

The Board of Directors of Tiscali approve the results at 30 September 2010

Cagliari, 12 November 2010

The Board of Directors of Tiscali S.p.A. approved the results at 30 September 2010.

- **Net result: up by 96.2%, a loss of EUR 15.4 million at 30 September 2010 against a loss of EUR 418.4 million in the first 9 months of 2009, and up by 82.1% 3Q09vs3Q10.**
- **Net financial position: up by 53.4% YoY, a loss of EUR 195.3 million at 30 September 2010, against a loss of EUR 419.3 million in the first 9 months of 2009.**
- **Total Broadband Customers up by 5.2% YoY to 602 thousand units, of which 582 thousand are already on line. Dual Play Customers + 37% YoY to 369 thousand,**
- **Consolidated Revenues in the first 9 months of the year equal to EUR 206.9 million, down from the comparable figure in 2009 (EUR 221.6 million).**
- **VoIP Revenues up by 13.5% YoY to EUR 54.1 million, Broadband revenues up by 2.1% YoY to EUR 92.7 million.**
- **Group EBITDA before provisions of EUR 50.5 million (EUR 69.9 million in the first 9 months of 2009).**
- **Consolidated EBIT positive at EUR 0.7 million.**
- **Investments of EUR 22.3 million in the 9-month period.**

The Tiscali Board of Directors approved the report at 30 September 2010. The results include the financial effects related to release of the escrow account in August 2010 with respect to the sale of Tiscali UK.

Tiscali Group: Net Result + 96.2% YoY, Dual Play customers and revenues have increased

In the first nine months of 2010, Tiscali Group revenues stand at EUR 206.9 million, down by 6.6% with respect to the EUR 221.6 million recorded in the same period of 2009, mainly due to the negative impact on revenues resulting from the sale of Tiscali UK (for about 5.7 million) and the natural fall-off in the narrow band and analogue voice product sectors, along with the seasonal character, that has had an impact more pronounced than the previous. Also to be noted as the same period in 2009 was positively impacted by certain non-recurring revenues, not happened in year 2010. Revenues also affected by the decline in unit revenues from incoming traffic with effect from 1 July 2010.

In the first 9 months of 2010, internet access and voice services – the Group's core business – represented around 84% of turnover. The Gross operating result (EBITDA), adjusted before the provisions, amounts to EUR 50.5 million, down 27.8% compared to the comparable figure for the first 9 months of 2009 (EUR 69.9 million). This is mainly due to the reduction in revenues for the above mentioned reasons.

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At 30 September 2010, total ADSL customers amounted to about 602 thousand units; 582 thousand of these are already on-line (+5.2% YoY) with over 395 thousand unbundled (ULL) customers. The increase of Dual Play customers (data and voice via the Internet) numbers over 99 thousand units (+37% YoY). Please note that during the fourth quarter of 2010 the company will cease about 40 thousand ADSL lines, relating to delinquent customers and silent. The operation is the effect of the already announced application of more stringent policies of debt collection development to generate a significant reduction of industrial costs (estimated at approximately EUR 8 million on an annual basis) and, consequently, an important improvement of profitability of the business, increasing the average revenue per user and the quality of service.

There are over 71 thousand mobile telephone customers at 30 September 2010. The customer base using dial-up access (narrowband) and CPS voice services stands at around 89 thousand units.

REVENUES BY BUSINESS LINE

Access: Broadband revenues up by 21.1%

This area, which includes revenues from Broadband (ADSL) and narrowband (dial-up) Internet Access Services and the flat component of the bundled offers, generated revenues of EUR 99.1 million in the first 9 months of 2010 (equal to 48% of total revenues), down with respect to the figure for the corresponding period in 2009 (EUR 103.2 million) but up 2.1% YoY for broadband revenues (EUR 92.7 million against 90.7 for the corresponding period of the previous year). Result is particularly significant when read in light of the context in which the progressive increase in promotions for customers is one of the main levers of vibrant competition in the marketplace, resulting in pressure on ARPU and margins.

Voice: VoIP + 13.5% YoY positive impact of upsell actions

The revenues generated by the voice services are up 6.1% with respect to the first 9 months of 2009. In absolute terms, the voice revenues to date for 2010 amount to EUR 74.7 million compared to EUR 70.4 million for the same period in 2009 despite the decrease in incoming revenues with effect from 1 July 2010. EUR 54.1 million of the total voice revenues are for the voice traffic components generated by the VoIP services, up 13.5% compared to the corresponding period of 2009 (EUR 47.6 million), particularly satisfying result generated by the policies of upsell, which more than offset lower revenue per unit for the incoming traffic.

