in the half;**
- **Total ADSL customers numbered 521 thousand (large-scale terminations in the half, 25 thousand); mobile customers numbered 111 thousand, up 102% YoY.**

Tiscali's Board of Directors has approved the half-yearly report as at 30 June 2011.

Tiscali Group: EBITDA before provisions +4.7% YoY

The Tiscali Group's revenues amounted to EUR 140.1 million in the first half of 2011, essentially in line with the figure recorded in the first half of 2010 (EUR 140.5 million). In particular, in the second quarter of 2011, revenues recorded organic growth of 3% compared to the first quarter of 2011, amounting to EUR 71.1 million. This growth is attributable to increased revenues resulting from broadband access, voice and media segments, which offset the natural decrease in the narrowband and IT services.

During the first half of 2011, internet access and voice services – the Group's core business – represented around 85% of turnover. The Gross Operating Result (adjusted EBITDA) before provisions came to EUR 38 million, up 4.7% with respect to the figure in the first half of 2010 (EUR 36.3 million).

Investor Relations

Lisa Nanu
Tel: +39 02 30901209 - ir@tiscali.com

Press Office

Image Building
Mara Baldessari – Simona Vecchies
Tel: +39 02 89 01 13 00 – tc@imagebuilding.it

Tiscali S.p.A.
Sa Illetta
09122 Cagliari
Italy

www.tiscali.it

As at 30 June 2011, the number of ADSL customers came to 521 thousand (net of large-scale cancellations of roughly 65 thousand ADSL lines during the last 12 months, of which 25 thousand in the 1H2011), compared with around 582 thousand active customers as at 30 June 2010. The number of customers already activated and connected via the Tiscali network infrastructure (unbundling) came to around 360 thousand (395 thousand in 1H2010). The decrease was mainly due to the already stated policy of large-scale terminations of default and silent customers employed by the company in 2010 and in the first half of 2011, as part of the efficiency and cost savings policy already implemented.

In the same period, Dual Play customers (data and voice via the internet) totalled around 358 thousand (362 thousand in 1H2010).

Mobile customers numbered 111 thousand as at 30 June 2011 (+102% YoY). The customer base using dial-up access (narrowband) and CPS voice services stood at around 60 thousand users.

REVENUES BY BUSINESS LINE

Access: equating to 45% of total revenues

The segment in question, which includes revenues from Internet access services via narrowband (dial-up) and broadband (ADSL) and the flat component of the bundled offers, generated revenues of EUR 63.7 million in the first half, equal to 45% of total revenues, down slightly compared to the figure in the same period in 2010 (EUR 66.9 million). The decrease was due largely to the natural fall in the narrowband segment. Despite the decrease in the customer base, revenues from broadband access were essentially stable thanks to better quality and higher average revenue per user in the customer base.

Voice: VoIP +7.4% YoY

Revenues generated by voice services increased by 13.1% compared to the first half of 2010. In absolute terms, voice revenues in the first half of 2011 amounted to EUR 56.9 million, compared to EUR 50.3 million in the first half of 2010. EUR 39.3 million of total revenues are related to voice traffic components generated by VoIP services, up 7.4% compared to the same period in 2010 (EUR 36.6 million). The increase was also due to repricing carried out during the half.

Business services

Revenues from business services (VPN, housing, hosting services, domains, leased lines and Information Technology services), excluding those from access and/or voice products for the same customer base already included in their respective business segments, amounted to EUR 7.5 million in the first half of 2011, down 41.4% with respect to the EUR 12.8 million recorded in 1H2010. The fall in revenues in the segment in question was due to the negative impact of the termination of the outsourcing contract for IT services with transferred company Tiscali UK, still not offset by new job orders and contracts.

Media and value-added services: +33.3% YoY

In the first half of 2011, revenues in the media and value-added services segment (deriving from direct and indirect advertising through commercial agreements with search engines) amounted to roughly EUR 10 million, an increase of around 33.3% compared to the figure for the first half of 2010 (EUR 7.5 million). The net improvement compared to the previous year is due to the restructuring of

Investor Relations

Lisa Nanu
Tel. +39 02 30901209 - ir@tiscali.com

Press Office

Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – tlc@imagebuilding.it

the sales area, with several new commercial agreements signed, aimed at enhancing the portal and network of dealer Tiscali ADV, and increasing the traffic on the tiscali.it portal and on other network properties. In fact, more than 2.7 billion pages were viewed on all network sites in the 1H2011, marking growth of 8% compared to the same period in 1H2010 (more than 2.5 billion pages viewed).

