

**Tiscali: Board of Directors approves 2007 results
Objectives of the strategic plan met
Financial advisors to evaluate strategic options**

Cagliari, 19th March 2008

- **Consolidated revenues at EUR 911 million , up by 34% on an annual basis**
- **EBITDA at EUR 161.4 million , up by 61% on an annual basis**
- **ADSL users number 2.4 million, an increase of 520,000 in 2007**
- **Objectives of Strategic Plan confirmed**

Tiscali's Board of Directors has approved the 2007 draft financial statements. The results confirm the objectives of the Strategic Plan¹.

Furthermore, as the first step in the process of evaluation of options of generating value for shareholders in light of the ongoing consolidation process in the telecommunications sector in Europe, the Board of Directors has decided to appoint a financial advisor. It has therefore mandated the CEO, Mario Rosso, to choose such advisor within qualified financial institutions with whom preliminary contacts have been already initiated.

The Board of Directors has also confirmed the targets of the Strategic Plan as presented to the market last November.

Draft financial statements for the year ended 31st December 2007

The year ending 31st December 2007 was one of industrial growth, both organic and in terms of external lines that saw consolidation of the Tiscali Group in Italy and the UK, and the redefining of the Group's financial and capital structure. In particular, in the UK market, acquisition of the broadband and voice division of Pipex was completed, confirming the desire to expand in the UK market.

The Group obtained a new bank loan of EUR 650 million to finance the aforementioned acquisition and to refinance existing bank debt with long term lines. Part of the loan has already been repaid through a rights issue, totalling roughly EUR 150 million, resolved during 2007 and successfully concluded in 2008.

¹ *Presented to the market on November 26th 2007*

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Tiscali Group revenues in 2007, for activities in Italy, the UK and those of some minor subsidiaries, that consolidate the broadband and voice division of Pipex from 13th September 2007, totalled EUR 910.9 million, an increase of 34% on an annual basis. Organic growth, net of the Pipex acquisition, was recorded at 17% on an annual basis.

Gross operating income (EBITDA) amounted to EUR 161.4 million, in line with plan objectives and up 61% compared to 2006. Net of the contribution of Pipex, there was 50% EBITDA organic growth of the Group in 2007.

The main results by geographical area and business line are analysed below.

Italy: revenues +28%, EBITDA +67%, with a 4-percentage-point profitability increase

In 2007, Tiscali Italia S.p.A., recorded revenues of EUR 277.7 million, compared to the EUR 217.5 million total for 2006, showing a 28% increase. In particular, revenues from internet access services via 'broadband' (ADSL) totalled EUR 101.8 million, compared to EUR 73.3 million in 2006 (roughly a 39% increase on an annual basis). Of these, approximately 30% was generated from direct customers, i.e. those linked to the Tiscali network infrastructure (LLU).

2007 also showed persistent development in voice revenues which, also driven by dual play services (over EUR 33 million in revenue in the period), exceeded EUR 70 million (EUR 73.9 million, compared to the EUR 40.9 million in 2006, with an increase of more than 80%). This increase in turnover was due to the increase in the number of Tiscali customers subscribing to the dual play services, i.e. bundled offers of telephone and broadband internet access and to the resulting increase in ARPU.

Retail ARPU, including narrowband, broadband and voice services, increased from EUR 14 in 2006 to EUR 21 in 2007, growth of 50%.

In 2007 Tiscali customer base in Italy grew by over 120,000 ADSL customers, bringing the total customers for that service to more than 552,000 (a 28% increase over the end of the previous year), of which around 326,000 are already active and linked to the Tiscali network infrastructure. The number of customers who subscribed to the dual play offer almost doubled in the period, increasing from around 80,000 at 31st December 2006 to more than 170,000.

The customer base using dial-up access services (narrowband), and voice (CPS), remained significant (around 527,000 customers, of which more than 140,000 were CPS voice customers).

In Italy at 31st December 2007, the network took in roughly 490 full unbundling sites and 650 virtual unbundling sites, thanks to an agreement signed with Telecom Italia, for a total of approximately 1,140 sites, with roughly 50% coverage of fixed lines.

