

**Tiscali: Board of Directors approves 2008 financial statements
and Industrial Plan guidelines**

**The process of renegotiation of the bank debt continues:
Standstill agreements obtained**

Cagliari, 27th March 2009

Tiscali's Board of Directors which met today has:

1. **Acknowledged the positive developments of the debt renegotiation process with the main Group lenders and the signing of the standstill agreements;**
2. **Examined and approved the 2008 draft financial statements, which show a growth trend both in revenues and EBITDA;**
3. **Examined and approved the Industrial Plan guidelines designed to achieved financial equilibrium and sustainability ;**
4. **Convened the shareholders' meeting on 29th/30th April 2009.**

2008 results

- **Consolidated revenues at EUR 983.6 million, +11.4% over 2007 and in line with business plan objectives**
- **EBITDA at EUR 197.0 million, +24.1% over 2007**
- **Italy: revenues at EUR 313.5 million, +7.4% over 2007, EBITDA at EUR 76.3 million, +21.2% over 2007**
- **UK: Revenues at EUR 683.6 million, +12.3% over 2007, EBITDA at EUR 108.1 million, +9,6% over 2007**
- **Voice Revenues at EUR 335.3 million, +46.5% over 2007**

Tiscali Group revenues in 2008 amounted to EUR 983.6 million, an increase of ca 11.4% with respect to the figure of EUR 883.1 million reported in 2007. Turnover is in line with the objectives communicated to the market, taking into consideration the deconsolidation of companies in the TiNet Group, currently held for sale.

In 2008, internet access and voice services – the Group's core business – represented more than 89% of total turnover.

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Group profitability is up, with Gross Operating Result (Adjusted EBITDA) before provisions amounting to EUR 197.0 million, an increase of 24% compared to adjusted EBITDA of EUR 158.7 million in 2007.

Profitability as a percentage of revenues therefore increased by 2 percentage points (20% in 2008, compared to 18% in 2007).

At the end of 2008, ADSL users totalled more than 2.3 million, of which more than 1.2 million were direct customers (LLU); ca 1.4 customers purchased voice services in VoIP and CPS mode.

Revenues and results by geographical area

Italy: EBITDA +21%

In 2008, Tiscali Italia S.p.A. recorded revenues of EUR 313.5 million, an increase of 7.4% compared to the EUR 292.0 million in the same period in 2007. Revenues from voice services and ADSL, the core business of the Italian subsidiary, showed a higher rate of growth. In particular, revenues from ADSL access services amounted to EUR 124.6 million, up by 22.4% compared to the EUR 101.8 million in 2007. Voice revenues totalled EUR 95.1 million during the year, an increase of 28.7% over 2007 (EUR 73.9 million).

At 31 December 2008 Tiscali recorded a net increase of around 33 thousand new ADSL customers in Italy versus 31 December 2007, bringing the total customer base for this service to over 586 thousand, of which more than 385 thousand are already active and connected to the Tiscali network infrastructure (unbundled).

During the year, more than 82 thousand customers subscribed to the double play services offer (data and voice over the internet), bringing the total number of double play customers in Italy up to 254 thousand. The customer base using dial-up access (narrowband) and CPS voice services stood at around 277 thousand users. Reduction in the narrowband customer base followed the market trend which saw a steady replacement with broadband services.

The unbundling network coverage in Italy at 31 December 2008 covered 486 sites.

The ARPU for broadband services in Italy amounted to EUR 30 per month, an increase compared to the average of EUR 29 for the year 2007 and in line with planned targets.

Tiscali Italia S.p.A. closed 2008 with a Gross Operating Result (Adjusted EBITDA) of EUR 76.3 million (24.3% of revenues), an increase of 21% compared to the EUR 62.9 million (21.5% of revenues) in 2007. Indirect operating costs increased from EUR 103.2 million in 2007 to EUR 105.4 million in 2008 (+2.2%).