GROSS OPERATING RESULT (EBITDA)

The Gross Operating Result (adjusted EBITDA) in the first half 2011, before provisions for risks, write-downs and amortisation/depreciation, stood at roughly EUR 38 million, up by 4.7% compared to EUR 36.3 million in the first half of 2010. The result was affected by the decrease in the Gross Margin due to greater competitive pressure and offset by the reduction in indirect operating costs, which confirms the performance strength of the current management activity.

In the first half of 2011, EBITDA net of write-downs of receivables and other provisions was EUR 19.6 million (14% of revenues), down by 25% on the figure for the first half of 2010 (EUR 26.2 million, 19% of revenues). The performance is attributable to the greater weight of allocations to the provision for doubtful debts, a consequence of the strict credit control policy and write-down of credit positions deemed irrecoverable effected by the company in 2010 and in the first half of 2011.

Indirect operating costs during the first half of 2011 came to EUR 32.2 million (23% of revenues), a reduction of 14.8% compared to the same balance in the first half of 2010 (EUR 37.8 million, 27% of revenues).

OPERATING RESULT (EBIT)

The operating result (EBIT) for the first half of 2011, net of provisions, write-downs and restructuring costs, was a loss of around EUR 8.9 million with respect to the positive balance for 2010, equating to EUR 4.2 million. The reduction is due mainly to the increase in amortisation/depreciation and heavy impact of the allocation to the provision for doubtful debts as described above.

NET PROFIT (LOSS)

The Group's net profit (loss) was a negative EUR 17.4 million in the first half of 2011 (a negative EUR 12.6 million in 1H2010). In the second quarter of the year, the Group's net profit (loss), a negative EUR 11 million, recorded an improvement of around 10.6% compared to 2Q2010 (a negative EUR 12.3 million).

FINANCIAL POSITION

As at 30 June 2011, the Tiscali Group held cash and cash equivalents totalling EUR 9.2 million, against net financial debt, at the same date, of a negative EUR 192.9 million (EUR 197.6 million as at 31 December 2010 relating solely to operating activities).

Investor Relations

Lisa Nanu
Tel. +39 02 30901209 - ir@tiscali.com

Press Office

Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – tic@imagebuilding.it

<i>(EUR mln)</i>	Notes	30.06.2011	31.12.2010
A. Cash and Bank deposits		9.2	10.3
B. Other cash equivalents		0.1	0.4
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		9.3	10.8
E. Current financial receivables		-	-
F. Non-current financial receivables	(1)	6.3	6.3
G. Current bank payables	(2)	13.6	12.8
H. Current portion of non-current debt	(3)	8.6	17.0
I. Other current financial payables (*)	(4)	1.3	1.5
J. Current financial debt (G) + (H) + (I)		23.4	31.2
K. Net current financial debt (J) – (E) – (D) - (F)		7.8	14.2
L. Non-current bank payables	(5)	126.8	124.7
M. Bonds issued		-	-
N. Other non-current payables (**)	(6)	58.2	58.7
O. Non-current financial debt (N) + (L) + (M)		185.0	183.4
P. Net Financial Debt (K) + (O)		192.9	197.6

(*) includes leasing payables

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

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 8.6 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 126.8 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 57.2 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.

<i>(EUR mln)</i>	30.06.2011	31.12.2010
Consolidated net financial debt	192.9	197.6
Other cash equivalents and current and non-current financial receivables*	6.4	6.7
Consob consolidated net financial debt	199.3	204.3

In the 1H2011 were made investments for ca EUR 14.8 million.. In addition, in the same period, the company generated a positive Free Cash Flow of EUR 12.4 million, a strong increase compared to the figure recorded in the first half of 2010, EUR 2.1 million.

