tiscali:

Tiscali: Approval of half year results and share grouping

Cagliari, 28 August 2009

In today's meeting, the Board of Directors of Tiscali approved:

- **The results of the Group at 30 June 2009, including the income and balance sheet effects of the disposal of the English subsidiary, Tiscali UK, to Carphone Group.**

- **The results for the Tiscali Group for the first half of the year show a significant increase in gross profitability:**
  - **Revenues at EUR 151.6 million, slightly less than the first half of 2008**
  - **EBITDA before provisions at EUR 48.4 million(+34% YoY)**
  - **EBIT at EUR 10.9 million, compared to 1H2008 results**
  - **Net loss of EUR 402.8 million, against the impact of the loss of the sale of Tiscali UK**

- **Revenues of Tiscali Italia SpA, for the first six months of 2009 show a significant increase in profitability and a net income:**
  - **Revenues at EUR 147.7 million, slightly less than the first half of 2008. ADSL and voice revenues are up 4% and 7% yearly**
  - **EBITDA before provisions equal to EUR 45.4 million (+89% YoY)**
  - **Net profit of EUR 6.1 million**

- **Continues the implementation of the restructuring plan, as agreed with the main creditors of the Group and ratified by an independent expert, with the sale of its subsidiary TiNet and the activities in the UK, the latter occurred after the end of the semester and in itself subject to the shareholders' resolution of the capital increases of 30/06/2009 (fully guaranteed by the major creditors and some shareholders and which provides substantial execution by 31 December 2009). It should be noted that accounting of the sole disposal of the subsidiary Tiscali UK at 30.06.2009, it leads to a situation of negative equity, both at the consolidated and statutory level.**

- **To a greater protection of the Company, creditors and all shareholders, the Board of Directors has not deemed it necessary to further convene a shareholders' meeting under Article 2447 of the Civil Code. This reflects the timing and substance of the capital increases as already approved and underwritten by the main creditors of the Group. The pro-forma statutory Shareholders' equity, taking into account the capital increases, is in fact positive for EUR 136.2 million.**

- **Share grouping in the ratio of 1 new share every 10 shares held, which is expected to commence by September 2009.**

Investor Relations
Chiara Dorigotti - Lisa Nanu
Ph. +39 02 30901209 - ir@tiscali.com

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

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

www.tiscali.com

- **Tiscali Group: EBITDA + 34%**

During the first half of 2009, the results of Tiscali Group included the English subsidiary as discontinued operations; therefore, in relation to net result, they reflect the results of the English company in the year, as well as the significant loss deriving from the disposal.

The revenues of the Group amounted to EUR 151.6 million with respect to EUR 164.5 million in the first half of 2008.

The profitability of the Group is growing; the Gross Operating Result (adjusted EBITDA) before provisions was EUR 48.4 million, increasing 34% with respect to the adjusted EBITDA of EUR 36.2 million in the first half of 2008.

Therefore, profitability went up 10% (32% in the first half of 2009, with respect to 22% in the first half of 2008).

The net operating result (EBIT) of the first half of 2009, net of provisions, writedowns and restructuring costs, amounted to EUR 10.9 million versus the break down in 1H08.

The result of operating assets was a loss of EUR 40.2 million, and reflected net financial charges of EUR 39.7 million and income taxes for about EUR 11.4 million, mainly linked to the reversal of deferred tax accounted on the subsidiary Tiscali International BV.

Though the net operating result presented a positive balance, the net result of the period was a loss of EUR 402.8 million, mainly due to the impact of the disposal of the subsidiary in the United Kingdom (amounting to about EUR 345 million).

It should be noted that the capital loss on the sale of UK, approximately EUR 345 million, which has affected the result for the period, it reflects the recording of intercompany waivers (EUR 390.8 million) and the reclassification of the translation reserve (EUR 102.7 million), as detailed below.

Investor Relations
Chiara Dorigotti/ Lisa Nanu
Tel. 02 30901209 – ir@tiscali.com

Press Office
Image Building
Mara Baldessari – Simona Vecchies
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EUR (000)	
A) Net price of UK disposal	**254,800**
Shareholders' equity at the date of disposal, including consolidated goodwill/ Net asset sold	90,668
Waiver of intercompany receivables of the Group against companies disposed of	390,862
B) Shareholders'equity at the date of the sale included goodwill of consolidated net of waiver of IC claims	**481,530**
C) Consolidated theoretical capital gain/loss (A+B)	**-226,730**
D) Residual debt due to VNIL, taken on by the Group	-11,740
E) Transaction accessory charges	-3,804
F) Income statement reclassification of the Translation reserve	-102,750
G) Total consolidated capital gain/loss (C+D+E+F)	**-345,024**

- **Tiscali Italia SpA; increase in ADSL revenues and EBITDA +89%; positive EBIT**

EUR million	**30 June 2009**	**30 June 2008**
Revenues	**147.7**	**158.1**
of which ADSL revenues	*61.7*	*59.1*
of which Voice revenues	*48.7*	*45.6*
EBITDA	**45.4**	**24.0**
EBIT	**10.5**	**-9.2**
Net result	**6.1**	**-17.4**

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Image Building
Mara Baldessari – Simona Vecchies
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During the first half of 2009, the revenues of Tiscali Italia S.p.A amounted to EUR 147.7 million, with respect to EUR 158.1 million in the same period of 2008.

