

Tiscali: the Board of Directors approves the 2010 Draft Financial Statements

Cagliari, 25 March 2011

The Tiscali S.p.A. Board of Directors, which met today:

- 1. Examined and approved the 2010 Draft Financial Statements: organic growth of ADSL customers and dual play revenues;**
- 2. Business Plan update and 2011 Target;**
- 3. Called the Shareholders' Meeting for 27, 28 and 29 April 2011 (first, second and third calls respectively).**

2010 results:

- **Consolidated revenues at EUR 278.1 million, essentially in line with 2010 target;**
- **Active Broadband customers 550,000;**
- **Group EBITDA before provisions of EUR 70.4 million and Ebitda after provisions of EUR 47.8 million;**
- **Group EBIT negative at EUR 1.8 million;**
- **Group net result negative at EUR 24.3 million, a net improvement (+93.7%) compared to the net loss in 2009 of EUR 384.8 million.**
- **Growth in 4Q2010:**
 - **Revenues up by 3.5% against 4Q2009 (+7.2% over 3Q2010) and, with Media & VAS revenues almost than trebling vs 4Q2010;**
 - **Ebitda before provisions of roughly EUR 20 million (+9.9% vs 4Q2009 and +40.8% vs 3Q2010)**

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Tiscali's Board of Directors approved the Draft Financial Statements for 2010. It reflects the efforts made by the company for the financial restructuring in a highly competitive market environment and in particular the fourth quarter, confirming the validity of the path taken.

Tiscali Group: Revenues in line with targets, good growth dual play customers

Group revenues in 2010 stood at EUR 278.1 million, down by 4.2% compared to EUR 290.4 million in 2009.

In 2010 internet access and voice services – the Group's core business – represented around 83% of turnover. Group profitability, with a Gross operating result (adjusted EBITDA), before provisions of EUR 70.7 million, was down by 20% compared to the Gross operating result (adjusted EBITDA) of EUR 88.1 million recorded in 2009. The decrease was mainly due to the impact of the natural reduction in the narrowband segment, increase in ULL tariffs and certain one-off revenues in 2009.

At the end of 2010, active ADSL users in Italy numbered roughly 550 thousand (net of 40 thousand ADSL lines cancelled in 4Q2010 for silent or non paying customers), of which 375 thousand direct customers (ULL) and 369 thousand dual play customers. Before the aforementioned cancellations, total ADSL customers demonstrated YoY growth of 20 thousand new ADSL customers (+3.5% YoY). At the end of 2010 the total mobile customers are equal to 84 thousand, +20% vs 3Q2010.

The unbundling network coverage in Italy as at 31 December 2010 amounted to 680 sites, up by 16% compared to the number of sites as at 31 December 2009 (585).

GROUP REVENUES BY BUSINESS SEGMENT

Access: stable at 47% of revenues

The segment in question, which includes broadband (ADSL) and narrowband (dial-up) internet access services and the flat component of bundled offers, generated revenues of EUR 131.7 million, accounting for roughly 47% of total Group revenues in the year, stable in percentage terms, if we consider the figure for the corresponding period in 2009 was EUR 135.8 million (47% of total revenues). The decrease was entirely due to the narrowband segment which registered a decline of EUR 7.3 million, partially offset by an increase in the broadband component of 3.1 million euro.

Voice: VoIP +12.7% YoY

The voice segment includes both traditional telephone services and VoIP services offered in bundled mode with internet access services. Voice revenues in 2010 were up compared to the previous year. In absolute terms, voice revenues in 2010 amounted to EUR 100.2 million, compared to EUR 94.3 million in 2009. As regards total voice revenues, EUR 72.8 million was generated by voice traffic components generated by VoIP services, an increase of 12.7% YoY (EUR 64.6 million in 2009).

Business Services

Revenues from business services (VPN services, housing, hosting, domains and leased lines), which do not include revenues from access and/or voice products for the same customer base that are already included in their respective business lines, amounted to EUR 24.7 million in 2010, down by 10.5% compared to EUR 27.6 million in 2009. This was mainly a result of the negative effect on revenues of the sale of Tiscali UK.

Media and value added services

In 2010, media and valued added service revenues (linked to direct and indirect advertising through commercial agreements with search engines) amounted to EUR 16.2 million, down compared to the previous period (EUR 17.6 million) which included an important one-off revenue component linked to agreements with search engine Google relating to the activities of the UK subsidiary, sold in July 2009. Anyhow, as a confirmation of the positive advertising business strategy implementation in 2010, we can highlight a relevant growth of 190% on revenues in 4Q2010 (EUR 5.8 million) compared to 4Q2009 (EUR 2 million), and +100% vs 3Q2010 (EUR 2.9 million).