Significant events after the end of the first half of 2011

Partial repayment of the Senior Loan

On 4 July, EUR 5.2 million of the debts due to Senior Lenders was repaid (capital and interest).

Business outlook and prospects

The Company will continue to concentrate its operational efforts on the expansion, rationalisation and profit generation of the user base, with particular attention to the increase in dual play and mobile telephony customers. Within said context, the development of new convergent and rich communication services will play an important role, in order to fully utilise the IP network's technological infrastructure and enhance the user experience, thus responding to a competitive context characterised by ever increasing pressure on prices with the subsequent reduction in margins. As regards the media segment, with the aim to maintain consistent the rate of growth registered in the recent quarters, the Company will keep the focus on increasing the network traffic, and therefore the turnover. At the same time will continue the focus on containing operating costs, in line with the process already commenced in 2010. The Company will continue to pay special attention to improving the collection cycle vis-à-vis large-scale customers, as well as improving activation procedures for ADSL customers in order to cut waiting times, increasing redemption. Lastly, a focus will be maintained on the development activities of the FTTH network in the selected areas thanks to the partnership with ZTE.

The Group's senior debt includes financial and operating covenants. As at 30 June 2011, said covenants had been observed. In light of the results in the half and the competitive context, 2011 revenues are expected to be in line with 2010.

Investor Relations

Lisa Nanu
Tel. +39 02 30901209 - ir@tiscali.com

Press Office

Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – tic@imagebuilding.it

CONSOLIDATED INCOME STATEMENT (EUR mln)	30.06.2011	30.06.2010
Revenues	140.1	140.6
Other income	5.4	1.2
Purchase of materials and outsourced services	86.7	82.4
Payroll and related costs	18.7	23.5
Other operating costs / (income)	2.3	(0.5)
Gross Operating Result (Adjusted EBITDA)	38.0	36.3
Write-downs of receivables from customers	18.4	10.0
Stock option plan cost	-	0.1
Gross Operating Result (EBITDA)	19.6	26.2
Restructuring costs, provisions for risk reserves and write-downs	1.4	0.4
Amortisation/depreciation	26.8	21.6
Operating result	(8.7)	4.2
Share of results of equity investments valued using the equity method	-	-
Net financial income (charges)	(7.9)	(8.3)
Pre-tax result	(16.6)	(4.1)
Income taxes	(0.9)	(0.3)
Net result from operating activities (on-going)	(17.5)	(4.4)
Result from assets disposed of and/or destined for disposal	-	(8.2)
Net result	(17.4)	(12.6)
Minority interests	-	-
Group Net Result	(17.4)	(12.6)

Investor Relations

Lisa Nanu
Tel. +39 02 30901209 - ir@tiscali.com

Press Office

Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – tlc@imagebuilding.it

CONSOLIDATED BALANCE SHEET (EUR mln)	30.06.2011	31.12.2010
<i>Non-current assets</i>	209.1	221.4
<i>Current assets</i>	135.9	145.5
Assets held for sale	-	-
Total Assets	345.0	366.9
Group shareholders' equity	(109.3)	(92.0)
Total Shareholders' equity	(109.3)	(92.0)
<i>Non-current liabilities</i>	207.1	206.9
<i>Current liabilities</i>	247.2	251.1
Liabilities directly related to assets held for sale	-	0.9
Total Liabilities and Shareholders' equity	345.0	366.9

STATEMENT OF THE APPOINTED EXECUTIVE

I, the undersigned, Luca Scano, executive in charge of drawing up the Company's accounting documents of Tiscali SpA, hereby 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



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

Investor Relations
Lisa Nanu
Tel. +39 02 30901209 - ir@tiscali.com

Press Office
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – tlc@imagebuilding.it

7

Tiscali S.p.A.
Sa Illetta
09122 Cagliari
Italy

www.tiscali.it

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 value-added services and other technologically advanced products.

As at 30 June 2011 Tiscali reported around 692 thousand customers in Italy, of which around 521 thousand ADSL. Of these, around 358 thousand are Dual Play customers.

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

Investor Relations

Lisa Nanu
Tel. +39 02 30901209 - ir@tiscali.com

Press Office

Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – tic@imagebuilding.it