Tiscali Italia S.p.A. closed 2007 with a gross operating result, net of intra-group costs relating in particular to information technology services provided by Tiscali Services S.r.l., of EUR 50.5 million (18% of revenues), an increase of 68% compared to the EUR 30.1 million (14% of revenues) in 2006. The significant improvement in profitability of the Italian subsidiary is tied to an increase in the industrial margin (gross margin), which increased from 52% in 2006 to 58% in 2007, with indirect costs (marketing in particular) up 2% as a percentage of revenues.

This is evidence of the success of the migration of ADSL users to the direct network infrastructure and marketing campaigns that provided the commercial drive for dual play products which offer higher ARPU.

The operating result of the subsidiary in Italy was negative by EUR 6.4 million, a significant improvement compared to the operating loss of EUR 13.0 million recorded in 2006.

United Kingdom: Revenues +37%, EBITDA +51%

The UK saw a strong acceleration in growth in 2007, thanks also to the acquisition of the Pipex broadband and voice division in the UK.

In 2007, Tiscali UK, therefore including Pipex consolidated from 13th September 2007, achieved revenues of EUR 608.7 million, a 37% increase over 2006 (revenues of EUR 445.2 million). Without taking into consideration the contribution of Pipex (EUR 114.9 million), organic growth on an annual basis compared to 2006 would have been roughly 11%.

This performance is the result of growth in the ADSL services segment (EUR 370.6 million in 2007, compared to EUR 284.6 million in 2006, a 30% rise), but in particular to the growth of voice and DSL services (bundled offers). These services generated revenues of EUR 155.1 million, more than doubling the EUR 70.4 million generated in 2006. The increase in revenues was linked to the rise in retail ARPU, including narrowband, broadband and voice services, increasing from EUR 20 in 2006 to EUR 28 in 2007, roughly a 40% increase.

With the acquisition of Pipex, net of Pipex customers already present on the Tiscali UK network infrastructure, the customer base recorded a significant increase in 2007: ADSL users totalled more than 400,000, reaching a total 1,829 million at 31st December 2007. In particular, this was helped by an increase in the retail base of more than 600,000 units and a reduction in the least profitable wholesale base of roughly 200,000 units.

There were large increases in the number of customers connected directly through LLU (increasing from roughly 350,000 at 31st December 2006 to around 640,000 at 31st December 2007) and of customers subscribed to dual play services (reaching 787,000, with a 40% increase compared to the figure recorded at 30th September 2007).

The network coverage at 31st December 2007 in the UK took in roughly 800 unbundling sites (of which 760 full unbundling and 630 able to offer IPTV services), with a market coverage of approximately 55%.

In 2007, the gross operating result recorded by the subsidiary Tiscali UK, including the Pipex broadband and voice division from 13th September 2007 and intra-group costs for *information technology* services provided by *Tiscali Services S.r.l.*, amounted to EUR 98.6 million (16% of revenues), an increase of 51% compared to the EUR 65.1 million (15% of revenues) in 2006. The 'organic' figure, i.e. not including the acquisition of Pipex, totalled EUR 88.2 million, up 35% compared with 2006.

The 2007 operating result was negative by EUR 54.2 million, better than the loss of EUR 59.5 million in 2006, in spite of restructuring and higher amortisations charges.

REVENUES BY BUSINESS LINE

Access: ADSL revenues +32%. ARPU +53%

In 2007, the segment in question, including revenues from Internet access services via narrowband (dial-up) and broadband (ADSL), generated revenues of EUR 549.9 million, representing 60% of total Group revenues and showing a 16% increase over the same period in 2006 (EUR 473.5 million). The figure takes into account the reduction in narrowband revenues (EUR 78.0 million in 2007 compared to EUR 115.5 million in 2006) due to the migration from dial-up use to broadband services.

In fact, from an analysis of ADSL revenues only, it emerges that the revenues increase in 2007 compared to 2006 was roughly 32% (EUR 471.9 million in 2007 against EUR 357.9 million in 2006). A significant increase in retail ARPU was recorded (including narrowband services), increasing from EUR 17 in the period to EUR 26 in 2007, a rise of approximately 53%, thanks to the success of double play offers.