The ADSL access revenues of the Italian subsidiary were EUR 61.7 million, going up 4.4% with respect to EUR 59.1 million in the first half of 2008. Voice revenues amounted to EUR 48.7 million during the first half of 2009, an increase of 6.7% compared with the first half of 2008 (EUR 45.6 million).

At 30 June 2009, ADSL direct customers of Tiscali Italia increased by about 11 thousand and double play (data and voice via the internet) customers by about 30 thousand; on the whole, double play customers in Italy were about 263 thousand.
At the end of the six months, ADSL customers totalled about 549 thousand, over 374 thousand of which unbundled.

The unbundling network coverage in Italy at 30 June 2009 amounted to 486 sites.

The ARPU for broadband services in Italy is EUR 30 per month, in line with the first half of 2008 despite the increased competitive pressures.

Financial position of the Group

At 30 June 2009, the Tiscali Group held cash and cash equivalents totalling EUR 29.1 million, against a net financial debt, at the same date, of EUR 607.9 million (EUR 601.1 million at 31 December 2008, referring to operating assets only).

EUR million	**30 June 2009**	**31 December 2008**
A. Cash	29.1	24.2
B. Other cash equivalents	6.9	12.7
C. Securities held for trading	0.0	0.0
D. Cash and cash equivalents (A) + (B) + (C)	**36.0**	**36.9**
E. Current financial receivables	**1.1**	**5.3**
F. Non-current financial receivables	6.3	1.4
G. Current bank payables	537.2	510.0
H. Current portion of non-current debt	0.0	0.0
I. Other current financial payables (*)	12.0	21.4
J. Current financial debt (G) + (H) + (I)	**549.2**	**531.4**
K. Net current financial debt *(J) – (E)- (F) – (D)*	**505.8**	**487.7**

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L. Non-current bank payables	0.0	0.0
M. Bonds issued	0.0	0.0
N. Other non-current payables (**)	102.1	113.4
O. Non-current financial debt *(L) + (M) + (N)*	**102.1**	**113.4**
P. Net financial debt *(K) + (O)*	**607.9**	**601.1**

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

In order to maintain continuity with disclosure provided in previous reports, the table above includes VAT receivables under current financial receivables, and guarantee deposits under other cash equivalents. The table below provides a reconciliation of the financial position above with the financial position prepared in the light of Consob resolution no. DEM/6064293 of 28 July 2006.

EUR million	**30 June 2009**	**30 June 2008**
Consolidated net financial debt	**607.9**	**601.1**
Other cash equivalents and current financial receivables	5.3	15.3
Consob consolidated net financial debt	**613.2**	**616.4**

The change in the net financial position with respect to December 2008 was mostly influenced by changes in the (UK) consolidation area and in the paid interest, capitalised and consolidated on *Senior Lenders'* debt (EUR 32.2 million).
Therefore, net debt does not simulate the effects of the disposal of subsidiary Tiscali UK, whose collected payment was used to partially repay the debt payable to Senior Lenders; moreover, it does not simulate the restructuring of the amount due to Senior Lenders signed on 2 July 2009.

The operating cash flow of the semester is positive for EUR 5 million, compared to the investments of around EUR 8.6 million. Interest paid during the six months were EUR 3.7 million.

- **Assets**

Non-current assets

Non-current assets at 30 June 2009, amounted to EUR 231.5 million, lower compared to the closing of 30 June 2008, amounted to EUR 890.9 million.
This is mainly due to the change in the perimeter of consolidation (TiNet and UK) and to the reversal of deferred tax accounted on Tiscali International BV equal to EUR 10.5 million. In particular, the goodwill of EUR 438.8 million in December 2008 has been reclassified as assets held for sale.

Current assets

Investor Relations
Chiara Dorigotti/ Lisa Nanu
Tel. 02 30901209 – ir@tiscali.com

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

Current assets at 30 June 2009 amounted to EUR 183.6 million, substantially lower than at December 31, 2008 (EUR 258.1 million). Receivables at 30 June 2009, amounted to EUR 126 million, compared to EUR 176.8 million at 31 December 2008. Among other receivables and other current assets, amounting to EUR 23.9 million, in particular, including accrued income to access services provided, deferred costs for services, together with other claims, including tax credits (VAT).