GROSS OPERATING RESULT (EBITDA):

The Gross Operating Result (adjusted EBITDA) for the year - before allocations to provisions for risks, write-downs and amortisation/depreciation - amounted to EUR 70.4 million, down by 20% compared to EUR 88.1 million in 2009. ☒ The decrease is attributable to lower revenues for the reasons set out above, and the increase in regulated tariffs, partially offset by a decrease in indirect operating costs. Anyhow, the second half of 2010 highlights the positive impact of the restructuring process implementation, with an adjusted EBITDA in 4Q2010 up to 10% (EUR 20 million) compared to 4Q2009.

EBITDA net of the write-down of receivables and other provisions amounted to EUR 47.8 million in 2010, down by 31,4% compared to the comparable figure in 2009 (EUR 69.7 million); also in the comparison of the 4Q2010 (EUR 12.6 million) and 4Q2009 (EUR 15 million) there is a slight decrease of 16%, while in the comparison between 4Q2010 (EUR 12.6 million) and 3Q2010 (EUR 9 million) the increase of the EBITDA is equal to +40%.

Indirect operating costs for the year stood at EUR 72.7 million, down by 12% when compared to the figure in the previous year (EUR 169.7 million).

OPERATING RESULT (EBIT):

The Operating Result (EBIT) in 2010, net of provisions, write-downs and restructuring costs, was roughly a negative EUR 1.8 million, comparable with the 2009 figure of EUR 11.3 million. The difference from the previous year is due to the decline in gross profit for the reasons listed above, together with the greater impact of the provision to bad debt throughout the year. Again, the effects of the route taken by the company are reflected positively in 4Q2010, where it records compared to the previous quarter, an improvement in EBIT of around 31%.

NET RESULT: improvement of 93% YoY

The Group's net result in 2010 was a negative EUR 24.3 million compared to a net loss of EUR 384.8 million in 2009; the latter figure includes the capital loss recorded by the sale of the UK subsidiary and TiNet.

INVESTMENTS

The extension of the unbundling network and the resultant operating investments relating to the connection and activation of new ADSL customers generated new investments during the year of around EUR 35.7 million, including EUR 29.1 million for investments in intangible assets and around EUR 6.6 million for investments in tangible fixed assets. The investments relate entirely to Tiscali Italia S.p.A..

FINANCIAL POSITION: Improvement in NFP

As at 31 December 2010, the Tiscali Group recorded cash and cash equivalents totalling EUR 10.3 million. As at said date, the net financial position was a negative EUR 197.6 million, an improvement over the negative EUR 211.2 million as at 31 December 2009 (relating solely to operating activities).

<i>EUR million</i>	<i>Notes</i>	31.12.10	31.12.09
A. Cash		10.3	16.2
B. Other cash equivalents		0.4	0.6
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		10.8	16.8
E. Current financial payables		0	-
F. Non-current financial receivables	(1)	6.3	12.7
G. Current bank payables	(2)	12.8	13.6
H. Current portion of non-current debt	(3)	17.0	10.9
I. Other current financial payables (*)	(4)	1.5	10.8
J. Current financial debt (F) + (G) + (H)		31.3	35.3
K. Net current financial debt (J) - (E) - (F) - (D)		14.2	(0.7)
L. Non-current bank payables	(5)	124.7	152.9
M. Bonds issued		-	-
N. Other non-current payables (**)		58.7	59.0
O. Non-current financial debt (L) + (M) + (N)	(6)	183.4	211.8
P. Net financial debt (K) + (O)		197.6	211.2

(*) includes leasing payables

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

- (1) Includes the tied up interest-bearing deposit relating to the financial Sale & Lease Back transaction of Sa Illetta;
- (2) Includes bank payables of Tiscali Italia S.p.A. and Tiscali S.p.A. amounting to around EUR 12.8 million;
- (3) Includes the short-term component, equal to EUR 17 million, of amounts owed to Senior Lenders, which includes the cash portions of capital and interest repayable within 12 months;
- (4) Includes EUR 1.5 million in short-term leasing of subsidiary Tiscali Italia S.p.A.;
- (5) The entire amount of EUR 124.7 million relates to the long-term component of the debt to Senior Lenders;
- (6) Includes the "Sale and Lease Back Sa Illetta" payable totalling EUR 58.7 million.