At operating result level (EBIT), in 2008 Tiscali Italia S.p.A. generated a loss of EUR 17.4 million compared to the loss of EUR 2.4 million in 2007. This difference is due to provisions and restructuring costs of roughly EUR 20.4 million and relating to the restructuring and reduction plan of indirect and operating costs. In particular, as of today, Tiscali Italia S.p.A. saw a reduction of 150 headcounts and FTEs, mostly through a voluntary redundancy program, with a saving on a yearly basis of roughly EUR 6 million, against restructuring costs of roughly EUR 3 million.

United Kingdom: Revenues +12%

Tiscali UK generated revenues of EUR 686.3 million during the year, an increase of 12.3% over 2007 (revenues of EUR 608.7 million).

UK operations also saw the highest growth in the Voice segment. Indeed, ADSL access services generated revenues of EUR 371.8 million (54.4% of total revenues) in 2008, compared to EUR 370.6 million in 2007. Voice services, which also include analogical products sold together with ADSL services, generated revenues of EUR 240.3 million, an increase of 55% on the EUR 155.1 million in 2007.

ADSL users totalled 1.768 million at 31 December 2008, a slight decrease compared to the previous year. These included roughly 827 thousand direct customers (LLU), and approximately 819 thousand customers who subscribed to dual play services.

The unbundling network coverage in the United Kingdom at 31 December 2008 amounted to 897 sites. The average ARPU for broadband services in the UK amounted to EUR 28 per month, a decrease compared to the EUR 29 in 2007, due to greater competitive pressure and the negative impact of the Euro/Pound exchange rate.

The gross operating result (Adjusted EBITDA) recorded in 2008 by the subsidiary Tiscali UK, stood at EUR 108.1 million (15.8% of revenues), growth of 9.6% compared to the EUR 98.6 million (16.2% of revenues) in 2007.

At operating result level (EBIT), in 2008 Tiscali UK generated a loss of EUR 88.6 million compared to the loss of EUR 54.2 million in 2007. This difference is due to provisions and restructuring costs of roughly EUR 51.6 million and relating to the Pipex restructuring plan.

Revenues by business line

Access

This segment includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services and the flat component of bundled offers, and generated revenues during the year of EUR 547.8 million, representing around 55.6% of the Group's total revenues during the year, in line with the figure in the same period in 2007 (EUR 550 million).

The ADSL services customer base in 2008 totalled more than 2.3 million users (of which over 1.2 million were direct customers), in line with the figure in the previous year. LLU users increased by 24.4% during the year, from around 974 thousand in 2007 to more than 1.2 million at 31 December 2008.

Voice: Revenues +47%

The voice segment includes both the traditional telephone service and a component of the variable traffic generated by voice-over-IP services offered in bundled mode with internet access. In 2008, these services generated around 47% more revenue than in 2007. In absolute terms, voice revenues amounted to EUR 335.3 million in 2008, compared to EUR 228.9 million in 2007. Total voice revenues included EUR 121.2 million from voice traffic components generated by VoIP services.

Business services: Revenues +9%

Revenues from business services (VPN, housing, hosting services, Internet domains and leased lines), therefore excluding those from access and/or voice products for the same customer base which are already included in their respective business segments, amounted to EUR 44.1 million in 2008, a 9% increase over the EUR 40.5 million in 2007.

Media and value added services

In 2008, revenues from the media and value added services segment (derived from direct and indirect advertising through commercial agreements with search engines) amounted to EUR 46.1 million, a decrease over the same period in the previous year (EUR 50.2 million) due to the advertising market slowdown, in particular during second half of the year. This business line does not include revenues from the sale of content (such as video on demand within the IPTV service), revenues that are classified in the access line.

Gross operating result (EBITDA): +24 YoY

The adjusted Gross Operating Result (EBITDA) for the year, before provisions for risks, write-downs, depreciation and amortisation, was EUR 197.0 million, an increase of 24.1% compared to the EUR 158.7 million in 2007.

In 2008, EBITDA net of write-downs of receivables and other provisions was EUR 155.1 million (15.8% of revenues), an increase of 29.4% on the figure for 2007 (EUR 119.9 million, 13.6% of revenues).

During the year, **indirect operating costs** stood at EUR 276.6 million (28.1% of revenues), in line in terms of proportion of revenues compared to the previous year (EUR 251.2 million, 28.4% of revenues).