Liabilities

Non-current liabilities

Non-current liabilities at 30 June 2009 amounted to EUR 133.4 million, compared to the figure of EUR 229.7 million at 31 December 2008. The figure includes, in addition to the items concerning the financial position, for which we refer to the section below, the other non-current liabilities, including the fund for risks and charges of EUR 13.0 million and payables towards suppliers for the purchase of rights to exploit the use of the transmission capacity (IRU) for EUR 7.1 million.

Current liabilities

Current liabilities amounted to EUR 797.1 million at 30 June 2009 (compared to EUR 949.1 at December 31, 2008). They mainly include the current portion of financial debts, debts to suppliers, together with the accrued liabilities relating to purchase access services and lease lines, the provision for staff severance indemnities, the risks and charges provision and the taxes provision.

Significant events during the first half of 2009 and main events thereafter

Position at the date of approval of the financial statements at 31 December 2008

In relation to the preparation of the Financial Statements at 31 December 2008, taking into consideration the financial and equity position of the Group, and in the light of deteriorating macro-economic conditions and the worsening of the competitive context in the sector, already shown by the results of the period and by the business outlook and prospects based on the trends in the first months of 2009, the Board of Directors assessed the need to prepare a new Business Plan and an associated Financial Plan which would permit Tiscali Group to launch a process aimed at restructuring the debt and guaranteeing financial balance over the long term.

On 30 April 2009, the Shareholders' Meeting approved the 2008 financial statements and the partial settlement of the losses accumulated by the Parent Company, by using the whole share premium reserve, carrying forward the remaining portion, amounting to EUR 151.8 million.

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Chiara Dorigotti/ Lisa Nanu
Tel. 02 30901209 – ir@tiscali.com

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

Signing of the Framework Agreement and actions performed at the date of drawing up the Half Year Report

On 8 May 2009, the Board of Directors approved the guidelines of the plan for restructuring the debt of the Group, consistently with the financial and equity needs of the business plan of Tiscali Italia, which banks declared to support.
In particular, the following primary goals were stated:

- reduction, new due dates, and review of debt conditions, by using also income originating from assets disposal (the subsidiary in the United Kingdom);
- strengthening of the equity resources of the Group, to be carried out by means of one or more capital increases, under option, too, for an overall amount up to EUR 236.5 million; Senior Lenders and certain shareholders shall guarantee subscription.

Correlation between asset disposal and debt restructuring actions

Ever since the specification of the aforesaid goals by the Board of Directors, there has been a link between the asset disposal resolution - assets which would likely cause disposal losses in the current market conditions - and the decision to carry out capital increases already wholly granted by the main lenders of the Group.

According to the Board of Directors, those transactions were actually connected to each other; one depended upon the other. In particular, the option of disposing of the companies operating in the United Kingdom depended on the conclusion of the agreements for restructuring the overall debt of the Group (and with them, it depended on the lenders' obligation to guarantee capital increases), and on the approval of the resolution by the Shareholders Meeting to increase the capital of the Company (on 30.6.2009); that resolution was necessary for the issue of the reasonableness certification of the restructuring plan, pursuant to article 67, subsection three, letter d) of the Bankruptcy Law (Royal Decree no. 267 of 16 March 1942).

Therefore, on 28 May 2009, the Board of Directors of Tiscali S.p.A approved the so-called Framework Agreement meant for restructuring the debt of the Group: and in particular:

- about EUR 500 million of Senior Debt plus relevant interest, the subject of the standstill agreement;
- about EUR 100 million payable to the minority shareholders of Tiscali UK (VNIL);
- about EUR 30 million payable to Andalas, company held by shareholder Renato Soru.

Such agreement, originating the so-called Restructuring Agreement later on, signed by Senior Financing Institutions and the Company, provided for:

1) Disposal of Tiscali UK Ltd and the use of that sum to repay a portion of the Senior Debt and the amount payable to the minority shareholders of Tiscali UK, for about EUR 200 million and EUR 8 million, respectively;
2) Restructuring of the residual debt of the Group, payable to the Senior Lenders, after the partial repayment carried out with the income from the disposal of Tiscali UK, for EUR 165

Investor Relations
Chiara Dorigotti/ Lisa Nanu
Tel. 02 30901209 – ir@tiscali.com

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

million on the whole (which became about EUR 160 million later on, at the closing), pursuant to the following new terms, conditions and maturities:

- **tranche A**: EUR 100 million; duration 5 years;
- **tranche B**: EUR 45 million; duration 6 years;
- **tranche C**: EUR 20 million; duration 7 years, to be repaid through funds originating from the release of the term deposit relating to the disposal of Tiscali UK, or by capital increase as described below (see Third Share Capital Increase below).