In order to ensure consistency with the data provided in previous reports, the above table includes among other cash equivalents and non current financial receivables, the guarantee deposits. For the purposes of clarity, the table below provides a reconciliation of the above financial position with the same statement prepared in accordance with Consob communication DEM/6064293 of 28 July 2006.

<i>Millions of Euros</i>	31 December 2010	31 December 2009
Consolidated net financial debt	197.6	211.2
Other cash, cash equivalents and non current financial receivables	6.7	13.2
Consob consolidated net financial debt	204.3	224.4

The remaining Group debt as at 31 December 2010 is shown below, amounting to EUR 128.8 million, due to Senior Lenders:

- **tranche A:** amounting to EUR 97.5 million with a duration of 4 years;
- **tranche B:** amounting to EUR 31.3 million with a duration of 5 years;

Tranche C subscribed for a nominal EUR 20 million was repaid in 2010.

The Group's senior debt contains financial and operating covenants. As at 31 December 2010 the aforementioned covenants were observed.

EVENTS AFTER THE CLOSE OF THE YEAR

On March 17, 2011, the Group received the final tranche of escrow from the sale of Tiscali UK Ltd for an amount of 1.25 million pounds.

BUSINESS OUTLOOK

The company continues to concentrate its business efforts on expanding the user base, with a special focus on increasing the number of dual play customers. In addition, strengthening of the commercial business structure and advertising sales is expected to generate an increase in revenues in the respective areas, fully exploiting the network infrastructure and web positioning

of the Tiscali brand. In the last quarter of 2010, a series of activities were carried out to optimise the industrial cost structure, including the already mentioned cancellation of defaulting and silent customers which is of key significance, in order to recovery efficiency and margins for telecommunications business. These actions will continue in 2011. Special attention will be focused on improving the collection cycle as regards large-scale customers and enhancing ADSL customer activation procedures, with a subsequent decrease in average activation times and an increase in redemption. In addition, a special focus will be placed on the development of the FTTH network in selected areas, thanks to the partnership with ZTE.

The results presented bear out the efforts of management as regards the handling of operations to maintain satisfactory performances despite a difficult macro-economic context and in a particularly challenging competitive market situation.

BUSINESS PLAN UPDATE AND 2011 TARGETS

With respect to the figures presented to the market on 12 October 2009, and subsequent to revenue target re-defining for 2010, the Board of Directors has approved today the update of Business Plan. The updated plan is based substantially on the same strategic lines of the previous year. In particular, the company will focus on expanding the customer base through effective action on the fixed network of cross and up selling. Moreover, it is expected as early as 2011, the extension of its product portfolio for both the consumer and business, and the launch of converged communication services through the development of IMS. On the average it is expected to continue the growth trend in revenues due to increased network sites and the audience.

2011 targets:

- **Revenues + 8% vs 2010**
- **Adjusted gross operating income (adjusted EBITDA) + 15% vs 2010**
- **Positive net result**
- **Generation of cash from 2011**
- **Investments: EUR 35-40 million**

Shareholders' Meeting Called

Tiscali's Board of Directors called the ordinary and extraordinary shareholders' meetings to approve the 2010 financial statements, with first extraordinary call set for 27 April 2011 at 11.00 at the registered office in Tiscali HQ in Cagliari, extraordinary meeting second call and ordinary meetin first call on 28 April 2011 at the same time and place and, if necessary, ordinary meeting second call and extraordinary meeting third call on 29 April 2011 at the same time and place. All documents submitted to the Assembly will be made available to the public at the company headquarters, at the Italian Stock Exchange (Borsa Italiana) and the Company's website (www.tiscali.com) in terms of current legislation.

STATEMENT OF THE APPOINTED MANAGER

I, the undersigned, Luca Scano, manager in charge of drawing up the corporate accounting documents of Tiscali SpA, hereby declare – pursuant to paragraph 2, Article 154-bis of the Italian Finance Consolidation Act – that the annual results contained in this press release correspond to the documentary results, books and accounting records of the Parent Company and to the information provided by the companies included in the consolidation area.