Operating result (EBIT)

The 2008 Operating Result was a loss of EUR 99.9 million, compared with a loss of EUR 74.9 million in the previous year, due to restructuring costs and write-downs of around EUR 78.8 million, of which EUR 42.1 million attributable to Pipex restructuring costs.

Net result

The consolidated net result for 2008 was a loss of EUR 242.7 million, a greater loss if compared with result of minus EUR 65.3 million in 2007. The net result was impacted by financial charges totalling EUR 96.4 million, including ca EUR 60 million related to the long term bank debt. EUR 64.9 million were related to the write down of the utilisation of tax losses.

Investments

The extension of the unbundling network and the investments relating to the connection and activation of new ADSL customers generated investments during the year of around EUR 174.3 million, including ca EUR 113 million for investments in intangible assets and roughly EUR 61.3 million for investments in tangible fixed assets.

Investments in Italy totalled around EUR 58.2 million and roughly EUR 116 million in the UK.

Financial position

At 31 December 2008, the Tiscali Group held cash and cash equivalents totalling EUR 24.2 million. The net financial debt, at the same date, stood at EUR 601.1 million (EUR 636.5 million at 31 December 2007, relating solely to operating activities).

EUR (millions)	31.12.08	31.12.07
A. Cash	24.2	134.2
B. Other cash equivalents	12.7	16.3
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	36.9	150.5
E. Current financial payables	5.3	12.1
F. Non-current financial payables	1.4	
G. Current bank payables	510.0	176.2
H. Current portion of non-current debt	-	-
I. Other current financial payables (*)	21.4	19.5
J. Current financial debt (G) + (H) + (I)	531.4	195.7
K. Net current financial debt (J) – (E) – (F) – (D)	487.7	33.1
L. Non-current bank payables	-	450.1
M. Bonds issued	-	43.8
N. Other non-current payables (**)	113.4	109.5
O. Non-current financial debt (L) + (M) + (N)	113.4	603.4
P. Net financial debt (K) + (O)	601.1	636.5

(*) includes leasing payables

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

The Group's long term financial debt at 31.12.2008 is summarised below:

	Ranking	€ Million	Due date	Financial Covenants
Credit Facility	Senior secured	50	2011	Yes
Revolving Credit Facility	Senior secured	50	2011	Yes
Term Loan	Senior secured	400	2014	-
Sale&lease back	Senior Senior secured	57	2022	-
Shareholder's loan	Subordinated	30	2015	-

It is to be highlighted that figures above are nominal value and therefore can be different from the net financial position which may be impacted several accounting principles (e.g. *amortized cost*).

The standstill period obtained Tiscali until June 2009 refers to interest and capital payments on long term financial debts (except for leasing on machineries), and to the covenant tests (included in the senior bank debt of EUR 100 million and not complied with as at 31.12.2008) .

The most relevant facts impacting the debt position during the year:

- a. Utilisation of further EUR 50 million relating to the RCF;
- b. Reclassification of long term financial debt into short term, consistent with the standstill agreement and with the ongoing debt re-negotiation process (please refer to paragraph “Significant events after the year end” and “Evaluation of the Company as a going concern and future outlook”
- c. Conversion into equity of the 6.75% EUR 60 million convertible bond subscribed by Management&Capitali in December 2007.

Operating cash flow in 2008, before interest payments, was stood at minus EUR 12.5 million. Total cash variation was negative for EUR 110 million, a figure that reflects investments for around EUR 174 million and interest charges and other debt costs of around EUR 76 million.

Impairment and write downs

On the basis and a a result of the annual impairment test performed on the participations held by Tiscali SpA, the participation held in World Online International NV has been written down for ca EUR 950 million. The Dutch sub holding World Online International NV also holds the Group’s activities in the UK.

Given that the Company’s equity is reduced by more than one third by the resulting losses of the period, Article 2446 of the Italian Civil Code is applicable. Therefore the Board of Directors has resolved upon the calling of the Shareholders’ meeting of Tiscali SpA on 29th April 2009 to approve 2008 accounts as well as to put in place the opportune remedies pursuant to the above mentioned Article 2446 of the Italian Civil Code.