3) Share capital increases under option for shareholders, meant to repay the residual amount of the Senior Debt and the amounts payable to Andalas, a company held by shareholder Renato Soru, and to the minority shareholders of Tiscali UK, for about EUR 31 million and EUR 11 million, respectively. The Framework Agreement provides for the subscription guarantee of such increases by the aforesaid lenders, by either totally or partially offsetting receivables from the Company, as described below:

   a. **Increase 1**: share capital increase up to EUR 190 million, with free warrants. The subscription of such increase, the execution of which is expected by 31st December 2009, was granted:

      (i) As for EUR 32 million, by Andalas, company held by shareholder Renato Soru;

      (ii) As for EUR 11 million, by the minority shareholders of Tiscali UK, whose debt would thus be cancelled by about 80%; and

      (iii) As for the residual portion, up to about EUR 147 million, by the Senior Lenders.

   b. **Increase 2**: share capital increase up to EUR 46.5 million, following completion of Increase 1; its launch and the relevant amount will be fixed on the basis of the subscription level of Increase 1. The execution of this capital increase, if any, is expected by 28th February 2010;

   c. **Increase 3**: share capital increase up to EUR 25 million, delegated to the Board of Directors; its subscription would also be granted by the Senior Lenders and should be carried out within three years from the resolution, by means of one or more tranches; this increase is meant for the possible repayment of a further portion of the Senior Debt, as certain conditions occur.

Actions performed at the date of drawing up this Half Year Report, within the implementation of the Reorganisation Plan and the Framework Agreement

1) **TiNet disposal: on 26 May,** Tiscali concluded the disposal of TiNet Group, supplier of IP transit services, to the BS private equity fund. In the transaction the enterprise value of Tinet was about EUR 47 million, including a potential earn out of about EUR 7 million.

2) **Share capital increase through resolution by the Shareholders' Meeting: on 30 June 2009,** the Extraordinary Shareholders' Meeting in third calling approved the aforesaid share capital increases as well as share grouping, in the ratio of 1 new share every 10 shares held. At the same date, the Company made known to have obtained the approval of the European Antitrust Authority for the disposal of Tiscali UK to Carphone Group.

3) **Expert certification of the Reorganisation Plan: on 1 July 2009,** Studio La Croce issued the reasonableness certificate for the Reorganisation Plan of Tiscali Group, pursuant to article 67, subsection three, letter d) of the Bankruptcy Law (Royal Decree no. 267 of 16 March 1942).

4) **Signing of debt agreements and guarantee agreements for share capital increases: on 2 July 2009,** the following agreements were signed:

   - ***Group Facilities Agreement,*** stating terms, conditions and due dates of the residual debt of the Group payable to Senior Lenders, after the partial repayment carried out through the income from the disposal of Tiscali UK totalling EUR 165 million, broken down into the so-called Tranches A, B, C, and D;
   - ***Subscription Agreement*****,** stating also the subscription commitment by Senior Financing Institutions;
   - ***Agreements with shareholders (Andalas and VNIL)****,* stating a) the subscription commitment of shareholder Renato Soru, and b) subscription commitments of the minority shareholders of UK (VNIL), as described above.

5) **Disposal of UK: on 3 July 2009,** after obtaining the necessary authorizations, and after reaching agreements for restructuring Group debt, the disposal of 100% of the shares of English subsidiary Tiscali UK Ltd to Carphone Warehouse Group Plc was carried out. The income from the disposal, net of transaction accessory costs, were used for repaying one portion of the Senior Debt and the amount payable to the minority shareholders of Tiscali UK for about EUR 207 million (including payment of Interest Rate Swaps) and EUR 8 million, respectively.

6) **Take-over bid exemption: on 6 July 2009,** Consob regarded the Reorganisation Plan as suitable, for its characteristics, to the exemption pursuant to article 49, subsection1, letter b) of the Issuers' Regulations.

Following the results of Share Capital Increases 1 and 2 described above, and in general, the carrying out of the several actions stated in the Reorganisation Plan, the financial debt of Tiscali Group payable to Senior Financing Institutions will thus be reduced to about EUR 160 million; this amount was considered reasonable (by the independent expert, too) for Tiscali and the Group, in relation to the cash flows expected for the Company, the cost and the amortisation plan of the restructured debt, and of the debt already ascribed to the Company itself.

- **Recognition of the independence of a Director**

Today, the Board of Directors has recognised that the Director Francesco Bizzarri holds the requirements of independent director under the Code of Conduct for listed companies. Mr.. Bizzarri joins the other independent director of the Company, Umberto De Iulio.

- **Balance sheet effects of the Reorganisation Plan**

As reported in the chapter "*Management Report*" paragraph "*Events after the end of the First Half Semester*" approved today, the accounting effects of capital asset sale and plan of restructuring the debt, applying IFRS 5 for the part of sale of its subsidiary Tiscali UK and the more restrictive version of IAS 32 for part of debt restructuring and capital increases, would result a net assets value of the Parent Company and a negative consolidation of, respectively, EUR 78.7 million and EUR 272.3 million.