The ADSL services customer base acquired in 2007 was over 527,000, bringing the total customers for this service to over 2,382 million, 974,000 of whom are already direct customers, i.e. connected via the Tiscali LLU network.

Voice: revenues double thanks to dual play services

Turnover linked to voice services includes telephone traffic offered in both single play and dual play mode, i.e. bundled with access services, in line with Tiscali's strategy of positioning itself as a provider of telecommunication services integrated with access services.

In 2007, the voice segment was the one that saw the greatest growth, increasing from EUR 112.2 million in 2006 to EUR 232.8 million in 2007 (+107%), growth due mainly to traffic relating to dual play services which increased from EUR 32.1 million in 2006 to EUR 125.5 million in 2007, representing 54% of total voice revenues (+290% on an annual basis). At 31st December 2007 the single play voice customer base totalled

roughly 500,000 users, and dual play customers, classified as ADSL customers numbered more than 950,000.

Business services: revenues +45%

In 2007, revenues from business services (VPN, housing, hosting, domains and leased lines, etc.), therefore excluding those from access and voice products for the same customer base which are included in their respective business lines, were EUR 64.3 million (a 45% increase over the EUR 44.4 million in 2006).

Media and value added services: revenues +19%

In 2007, revenues in this segment amounted to EUR 50.2 million an increase of 19% compared to 2006 (EUR 42.0 million), growth linked to an upward swing in the online advertising market.

GROSS OPERATING RESULT: 61% GROWTH AND THREE PERCENTAGE POINTS PROFITABILITY INCREASE

In 2007, the Gross Operating Result, before provisions for risks, write-downs, amortisation and depreciation amounted to EUR 161.4 million, a 61% rise compared to the EUR 100.4 million in 2006. This result, in terms of the impact percentage-wise on revenues for the period, increased by roughly 18%, with a 3% improvement compared to the result in 2006 (15% of revenues). The improvement in profitability is linked to the positive change in the industrial margin and the ever greater impact of customers connected to the Group's direct network infrastructure and to a reduction in the impact of indirect costs, which is better analysed below.

Net of the contribution from Pipex, consolidated from the 13th September 2007, the Group's Gross Operating Result totalled EUR 151.0 million (19% of revenues net of Pipex) with organic growth at 50%.

The Gross Industrial Margin (revenues minus direct industrial costs) amounted to EUR 421.8 million in 2007 (growth of 39% compared to the EUR 303.8 million in 2006). The impact percentage-wise on revenues went from 45% to 46%, thanks to greater use of the direct network infrastructure.

In 2007, indirect operating costs (including personnel, marketing and sales and other costs including general costs) amounted to EUR 261.8 million, up 28% compared to the EUR 205.3 million recorded in 2006. In terms of the impact percentage-wise, indirect costs as a percentage of revenues fell, from 30% in 2006 to 29% in 2007.

OPERATING RESULT: IMPROVES, NET OF RESTRUCTURING CHARGES

In 2007 the Operating Result was negative by EUR 80.5 million. Net of restructuring costs of roughly EUR 40 million, the operating result would be negative by EUR 40.4 million. So the adjusted figure improved compared with the adjusted gross operating result in the previous period (negative by EUR 46.7 million) despite greater amortisation charges. The calculation is shown in the table below.

CONSOLIDATED INCOME STATEMENT (EUR 000)	2007	2006
Operating result	(80,448)	(12,852)
Restructuring costs and other write-downs	40,101	43,336
Other atypical income (VNL dilution effect)	-	(77,229)
Adjusted gross operating result	(40,347)	(46,745)

2007 was affected by restructuring costs and write-down of fixed assets relative to Pipex in the UK, equal to roughly EUR 23.3 million and other provisions and write-downs.

In 2007, write-downs of receivables amounted to EUR 27.3 million, essentially stable in terms of the impact on revenues compared to 2006.