Significant events after the year end

Luca Scano appointed as General Manager of Tiscali Italia

The Company announced the appointment of Luca Scano as General Manager of Tiscali Italia S.p.A. on 19 January 2009, reporting directly to Mario Rosso, the CEO of Tiscali Italia and Parent Company Tiscali S.p.A.. Luca Scano also holds the role of CFO of the Italian subsidiary.

Reduction of shareholding by Management & Capitali

On 21 January 2009, M&C informed Consob that it had reduced its stake in the share capital of Tiscali S.p.A. to under 2%.

Renewal of the voluntary redundancy programme in Italy

On 27 January 2009, Trade Union Organisations renewed the agreement signed with the Company at the end of December, the objective of which is to implement additional 60 voluntary redundancies by the end of 2009.

To date, the initiative had led to a total of 150 terminations, mainly through voluntary redundancies.

Agreement for the sale of Tiscali International Network (TiNet)

On 3 February 2009, Tiscali, BS Private Equity SpA and BS Investimenti SGR announced that they had agreed the purchase/sale of assets held by Tiscali International Network BV, a subsidiary of Tiscali S.p.A., for a total Enterprise Value of roughly EUR 47 million, including a potential earn-out of EUR 7 million. Even after the acquisition, TiNet will continue to be the IP service supplier for the Tiscali Group.

Start of the process of renegotiation of bank debt

Following the review of the main preliminary results of 2008 and of the Group's financial position, as well as in light of the deterioration in macroeconomic conditions and the worsening competitive context of the industry, the Board of Directors assessed the need to draft a new Business plan and associated Financial Plan which would allow the Group to begin a process aimed at the restructuring of debt and geared toward ensuring long-term financial equilibrium. To this end, and in order to be able to set aside the time necessary to prepare said plans, the Company asked the main lending institutions to grant a period of suspension for interest repayments, capital quotas and financial covenants, whose levels at December 2008 were not in line with contractual levels. In light of the aforementioned request, the Company has suspended said payments, including those due in March.

In addition, the Company has clarified that the measure taken is aimed at the renegotiation of financial debt with the leading bank lenders and credit institutions which have made themselves available for discussion, and to ensure that business activities in Italy and the UK are going forward as usual both with customers and suppliers.

Evaluation of the company as a going concern and future outlook

Taking into consideration the financial stance of the Group, also in light of the harshening of the macroeconomic conditions, as already shown in the results at 31 December 2008, and from the future outlook based on the trend in the first months of 2009, the Company has already performed a number of actions aimed at implementing corrective measures in a short timeframe.

The main actions taken are summarized below:

- ATKearney and Rothschild identified as industrial and financial advisor, respectively, to help the Company define a medium/long-term Business plan and related financial plan;
- Chiomenti and Skadden Arps identified as legal advisors;
- Request to certain key lenders a standstill period on financial debt, which provides for the suspension of payments of interest and capital and the suspension of financial covenants, already granted to date;
- Definition of the Business plan guidelines, based on long-term financial equilibrium;

- Commencement of negotiations for the definition of an agreement with leading bank lenders, aimed at the restructuring of financial debt.

The Board of Directors therefore believes that it is a realistic possibility to reach an agreement on the debt through the negotiations with the lending banks, thus achieving a sustainable capital structure, consistently with the expected cash flows.

The attention and the interest shown by the lenders for the Company, the signing of the standstill agreements, aimed at allowing the debt restructuring, the commencement of the negotiations, to which the banks have formally attributed high priority, and the fact the industrial and financial plans are being carefully evaluated and prepared support the Board in such positive stance.

The Board of Directors therefore believes the business is run on a going concern basis deeming it unlikely, on the basis of the information available to date, that an agreement on the debt restructuring is not reached. Should such agreement not be achieved, this would highlight a risk for the business going forward.