Investor Relations
Chiara Dorigotti/ Lisa Nanu
Tel. 02 30901209 – **ir@tiscali.com**

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

The Board of Directors has noted, in fact, that should the effects of the commitment to underwriting by the Senior Lenders and the Shareholders , Tiscali SpA would be - apparently, or at least "formally" - in the situation envisaged by Article 2447, and raises the question whether it should apply the rules arising from the loss of capital and then convene a meeting whose measures were nevertheless already decided last 30 June.

In order to clarify the matter, the Board of Directors has requested an opinion from Professor Giovanni E. Colombo, a lawyer in Milan considered one of the greatest Italian experts on accounting issues, by putting the question on the effects of not accounting for the underwriting commitments under Article 2447 of the Civil Code.

With regard to that question, Professor Colombo, in examining the problem of accounting for the only loss on the sale of Tiscali UK (and not the positive effects of the commitment of Senior Lenders), points out that: *it would be a nonsense to claim, in the presence of the recovery plan, to apply to the loss of the capital (hypothetical) emerging from the half-yearly financial report the discipline of Article 2447: forming a provision subordinated to the one contained in the contractual agreements to restructure the debt*

"*If, therefore, it is considered that this decision of sale has resulted in a capital loss involving the obligations of recapitalization as for Article 2447, what distinguishes our case from that provided by Article 2447 is the fact that the decision to recapitalize has already been taken - and indeed has already been taken in a shareholders' resolution - even before accounting for capital loss to be covered. Here - I think - a first important topic against the hypothetical application of the framework ("recapitalize or liquidate") that art. 2447 reconnects to the term "capital loss": the measure to the recapitalization has already been taken before the completion of the case*. "

The Board of Directors, in light of the above and supported by the mentioned legal opinion of Professor Colombo, considered however that the shareholders' equity of Tiscali emerging in that way is a merely accounting position, while the real financial position of the Company should take into consideration both the write-down of the equity investment in Tiscali UK at 30 June 2009 and the commitment of banks and shareholders to subscribe the share capital increases resolved on 30 June 2009, up to EUR 214 million (the amount pro-forma net of charges); therefore, the financial position shows an accounting shareholders' equity of the Parent Company positive for EUR 136.2 million and Consolidated negative for EUR 57.4 million.

To a greater protection of the Company, creditors and all shareholders, the Board of Directors has therefore not deemed it necessary to further convene a shareholders' meeting under Article 2447 of the Civil Code, reflecting the timing and substance of the capital increases already approved and the underwriting commitments taken by the main creditors of the Group. The pro-forma statutory Shareholders' equity, taking into account the capital increases, is in fact positive for EUR 136.2 million.

Therefore, in order to provide a clearer representation of the financial and economical position of the Company, the Board of Directors also decided to attach half-year results given below all the major financial statements inclusive of accounting for capital increases of 1 and 2. What follows are the statement of changes in equity , with the pro-forma management accounting .

Investor Relations
Chiara Dorigotti/ Lisa Nanu
Tel. 02 30901209 – **ir@tiscali.com**

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

Statement of changes in Consolidated Shareholders' Equity taking into consideration the capital contribution commitment

EUR (000)	**30 June 2009**	**Increase**	**30 June2009 Pro-forma**
Share capital	156,071	-	156,071
Share premium reserve	-	-	-
Reserve for stock options	4,124	-	4,124
Reserve commitment of capital contribution	-	216,867	216,867
Translation reserve	-	-	-
Retained earnings and other reserves	(432,442)	(2,000)	(434,442)
Shareholders' equity of the Group	**(272,247)**	**214,867**	**(57,380)**
Minority interests	**-**	**-**	**-**
Total Shareholders' equity	**(272,247)**	**214,867**	**(57,380)**

Statement of changes in Consolidated Shareholders' Equity of the Parent Company taking into consideration the capital contribution commitment

EUR (000)	**30 June 2009**	**Increase**	**30 June 2009 Pro-forma**
Share capital	156,071	-	156,071
Share premium reserve	-	-	-
Reserve for stock options	4,124	-	4,124
Reserve commitment of capital contribution	-	216,867	222,619
Translation reserve	-	-	-
Retained earnings and other reserves	(238,889)	(2,000)	(240,889)
Shareholders' equity of the Parent Company	**(78,693)**	**214,867**	**136,174**
Total Shareholders' equity	**(78,693)**	**214,867**	**136,174**

Investor Relations
Chiara Dorigotti/ Lisa Nanu
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Press Office
Image Building
Mara Baldessari – Simona Vecchies
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Assessment of the business as a going concern and business outlook and prospects