Business Services: 6% of total revenues

Revenues from business services (VPN, housing and hosting services, domains and leased lines), therefore excluding those that regard the access and/or voice products for the same customer base which are included in their respective business lines, amounted to EUR 18.4 million for the first 9 months of 2010, down from the corresponding period in 2009 (EUR 20.2 million). The decline is largely attributable to the negative effect of the disposal of the UK subsidiary.

Media and value added services 5% of total revenues – up to 7% 3Q10 vs 3Q09

In the first 9 months of 2010, the revenues in the media and value added services segment (linked to direct and indirect advertising through commercial contracts with search engines) amounted to approximately EUR 10.4 million, down from the same period of the previous year (EUR 15.5 million). This is due almost entirely to the absence of revenue for Google to Tiscali UK, out of the scope of consolidation at the end of the second quarter of 2009, while in the third quarter 2010 revenues were an increase compared to same period in 2009, thanks to the strategy repositioning of the Tiscali portal expansion of dealership network Tiscali ADV.

GROSS OPERATING RESULT (EBITDA)

The Gross Operating Result (adjusted EBITDA) before provisions for risks, write-downs, depreciation and amortisation, is approximately EUR 50.5 million, a decrease of 27.8% compared to the EUR 69.9 million in the corresponding period of 2009.

In the first 9 months of 2010, the EBITDA, net of write-downs of receivables and other provisions amounts to EUR 35.2 million (17% of revenues), a decrease of 35.5% on the comparable figure for 2009 (EUR 54.6 million, equal to 24.6% of revenues). The reduction is attributable to the decrease in revenues for the reasons above mentioned and to the disappearance of some components of non-recurring income, as well as the physiological contraction of the segment and narrowband analog voice, the negative effect of revenues from incoming traffic and new unbundling rates. These factors are reflected in the gross margin, but the impact was partially offset by lower operating costs (-14.2% vs. 2010).

EBITDA for the third quarter, in fact, amounts to over 9 million, a decrease compared to second quarter 2010 (11.8 million).

In the first 9 months of 2010, the **indirect operating costs** stand at EUR 55.4 million (26.8% of revenue), a reduction in absolute terms and in terms of proportion on the revenues compared to the corresponding period of 2009 (EUR 64.5 million, 29% of revenues), thanks to cost-control operations carried out in the last two years, and the optimization of the cost of sales and marketing.

OPERATING RESULT (EBIT)

In the first 9 months of 2010, the Operating result (EBIT), net of provisions, write-downs and restructuring costs, is positive for EUR 0.7 million, with respect to the comparable figure for 2009 which was positive for EUR 5.3 million.

NET RESULT

Net results for the period posted a loss of EUR 15.4 million. This figure is a 96.2% improvement on the result of EUR 418.4 million at 30 September 2009, and reflects the negative effect of the assets sold, amounting to EUR 8.7 million (of which EUR 6.9 million due to the reduction of the escrow account with respect to the sale of Tiscali UK Ltd and whose release in favour of Tiscali was communicated on 2 August 2010 last) and the capital gains regarding the earn out of EUR 4.3 million resulting from the sale of TiNet.

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FINANCIAL POSITION

At 30 September 2010, the Tiscali Group held total cash and cash equivalents of EUR 24.6 million, including the first tranche of the Escrow collected in August 2010 of EUR 21.2 million (used to repayment of the senior loan in October 2010) against a net financial debt of EUR 195.3 million at that date (EUR 211.1 million at 31 December 2009 with respect to operating activities only).

Millions of EUR	30 September 2010	31 December 2009
A. Cash and bank deposits	24.6	16.2
B. Other cash equivalents	0.6	0.6
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	25.2	16.8
E. Current financial receivables	9.4	-
F. Non-current financial receivables	6.3	12.7
G. Current bank payables	13.5	13.6
H. Current portion of non-current debt	34.2	10.9
I. Other current financial payables (*)	2.5	4.3
J. Current financial debt (G) + (H) + (I)	50.2	28.8
K. Net Current Financial Debt (J) – (E) – (D) – (F)	9.3	-0.8
L. Non-current bank payables	128.1	152.9
M. Bonds issued	-	-
N. Other non-current payables (**)	57.9	59.0
O. Non-current financial debt (N) + (L) + (M)	186.0	211.8
P. Net financial debt (K) + (O)	195.3	211.1

The current financial receivables (E) include the earn out (EUR 4.3 million) and the vendor loan to TiNET (EUR 6.3 million), net of the receivables/payables for the TiNET group companies of EUR 1.2 million collected on 1 October 2010. Therefore the Group NFP shows a significant improvement over the NFP at 31 December 2009, which did not include the escrow amount as a prudential measure.