Industrial Plan Guidelines

The Industrial Plan is based on the following guidelines for each of the two countries in which Tiscali operates:

For **Italy**, where the competitive context is characterised by a relative concentration of the market share in broadband services:

1. Simplification of the product portfolio and value for money propositions: focus on double play (access and voice) and MVNO
2. Optimisation of channels and customer management approach
3. Network investments sized and consistent with customer penetration
4. Restructuring of organisation and reduction of operating and indirect costs
5. Generation of cash and net profit

For the **UK**, where the market is very competitive, and characterised by the presence of six operators heavily investing in infrastructure and marketing:

1. Strong focus on double play offers based on value propositions in covered areas
2. Enhance customer service and streamline of CRM platforms
3. Focus on direct and indirect cost control and efficiencies following the completion of network roll out and Pipex integration
4. Rationalisation of the product portfolio and strategic redefinition of the IPTV service
5. Generation of cash and net profit

The Industrial Plan, primarily aimed at achieving the financial equilibrium and sustainability, forecast cash generation over the time horizon, also considering the cash in from the disposal of TiNet is expected in 2009.

More details on the Industrial Plan will be communicated to the market together with the definition of the Financial Plan, currently under negotiations with the key lending banks.

The undersigned, Romano Fischetti, manager in charge of preparing the financial reports of Tiscali SpA certifies, pursuant to paragraph 2 article 154 bis of the Testo Unico della Finanza, that the accounting disclosures and information contained in this press release correspond to the accounting documents books and entries.

PRESS RELEASE

CONSOLIDATE INCOME STATEMENT (EUR 000)	2008	2007
Revenues	983,623	883,115
Other income	12,448	5,192
Purchase of materials and outsourced services	710,494	633,287
Payroll and related costs	91,090	89,965
Other Operating costs	(2,529)	6,316
Gross operating result	197,207	158,739
Write-downs of receivables from customers	34,327	27,144
Other provisions	7,607	11,697
Gross operating result after write-downs of receivables and other provisions	155,094	119,899
Restructuring costs, provisions for risks and write-downs	78,853	39,686
Amortization/depreciation	176,146	155,152
Operating result	(99,905)	(74,939)
Share of profit or losses of associates with equity method	(101)	(10)
Net financial income	(96,468)	(90,519)
Pre-tax result	(196,474)	(165,468)
Income taxes	(64,884)	17,525
Profit (Loss) from continuing operations	(261,358)	(147,944)
Profit (Loss) from discontinued and/or discontinuing operations and/or held for sale	(9,732)	72,619
Net result	(271,090)	(75,324)
Minority interest	(28,366)	(10,016)
Net result of the Group	(242,724)	(65,308)

CONSOLIDATED BALANCE SHEET (EUR 000)	31 December 2008	31 December 2007
<i>Non current assets</i>	890,896	1,210,692
<i>Current assets</i>	258,125	389,249
Assets held for sale	56,795	(0)
Total Assets	1,205,817	1,599,941
Shareholders' Equity (Group)	10,823	169,647
Minority interests	(6,046)	37,322
Total shareholders' equity	4,777	206,970
<i>Non current liabilities</i>	229,690	786,623
<i>Current liabilities</i>	949,076	606,348
Liabilities directly related to assets held for sale	22,274	-
Total Shareholders' equity and liabilities	1,205,817	1,599,941

This press release contains a number of estimates based on current expectations and forecasts of future events. The aforesaid estimates depend on known and unknown risks, uncertainties and other assumptions. Furthermore, this press release contains some unaudited pro-forma financial data. Tiscali does not undertake to publish updates or modify estimates, whether due to the availability of more recent information or future events or otherwise. In the light of the above risks, uncertainties and assumptions, the estimates contained in this press release may not be confirmed. Any statement made with regard to previous performance or activities should be treated as a statement to the effect that such performance or activities will continue in the future.

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Information on Tiscali

Tiscali S.p.A. (Borsa Italiana, Milan: TIS) is one of the leading alternative telecommunications companies in Europe. With one of the broadest and most interconnected IP technology-based networks worldwide. Tiscali supplies a wide range of services to its customers, both private individuals and companies, namely: internet access through dial-up and ADSL, as well as voice, VoIP, media, and value-added services and other technologically advanced products. As at 30 September 2008, Tiscali had a total of roughly 3.1 million active users in Italy and the UK. Of these, over 2.3 million were ADSL subscribers.

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

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