Luca Scano



Luca Scano

CONSOLIDATED INCOME STATEMENT (EUR million)	31 December 2010	31 December 2009
Revenues	278.2	290.4
Other income	3.7	3.1
Purchase of materials and outsourced services	169.5	159.1
Payroll and related costs	43.2	39.2
Other operating costs	(1.3)	7.1
Gross Operating Result (adjusted EBITDA):	70.5	88.1
Write-downs of receivables from customers	22.6	17.9
Stock option plan cost	0.1	0.5
Gross Operating Result (EBITDA)	47.8	69.7
Restructuring costs, provisions for risk reserves and write-downs	1.8	11.7
Amortisation/depreciation	47.8	46.7
Operating result	(1.8)	11.4
Share of results of equity investments valued using the equity method	-	-
Net financial income (charges)	(14.3)	(13.9)
Pre-tax result	(16.1)	(2.6)
Income taxes	(3.9)	(12.1)
Net result from operating activities (on-going)	(20.0)	(14.7)
Result from assets disposed of and/or destined for disposal	(4.2)	(372.3)
Net result	(24.3)	(387.0)
Minority interests	-	(2.2)
Group Net Result	(24.3)	(384.8)

CONSOLIDATED BALANCE SHEET (EUR million)	31 December 2010	31 December 2009
<i>Non-current assets</i>	221.4	239.6
<i>Current assets</i>	145.5	188.9
Assets held for sale	-	-
Total Assets	366.9	428.6
Group shareholders' equity	(92.0)	(67.0)
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	(92.0)	(67.0)
<i>Non-current liabilities</i>	206.9	239.3
<i>Current liabilities</i>	251.1	255.4
Liabilities directly related to assets disposed	0.9	0.9
Total Liabilities and Shareholders' equity	366.9	428.6

Tiscali S.p.A – Income Statement (EUR)	31 December 2010	31 December 2009
Revenues	6,050,065	10,764,130
Other income	-	-
Purchase of materials and outsourced services	(39,726)	(3,211,228)
Payroll and related costs	(1,899,772)	(5,343,961)
Other operating costs	15,582	(3,384,065)
Write-downs of receivables from customers	(3,101,019)	(1,814)
Other write-downs	(910,803)	(251,763,462)
Amortisation/depreciation	(18,822)	(346,666)
Operating result	95,506	(253,287,066)
Portion of result of equity investments carried at equity	-	-
Net financial income (charges)	(239,366)	4,770,678
Pre-tax result	(143,860)	(248,516,388)
Income taxes	(231,638)	(184,683)
Net result from operating activities (on-going)	(375,497)	(248,701,071)
Result from assets disposed of and/or destined for disposal	2,190,187	447,311
Net result	1,814,689	(248,253,761)

Tiscali S.p.A – Balance Sheet (EUR)	31 December 2010	31 December 2009
<i>Non-current assets</i>		
Intangible assets	1,036	2,348
Properties, plant and machinery	11,702	26,509
Equity investments	112,007,292	111,989,572
Other financial assets	25,262,577	22,604,609
	137,282,607	134,623,038
<i>Current assets</i>		
Receivables from customers	17,562,482	15,509,490
Other receivables and other current assets	1,002,378	2,119,874
Other current financial assets	-	-
Cash and cash equivalents	3,062,347	2,430,831
	21,627,207	20,060,194
Assets held for sale	-	-
Total Assets	158,909,814	154,683,232
<i>Share Capital and reserves</i>		
Share Capital	92,017,483	92,002,890
Stock option reserve	4,388,058	4,314,970
Reserve for coverage of losses	4,677,385	252,931,146
Other reserves	(8,048,828)	(7,248,453)
Results of previous years	-	-
Net result	1,814,689	(248,253,761)
Total Shareholders' equity	94,848,788	93,746,793
<i>Non-current liabilities</i>		
Other non-current liabilities	6,318,277	2,090,062
Liabilities for pension obligations and staff severance indemnity	166,667	202,530
Provisions for risks and charges	3,341,349	3,662,273
	9,826,292	5,954,865
<i>Current liabilities</i>		
Payables to banks and other lenders	423,696	589,964
Trade payables	9,873,448	15,299,020
Other current liabilities	43,706,254	38,861,256
	54,003,398	54,750,239
Liabilities directly related to assets held for sale	231,336	11,702
Total Liabilities and Shareholders' equity	158,909,814	154,683,232



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 its private and business customers with a wide range of services: internet access through dial-up and ADSL, as well as voice, VoIP, media, and added-value services and other technologically advanced products.

As at 31 December 2010 Tiscali had a total of roughly 709 thousand customers in Italy, which roughly 550 thousand are ADSL customers. Around 369 thousand of these are Dual Play customers.

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