

Tiscali: the Board of Directors approves the 2011 Draft Financial Statements

Cagliari, 30 March 2012

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

- 1. Examined and approved the 2011 Draft Financial Statements;**
- 2. 2012 targets;**
- 3. Called the Shareholders' Meeting for 15 May 2012 in sole calling.**

Results for the year 2011

- Consolidated revenues at EUR 267.6 million
- Media revenues up 28.9% YoY to EUR 20.9 million (FY 2010 EUR 16.2 million)
- VoIP revenues up 4.9% to EUR 76.3 million YoY (FY 2010 EUR 72.7 million);
- Gross Operating Result up slightly to EUR 71.7 million (+1.8% YOY); Net Ebitda at EUR 35.9 million (-24,8% YoY);
- Negative Group EBIT totalling EUR 21.3 million;
- Negative Group net result totalling EUR 38.1 million mainly due to the impact of write-down of receivables and other provisions;
- Active broadband customers 494 thousand; mobile customers up 65.4%;
- Improvement in the net financial position, EUR 200 million, compared with EUR 204.3 million in the same period in 2010;
- Free cash flow at EUR 18 million, strong growth compared with 2010.

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Tiscali's Board of Directors has approved the 2011 Draft Financial Statements. The financial statements reflect the efforts made by the Company to contain operating costs and for financial restructuring in a particularly competitive market context. In this context the company has made a strong rationalization of its operating structure, thus responding to the pressure on margins in the telecommunications business. In this extremely challenging environment, Tiscali has continued to consolidate its position on web services, while paying particular focus on innovative communications services. In this sense, the fourth quarter confirmed the validity of the action undertaken and therefore the ability of the business to observe its financial obligations.

Tiscali Group: consolidated revenues at EUR 267 million, good growth in media and VoIP revenues, stable gross margin rate, indirect cost down

Group revenues during 2011 came to EUR 267.6 million, down by 3.8% with respect to the balance of EUR 278.2 million recorded in 2010.

During 2011, internet access and voice services – the Group's core business – represented around 83.2% of revenues. The Group's gross profitability, with a Gross operating result before provisions of EUR 71.7 million, was up slightly by 1.8% with respect to the Gross operating result of EUR 70.5 million reported in 2010.

At the end of 2011, active ADSL users in Italy amounted to around 494 thousand, of which 344 thousand were direct customers (LLU) and 349 thousand dual play customers. The decreasing compared to the equivalent figure in 2010 largely reflects the impact of the cancellation during 2011 of ADSL lines relating to defaulting or silent customers, a process started in the second half of 2010 and completed in 2011. This, as already shown in the past, allowed to reach important savings. Total mobile customers amounted to more than 139 thousand, up 65.4% YoY.

GROUP REVENUES BY BUSINESS SEGMENT

Access: VoIP +4.9% YoY

The segment in question, which includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services, the flat component of the bundled offers and VoIP, generated revenues during the year of EUR 196.2 million, representing around 73.3% of the Group's total revenues, down slightly compared to the figure for last year when access revenues came to EUR 198.7 million (71.4% of total revenues). The decrease is attributable to the narrowband segment which reported a drop of EUR 4.1 million and the reduction in the number of fixed lines and the consequent traffic deriving from the same, a decrease partly offset by the rise in the VoIP component of EUR 3.5 million.

In fact, total Access revenues, EUR 76.3 million, concern the voice traffic components generated by the VoIP services, up 4.9% YoY (EUR 72.7 million in 2010).

Voice: +7.4%

The Voice segment includes just traditional telephone services and wholesale. During 2011, voice service revenues were up with respect to the previous year, rising from EUR 24.9 million in 2010 (9% of revenues) to EUR 26.7 million in 2011 (10% of revenues).

Business Services: 5.6% of revenues

Revenues from business services (VPN, housing, hosting services, domains and leased lines), excluding those from access and/or voice products for the same customer base already included in their respective business segments, amounted in 2011 to EUR 15 million, down 33% with respect to the EUR 24.6 million in 2010. This is mainly due to the negative effect on the revenues deriving from the stop of IT service supplying to the former subsidiary Tiscali UK.