Tiscali SpA closed the period ended at 31 December 2008, with the financial statements approved by the Tiscali SpA Extraordinary Shareholders' Meeting on 30 April 2009, in the presence of a series of uncertainties relating to the business continuity of the company deriving from the economic, equity and financial position of the Group and a worsening of the competitive context in the sector.
On the same date, having acknowledged these uncertainties and having launched a plan aimed at restructuring debt and geared toward ensuring the financial equilibrium of the Group, the Board of Directors deemed it appropriate to prepare the financial statements for the year ended at 31 December 2008 based on the assumption the company is a going concern.
With regard to the financial statements, the auditing company Ernst & Young had declared itself unable to judge because of the uncertainties expressed on the assumption of continuity. In that decision was set against a clear position of the Board of Auditors of the Company in favour of the assumption of continuity.

In the following months (see also "Significant events during the first half of 2009" and "Events after the end of the semester") the Board of Directors, in order to restore the proper level of Group financial equilibrium has continued the path already started the date of approval of the financial statement at December 31, 2008 aimed at overcoming the uncertainties mentioned.
The goodness of that plan was also cited by the audit firm Ernst&Young in connection with the publication of the prospectus for the sale of the subsidiary in the United Kingdom, where reporting on a pro-forma notes that the Board of Directors has initiated a "*series of actions aimed at overcoming the uncertainties mentioned. In particular (i) the sale of the Tiscali UK Ltd equity investment was completed; (ii) financial revenue from the sale was mainly used to repay Group debt; (iii) the Tiscali SpA Shareholders' Meeting on 30 June resolved increases in share capital to be offered under option to Shareholders and used to repay another portion of financial debts; (iv) agreements were stipulated with the main lenders which, on one hand, were committed to guaranteeing the subscription of said increase and, on the other, have agreed the renegotiation of the contractual terms of the loans which shall remain under the Group upon completion of the described operations."*

Given the substantial progress and significant results achieved in deployment of the restructuring plan, the Board of Directors has assessed the capital deficit as at 30 June 2009 and concluded, with the comfort of the authoritative opinion of Professor Colombo, that it does not determine the application of the rules provided by Article. 2447 of the Civil Code, in light of decisions already taken to increase capital and other agreements.

Therefore, further to the abovementioned circumstances, the Board of Directors deemed to have diligently tackled both the essential themes regarding implementation of the Restructuring Plan and the formal issues of representation in these half-yearly Financial Statements.
The Board of Directors believes that the implementation of the resolutions of the capital increase and the agreements referred to, together with the effective implementation of the Business Plan, (whose risks may originate mainly from external factors such as market trends, with particular reference to the continuation or worsening of the international economic situation and specifically in the telecommunications sector), are the prerequisite to give the Group a capital and financial structure consistent with the above Business Plan.

Investor Relations
Chiara Dorigotti/ Lisa Nanu
Tel. 02 30901209 – ir@tiscali.com

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

Therefore, even in light of the deliberations of a capital increase already assumed and the agreements with financial institutions and other creditors, prepared half-yearly consolidated financial statements at 30 June 2009 on the basis of the assumption of continuity.

Investor Relations
Chiara Dorigotti/ Lisa Nanu
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Image Building
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Additional information to the market

In compliance with the request sent to the company on 14 July 2009 by Consob pursuant to article 114, subsection 5 of Italian Legislative Decree no. 58/98, the following additional information on the Tiscali Group as at 31 July 2009 has been provided to the market.

NET FINANCIAL POSITION OF THE TISCALI GROUP AND TISCALI SPA, WITH EVIDENCE OF THE SHORT-TERM COMPONENTS SHOWN SEPARATELY FROM THE MEDIUM/LONG-TERM COMPONENTS

EUR (000)	*Notes*	**Tiscali Group 31.07.2009**	**Tiscali S.p.A. 31.07.2009**
A. Cash	(1)	27,489	5,161
B. Other cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		**27,489**	**5,161**
E. Current financial receivables	**(2)**	**2,619**	**2,619**
F. Non-current financial receivables	**(3)**	**6,308**	**473**
G. Current bank payables	(4)	186,096	665
H. Current portion of non-current debt			
I. Other current financial payables	(5)	7,693	
J. Current financial debt (G) + (H) + (I)		**193,789**	**665**
K. Net current financial debt *(J) – (E) – (D) – (F)*		**157,374**	**(7,588)**
L. Non-current bank payables	(6)	150,166	
M. Bonds issued			
N. Other non-current payables to third parties	(7)	89,854	30,975
O. Non-current financial debt (L) + (M) + (N)		**240,020**	**30,975**
P. Net financial debt (K) + (O)		**397,394**	**23,387**

Notes:

(1) *Includes proceeds from the sale of TiNet*

(2) *The full amount is relative to deposits recorded to Tiscali SpA,*

(3) *The entire amount represents the credit to the purchaser of TiNet Group (Talia) for the deferred component of the price*