Events subsequent to the end of the 3rd quarter of 2010

Earn Out and Vendor Loan related to the TiNET sale collected

On 1 October 2010, following closure of the TiNET sale by the BS Fund to Neutral Tandem Inc, the Company collected a total amount of about EUR 9.4 million. More specifically: EUR 4.3 million was for the earn out (which will have been fully settled upon receipt of an additional EUR 1.1 million 24 months from when certain conditions have been met), while EUR 5.1 million was for the net receivable owed to the Company for the deferred price component (in the form of a Vendor Loan) net of any sales offsets.

Signed agreement with ZTE for the fibre optic network in Sardinia

On 7 October, Tiscali and ZTE, a global leader in the supply of telecommunications equipment and network solutions, signed a strategic partnership agreement aimed at increasing the cover of ultra-broadband in Italy, starting with development of a “Fiber to the Home” network in Sardinia. The partnership signed between the two companies provides for the establishment of mutual collaboration, from the technical and commercial and financial viewpoints, to evaluate, study and plan new generation services that Tiscali can provide to its customers.

Outlook and prospects TO BE UPDATED

The Company will continue to put its efforts into increasing its user base, with special regard to increasing its dual play customer base. In addition, the strengthening of its commercial business structure and advertising sales is expected to lead to an increase in the revenue base in the respective areas, in order to fully exploit the network infrastructure and positioning of the Tiscali brand on the web. During the fourth quarter of 2010 and 2011 will be put in place various measures to optimize the cost structure of industries, including primary importance to the aforementioned cancellation of delinquent and silent customers, in order to recover efficiency and profitability in the telecommunications business. Particular attention is paid to the improvement cycle built into the massive score and the improvement of procedures for the activation of ADSL customers, resulting in a decrease in the average time of activation and increased redemption. It will also place particular focus on the development activities of the FTTH network in selected areas through a partnership with ZTE.

The Senior debt of the Group contains financial and operating covenants. The aforesaid covenants were being honoured at 30 September 2010.

The results confirm the efforts made by management to maintain satisfactory performance despite a challenging macro-economic situation and in a competitive market was particularly challenging.

For the foregoing reasons, and than presented to the market last October 2009 the company estimates that the revenue performance in 2010 will amount to around EUR 280 million, considering the negative impact of disposed businesses.

Filing the Report

The Quarterly Financial Report at 30 September 2010, approved by the Board of Directors and with all attachments as required by prevailing law, was filed and made available to the public, at the company headquarters and with Borsa Italiana S.p.A., and it can also be consulted on the Internet site www.tiscali.it under the “Investor Relations” section.

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<i>Thousands of EUR</i>		
CONSOLIDATED INCOME STATEMENT	30 September 2010	30 September 2009
Revenues	206.9	221.6
Other income	1.7	2.4
Purchase of materials and outsourced services	126.5	119.6
Payroll and related costs	33.9	30.5
Other operating charges (income)	(2.2)	3.9
Gross operating result (EBITDA) adjusted	50.5	69.9
Write-downs of receivables from customers	15.2	15.0
Stock option plan cost	0.0	0.3
Gross operating result (EBITDA)	35.2	54.6
Restructuring costs, provisions for risk reserves and writedowns	0.5	11.6
Amortisation/depreciation	34.0	37.7
Operating result (EBIT)	(0.7)	5.3
Share of results of equity investments carried at equity	0.0	0.0
Net financial income (charges)	(10.7)	(49.6)
Pre-tax result	(10.0)	(44.3)
Income taxes	(0.9)	(11.8)
Net result from operating activities (on-going)	(11.0)	(56.2)
Result from assets disposed of and/or destined to be disposed of	(4.4)	(364.4)
Net result	(15.4)	(420.5)
Minority interests	0.0	(2.2)
Group Result	(15.4)	(418.4)

CONSOLIDATED BALANCE SHEET (millions of EUR)	30 September 2010	31 December 2009
<i>Non-current assets</i>	221.6	239.6
<i>Current assets</i>	178.8	188.9
Assets held for sale	-	-
Total Assets	400.4	428.6
Group shareholders' equity	(83.1)	(67.0)
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	(83.1)	(67.0)
<i>Non-current liabilities</i>	211.6	239.3
<i>Current liabilities</i>	271.0	255.4
Liabilities directly related to assets sold	0.9	0.9
Total Liabilities and Shareholders' equity	400.4	428.6

STATEMENT OF THE APPOINTED MANAGER

I, the undersigned, Luca Scano, manager in charge of drawing up the corporate accounting documents of Tiscali SpA, declare – pursuant to paragraph 2, Article 154-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



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 provides a vast range of services to both its private customers and companies: 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 2010, Tiscali had over 742 thousand customers, about 582 thousand of which being ADSL customers. About 369 thousand of these are Dual Play customers.

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

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