Media and value added services: +28.9% YoY

The progressive focus of the Company on web services made possible the consolidation of the competitive positioning on this market which has wide growth perspective. During 2011, the revenues in the media and value added segment (linked to direct and indirect advertising through commercial contracts with search engines) amounted to EUR 20.9 million, an increase of 28.9% compared to the previous period (EUR 16.2 million). The increase, overperforming the market growth trend, was attributable to the rise in traffic on the properties managed by TISCALI:ADV and the increase of its customer base, achieved thanks to the focusing of the editorial product on the information segment, the strong presence in its customer base and target verticalization which lead to a better and improved profit of the traffic which recorded an increase in the average revenue per page of 31% compared to 2009. At quarter level, proving the correct implementation of the commercial strategies of the concessionary agent during the year, a consistent increase was seen of 15.6% in revenues in the 4Q2011 (EUR 6.8 million) when compared with 4Q2010 (EUR 5.9 million), and 63.3% with respect to 3Q2011 (EUR 4.1 million).

GROSS OPERATING RESULT: +1.8% YoY

The Gross Operating Result for the year, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 71.7 million, up slightly by 1.8% with respect to the balance of EUR 70.5 million in 2010.

During 2011, the Gross Margin amounted to EUR 127.3 million, compared with the same figure of EUR 133.9 million in 2010. The decrease is due to the heavy impact on prices due to the competitive context, the increase in regulatory tariffs on the LLU, as well as the drop in narrowband services and revenues for IT services. However, during 4Q2011 the Gross Margin percentage-wise came to 50%, up 5% with respect to 3Q2011, and disclosed a positive effect of deriving from network rationalisation policies and silent lines termination.

The EBITDA, net of write-downs of receivables and other provisions came to EUR 35.9 million in 2011, a decrease of 24.8% on the same figure for 2010 (EUR 47.8million). The decrease is mainly due to the increase in the write-downs of receivable and other provisions raising from the strict control policies on commercial credits and the shortening in cash-in timing.

Indirect operating costs during the year came to EUR 66.9 million, down in absolute terms (-7.9% YoY) and in terms of proportion of revenues (25% of revenues), when compared with the same figure in 2010 (EUR 72.7 million, 26.2% of revenues) thanks to cost rationalization action already launched in the second half of 2010.

OPERATING RESULT (EBIT)

The operating result (EBIT) for 2011, net of provisions, write-downs and restructuring costs, was a loss of EUR 21.3 million with respect to the loss for 2010, equating to EUR 1.8 million. The differential with respect to the previous year is due to the additional impact of the receivable write-down provision made during the year.

NET RESULT

The 2011 Group net result presented a negative balance of EUR 38.1 million, compared with a net loss of EUR 24.3 million in 2010, and reflects the additional impact of the receivable write-down provision made during the year.

INVESTMENTS

Investments relating to the maintenance of network infrastructure and IT, as well as the activation of new customers, totalled around EUR 28.2 million, including EUR 24 million for investments in intangible assets and around EUR 4.2 million for investments in tangible fixed assets. The investments relate entirely to Tiscali Italia S.p.A..

FINANCIAL POSITION: improvement in NFP

At 31 December 2011, the Tiscali Group held cash and cash equivalents totalling EUR 6.6 million. As of the same date, the net financial position presented a loss of EUR 200 million, an improvement with respect to the negative balance of EUR 204.3 million as at 31 December 2010, thanks to the cash generating in the year.