Investor Relations
Chiara Dorigotti/ Lisa Nanu
Tel. 02 30901209 – ir@tiscali.com

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

(4) *Outstanding debt to Senior Lenders equal to EUR 175 million, in addition to bank debt of Tiscali Italia and Tiscali SpA for EUR 11.1 million*

(5) *Leasing Italy at short time*

(6) *It includes the amount of new debt to the Senior Lenders, restructured from 03/07/09*

(7) *It includes debt "Sale and Lease Back Sa Illetta" for EUR 58.8 million, in addition to the debt to the partner Andalas for EUR 30.9 million*

It should be noted that the net financial position indicated above refers to the Tiscali Group but does not include subsidiary Tiscali UK, sold to the Carphone Warehouse Group on 3 July 2009.

As described in the Interim Report, paragraph "*Events after the end of the semester*" on 3 July, the company sold off operations in the United Kingdom, for a consideration of 236 million pounds. Proceeds of the sale were used for the partial repayment of financial debt to the Senior Lenders (180 million pounds or so), in addition to payment of debts to the management of Tiscali UK (8 million pounds approximately) and debt to former minority shareholders of VNIL (7 million pounds approximately).

Minus the partial repayment of the debt to the Senior Lenders for EUR 207 million, the outstanding debt, amounting to EUR 332.8 million was being restructured for a nominal amount of EUR 158.5 million, and for the remaining part, amounting to EUR 174.3 million will be subject to compensation or cancellation following the capital increases 1 and 2 (scheduled by 31 December 2009 and February 28, 2010, respectively).

OVERDUE DEBT POSITIONS OF THE TISCALI GROUP AS AT 31 JULY 2009

As at 31 July 2009, net of payment plans agreed with suppliers, net overdue trade payables amount to roughly EUR 62 million, compared to about EUR 64 million at 30 June 2009.

In addition, overdue tax payables of roughly EUR 6.4 million should be noted and expired short term financial debt for EUR 0.8 million.

There are no overdue social security payables or amounts due to employees.

INITIATIVES OF GROUP CREDITORS AS AT 31 JULY 2009

As at 31 July 2009, there were no solicitations for payment, outside of those falling within ordinary administrative management.

The main orders for payment received by the company and still under negotiation or being opposed amount to a total of EUR 1.66 million.

There are no suspensions of supply relations to report.

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Press Office
Image Building
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RELATIONS WITH THE RELATED PARTIES OF TISCALI S.P.A. AND THE TISCALI GROUP

As at 31 July 2009, the Tiscali Group had a number of dealings with related parties, under conditions considered normal on the respective reference markets, taking into account the characteristics of the goods and services provided.

The table below summarises the balance sheet and income statement values of the Tiscali Group at 31 July 2009 arising from transactions with related parties.

The most significant values at 31 July 2009, summarized for suppliers, are the following:

Income statement values *EUR(000)*	Note	**Tiscali Group 31 July 2009**	**Of which: Tiscali S.p.A. 31.07.2009**
Interoute	1	(393)	-
Leadsatz GmbH	2	-	-
TOTAL SUPPLIERS OF MATERIALS AND SERVICES		**(393)**	**-**
Andalas SA	3	(1,097)	(113)
TOTAL		**(1,490)**	**(113)**

Balance sheet values *EUR(000)*	Note	**Tiscali Group 31 July 2009**	**Of which: Tiscali S.p.A. 31.07.2009**
Interoute	1	(1,796)	-
Leadsatz GmbH	2	(30)	-
TOTAL SUPPLIERS OF MATERIALS AND SERVICES		**(1,826)**	**-**
Andalas SA	3	(30,975)	(30,975)
TOTAL		**(32,801)**	**(30,975)**

(1) Interoute: group entirely controlled by the Sandoz Family Foundation, a shareholder of Tiscali S.p.A with a participation, directly and indirectly, equal to ca 6.9% of its share capital. The costs incurred during the year relate to purchases made by Tiscali SpA Italy related to dark fiber and its maintenance.
(2) Leadsatz GmbH: a company with which it was concluded an outsourcing agreement for the web portal of German companies sold. Mr. J. Maghin, administrator of Leadsatz GmbH has also been, in 2007, the minority shareholder of Ishtar GmbH (a company owned by Tiscali Deutschland GmbH).
(3) The sharholder Andalas Limited granted, in fiscal year 2004, an interest-bearing loan at market rates..

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Image Building
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Verification of financial covenants, negative pledges and any other Group debt clause

Based on the agreements stipulated between the company and Senior Lenders on 3 July 2009 the new loan agreements contemplate the application of a series of financial and operational covenants, as summarized in the following table:

Covenants	Definition	Date of first test
Financial		
Net debt on EBITDA	*Ratio of net debt and EBITDA for the period*	30 June 2010
Cash Flow to Debt Service	*Ratio of cash flow for the period and the sum of outstanding capital and interest due during the period*	31 December 2010
Interest Cover	*Ratio of EBITDA for the period and financial costs*	30 June 2010
Capex	*Total investments for the period in tangible and intangible assets*	30 June 2010
Operating		
ARPU per customer	*Ratio of revenues of the period and the average number of customers*	30 June 2010
Average number of customers	*Average customer between two contiguous periods*	30 June 2010

The aforementioned financial and operating covenants are, however, subject to a period of suspension (so-called covenants holiday) for 12/18 months starting from the date the agreements are signed. Therefore, the first verification date of these will occur at the close of the interim financial period in 2010.

In addition, on that date no events falling under negative pledges or under any other clauses of contracts stipulated within the scope of the debt Restructuring Plan were recorded.

- **Status of implementation of the Tiscali Group Business Plan**

During the first half, as part of the process of company reorganisation, the company developed a business plan, certified by a professional listed in the register of auditors who meets the requirements set out in article 28, letters a) and b) pursuant to article 2501-bis, subsection 4, of the Italian Civil Code according to article 67, subsection 3, letter d) of bankruptcy law.

The Plan developed in this way constitutes the analytical basis of the Restructuring Plan for Senior Lenders debt, signed on 3 July 2009.

The Business Plan will be communicated to the Market before the execution of the first Share Capital Increase, expected in the fourth quarter of 2009.

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Press Office
Image Building
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CONSOLIDATE INCOME STATEMENT *EUR (000)*	**30 June 2009**	**30 June 2008**
Revenues	151,583	164,526
Other income	1,823	1,458
Purchase of materials and outsourced services	81,000	111,651
Payroll and related costs	21,094	28,598
Other Operating costs	2,866	(10,443)
Gross operating result (adjusted EBITDA)	**48,446**	**36,178**
Write-downs of receivables from customers	10,236	8,013
Stock options costs	274	2,586
Gross operating result (EBITDA)	**37,935**	**25,579**
Restructuring costs, provisions for risks and write-downs	1,900	274
Amortization	25,111	25,275
Operating result	**10,924**	**31**
Share of profit or losses of associates with equity method	(33)	**(305)**
Net financial income (expences) finanziari netti	(39,670)	(31,234)
Pre-tax result	**(28,779)**	**(31,509)**
Income taxes	(11,392)	(971)
Profit (Loss) from continuing operations	**(40,171)**	**(32,480)**
Profit (Loss) from disposed operations and/or held for sale	(364,870)	(30,575)
Net result	**(405,040)**	**(63,054)**
Minority interest	**(2,186)**	**(5,832)**
Net result of the Group	**(402,854)**	**(57,223)**

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CONSOLIDATED BALANCE SHEET *EUR million*	**30 June 2009**	**31 December 2008**
Non current assets	231.5	890.9
Current assets	183.6	258.1
Assets held for sale	498.8	56.8
Total Assets	**913.9**	**1.205,8**
Shareholders' Equity (Group)	(272.2)	10.8
Minority interests	-	-6.0
Total shareholders' equity	**(272.2)**	**4.8**
Non current liabilities	133.4	229.7
Current liabilities	793.2	949.1
Liabilities directly related to assets held for sale	258.6	22.3
Total Shareholders' equity and liabilities	**913.9**	**1,205.8**

DECLARATION OF THE EXECUTIVE IN CHARGE OF PREPARING THE COMPANY'S ACCOUNTING DOCUMENTS

I the undersigned, Romano Fischetti, Executive in charge of preparing the company accounting documents of Tiscali S.p.A., declare, pursuant to article 154-bis, subsection 2, of Italian Legislative Decree 58/98, as modified, that the accounting information contained in this press release corresponds to the documentary results, the books and the accounting records.

Romano Fischetti

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

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Image Building
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This press release contains some statements of an anticipatory nature founded on the current expectations or on projections about future events. The aforementioned anticipatory statements depend on known and unknown risks, uncertainties and considered presuppositions. Furthermore, this press release contains some pro forma financial information not subject to audit review. Tiscali does not assume any commitment to publicly update or modify the anticipatory statements, either because of new information, or because of future events or otherwise. In light of the aforementioned risks, uncertainties and presuppositions, the anticipatory statements contained in this press release could be unconfirmed. Each statement relative to past occurrences or activities is not to be considered as a statement that these occurrences or activities will continue in the future.

Information on Tiscali

Tiscali S.p.A. (Borsa Italiana. Milan: TIS)) is one of the leading alternative telecommunications companies in Italy. With one of the most extensive and 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 June 2009, Tiscali had 750 thousands customers in Italy, of which over 549 thousands using ADSL.
The Tiscali website may be accessed at ***www.tiscali.com***

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