<i>Euro (million)</i>	Note	31 December 2011	31 December 2010
A. Cash and other equivalent		6,6	10,3
B. Other cash equivalents		0,1	0,4
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		6,7	10,8
E. Current financial receivables		-	-
F. Non-current financial receivables	(1)	6,3	6,3
G. Current bank payables	(2)	14	12,8
H. Current portion of non-current debt	(3)	9,6	17
I. Other current financial payables (*)	(4)	0,6	1,5
J. Net current financial debt (J) - (E) - (D) - (F)		24,0	31,2
K. Net current financial debt (J) - (E) - (D) - (F)		11,0	14,2
L. Non-current bank payables	(5)	124,4	124,7
M. Bonds issued		-	-
N. Other non-current payables (**)	(6)	58,1	58,7
O. Non-current financial debt (L) + (M) + (N)		182,5	183,4
P. Net financial debt (K) + (O)		193,5	197,6

Notes:

- (1) Includes the interest-bearing restricted deposit relating to the financial Sale & lease-back transaction on Sa Illetta;
- (2) Includes the bank payables of Tiscali Italia S.p.A. and Tiscali S.p.A.;
- (3) Includes the short-term component equal to EUR 9.6 million relating to payables to Senior Lenders (principal and interest portions repayable within 12 months);
- (4) Includes EUR 0.6 million of short-term leasing of the subsidiary Tiscali Italia S.p.A.;
- (5) The entire amount of EUR 124.4 million relates to the long-term component of the debt due to Senior Lenders;
- (6) Includes the "Sale and Lease Back Sa Illetta" debt for EUR 5.57 million.

In order to ensure consistency with the data provided in previous reports, the above table includes guarantee deposits under other cash equivalents and non-current financial receivables. The table below provides a reconciliation of the above financial position with the same statement prepared in accordance with Consob Communication DEM/6064293 dated 28 July 2006, so as to provide clarity.

<i>EUR 0000</i>	31 December 2011	31 December 2010
Consolidated net financial debt	193.5	197.6
Other cash equivalents and non-current financial receivables	6	6.7
Consob consolidated net financial debt	200	204.3

Residual Group debt at 31 December 2011, amounting in total to EUR 115.5 million, owed to Senior Financial Institutions, is analysed below:

- **tranche A:** amounting to EUR 95 million with a duration of 4 years;
- **tranche B:** amounting to EUR 20.5 million with a duration of 5 years;

The Group's senior debt includes financial and operating covenants. As at 31 December 2011, said covenants had been observed.

BUSINESS OUTLOOK AND PROSPECTS

In the above described contest, which sees a strong pressure on margins resulting from the strong market competition on telecommunications services, and a perspective growth area on Web services and Over The Top, the Company is focusing its efforts on streamlining the management and monetization of the customer base, with particular attention to the containment of churn and customer acquisition focus in areas covered ULL. In this scenario, an important role is played by the development of new converged communications services and rich communication (as indoona) in order to more efficiently use the network and IT infrastructure and improve the user experience.

During 2011, various action was implemented to optimise the industrial costs structure, aiming at producing their impact in 2012, the most important being:

- the afore-mentioned cancellation of defaulting or silent customers, so as to recover efficiency and margins on the telecommunications business;
- the network cost rationalization actions aiming at producing their plain effect in 2012;
- the signing of a solidarity agreement with the trade unions for the reduction in working hours of employees and the consequent decrease in payroll and related costs in November 2011;
- the improvement of cash-in cycle from customers, and the procedure optimization in ADSL customers' activation in order to shortening activation timing increasing customer redemption.

With regard to the Media segment, the aim is to consolidate the market positioning of the network therefore keeping on with the growth path undertaken.

This action was primarily aimed at improving the cash flow generation to service financial debt and working capital.

The Board of Directors approved the up-date of the 2012-2017 business plan today, keeping up consistency with the strategic guidelines of the previous plan.

The 2011 targets are presented below:

- **Revenues in line with 2011**
- **Gross Operating Result + 10% vs 2011**
- **Positive net result**
- **Cash flow growth**

Shareholders' meeting called

Tiscali's Board of Directors called the extraordinary shareholders' meetings **in sole calling** for 15 May 2012 at 12.00 p.m. at the registered office. All the documents submitted to the shareholders' meeting will be made available to the general public at the Company's registered offices, at Borsa Italiana S.p.A. and on the Company website (www.tiscali.com) by the deadlines envisaged by current legislation.

STATEMENT OF THE APPOINTED EXECUTIVE

I, the undersigned, Luca Scano, executive in charge of drawing up the corporate accounting documents of Tiscali SpA, declare – pursuant to section 2 of 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



EUR mln

CONSOLIDATED INCOME STATEMENT	2011	2010
Revenues	267.6	278.2
Other income	11.3	3.7
Purchase of materials and outsourced services	163.9	169.5
Payroll and related costs	38.0	43.2
Other operating costs/ (income)	5.3	(1.3)
Gross Operating Result	71.7	70.5
Write-downs of receivables from customers	35.8	22.6
Stock option plan cost	0.0	0.1
Net EBITDA	35.9	47.8
Restructuring costs, provisions for risk reserves and write-downs	2.1	1.8
Amortisation/depreciation	55.1	47.8
Operating result (EBIT)	(21.3)	1.8
Net financial income (charges)	(15.1)	(14.3)
Pre-tax result	(36.4)	(16.1)
Income taxes	(1.8)	(3.9)
Net result from operating activities (on-going)	(38.2)	(20.0)
Result from assets disposed of and/or destined for disposal	0.1	(4.2)
Net result	(38.1)	(24.3)
Minority interests	0.0	0.0
Group Net Result	(38.1)	(24.3)

CONSOLIDATED BALANCE SHEET <i>EUR mln</i>	31 December 2011	31 December 2010
Non-current assets	194.4	221.4
Current assets	112.7	145.5
Total Assets	307.1	366.9
Group shareholders' equity	(130.0)	(92.0)
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	(130.0)	(92.0)
Non-current liabilities	197.4	206.9
Current liabilities	239.6	251.1
Liabilities directly related to assets held for sale	-	0.9
Total Liabilities and Shareholders' equity	307.1	366.9

EUR mln

Tiscali S.p.A. INCOME STATEMENT	2011	2010
Revenues	5.3	6.0
Other income	6.4	0.0
Purchase of materials and outsourced services	1.0	0.0
Payroll and related costs	2.0	1.8
Other operating costs/ (income)	1.1	(0.0)
Gross Operating Result	7.6	4.2
Write-downs of receivables from customers	20.6	3.1
Stock option plan cost	0.0	0.1
Net EBITDA	(13.0)	1.1
Restructuring costs, provisions for risk reserves and write-downs	16.9	1.0
Amortisation/depreciation	0.0	0.0
Operating result (EBIT)	(29.9)	0.1
Net financial income (charges)	(0.1)	(0.2)
Pre-tax result	(30.0)	(0.1)
Income taxes	(0.1)	(0.2)
Net result from operating activities (on-going)	(30.1)	(0.4)
Result from assets disposed of and/or destined for disposal	0.2	2.2
Net result	(29.9)	1.8
Minority interests	0.0	0.0
Group Net Result	(29.9)	1.8

Tiscali S.p.A. BALANCE SHEET <i>EUR mln</i>	31 December 2011	31 December 2010
Non-current assets	137.1	137.3
Current assets	0.8	21.6
Total Assets	138.0	158.9
Group shareholders' equity	65.1	94.8
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	65.1	94.8
Non-current liabilities	56.4	45.9
Current liabilities	16.5	17.9
Total Liabilities and Shareholders' equity	138.0	158.9

This press release contains certain forward-looking statements based on current expectations and projections in relation to future events. These forward-looking statements may be affected by known or unknown risks, uncertain events and the assumptions made. This press release also contains unaudited pro forma financial data. Tiscali does not undertake to publish updates or modify any forward-looking statements, either to provide new information or in response to future events or other circumstances. In light of the aforementioned risks, uncertainties and assumptions, the forward-looking statements contained in this press release may not come to fruition. Any statement relating to past performance or activities should not be considered a guarantee of future performance or of such activities continuing in the future.

Information on Tiscali

Tiscali S.p.A. (Borsa Italiana. Milan: TIS) is one of the leading alternative telecommunications companies in Italy. Tiscali provides its private and business customers with a vast range of services: Internet access through dial-up and ADSL, as well as voice, VoIP, media, and added-value services and other technologically advanced products.

As at 31 December 2011 Tiscali reported around 494 thousand ADSL customers. Of these, around 349 thousand are Dual Play customers

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