In 2007, **amortisation** and **depreciation** totalled EUR 162.7 million, an increase of EUR 130.1 million compared with 2006. This figure, as already shown, was influenced by significant investments made during the period for the development of the “*unbundling*” network and the offer of ADSL services (costs of modems and customer activation).

NET RESULT: NET LOSS HALVED

As at 31st December 2007 the net result of the Group was negative for EUR 65.2 million, a net improvement compared to a loss of EUR 130.6 million in 2006. The figure includes net financial charges of EUR 90.7 million in the period compared with EUR 51.7 million in 2006 and deferred taxes totalling EUR 19.9 million.

FINANCIAL POSITION: NET DEBT AND FREE CASH FLOW BETTER THAN PLAN

At 31 December 2006 and solely in relation to continuing operations, the Tiscali Group held cash and cash equivalents totalling EUR 134.1 million, whereas net financial debt stood at EUR 636.5 million (EUR 397.2 million at 31 December 2006).

The financial position solely relating to continuing operations is summarised in the following table:

<i>(millions of Euro)</i>	31 December 2007	31 December 2006
A. Cash	134.2	3.8
B. Cash equivalents	16.3	11.5
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	150.5	15.3
E. Current financial payables	12.1	21.2
F. Current bank payables	176.2	374.8
G. Current portion of non-current debt	-	-
H. Other current financial payables (*)	19.5	12.3
I. Current financial debt (F) + (G) + (H)	195.7	387.1
J. Net current financial debt (I) – (E) – (D)	33.1	350.6
K. Non-current bank payables	440.1	-
L. Bonds issued	43.8	-
M. Other non-current payables (**)	109.5	46.6
N. Non-current financial debt (K) + (L) + (M)	603.4	46.6
O. Net financial debt (J) + (N)	636.5	397.2

(*) includes leasing payables

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

Current bank payables included the EUR 150 million bridging loan provided by Intesa Sanpaolo and JP Morgan, which was paid back in February 2008 using the proceeds from the rights issue launched on 14 January 2008.

The loans are at cost which varies depending on the structural features. The margin with respect to the Euribor rate is currently about 400 basis points. The margin may be subject to decrease or increase, depending on the Group's economic performance and the time it takes to conclude refinancing through market instruments.

The bonds issued, amounting to EUR 43.8 million, consist of a convertible bond subscribed for by Management & Capitali in December 2007 for a nominal value of EUR 60 million with an annual rate of 6.75%. The bond was accounted for using the fair value methodology, net of transaction costs: a portion of the fair value was allocated to equity.

The operating free cash flows for the year are negative for EUR 167.7 million. The free cash flow is affected by capex at EUR 200 million and financial charges at EUR 58 million. The net cash variation is positive for EUR 130.4 million: as of 31st December

2007 the Group had cash resources for ca EUR 134 million versus ca EUR 4 million on 31st December 2006.

SIGNIFICANT EVENTS AFTER THE YEAR END, OUTLOOK AND PROSPECTS

Execution of the share capital increase

On 10 January the Board of Directors of Tiscali S.p.A. approved the terms and conditions for the issue of the new shares offered to its shareholders. The share capital increase, resolved by the Board of Directors on the basis of the authority assigned to it, pursuant to Article 2443 of the Italian Civil Code, by the Extraordinary Shareholders' Meeting of 31 August 2007, involved the issue of 149,792,880 ordinary shares with a nominal value of EUR 0.50 per share and regular entitlement, to be offered to the shareholders, in the ratio of 6 new shares for every 17 shares held, at a price of EUR 1.00 each, for a total value of EUR 149,792,880. The share capital increase has been fully subscribed by the market.

Assignment and improvement by Standard & Poor's of Tiscali's corporate rating to B+ with stable outlook

Following the success of the share capital increase the Company's long-term corporate credit rating, assigned by Standard & Poor's on 10 January 2008, was increased by S&P to B+ with stable outlook.

Resignation of Tommaso Pompei and appointment of Mario Rosso as CEO

During the Board of Directors' meeting held on 28/29 February, the Board, also as a result of the successful completion of the share capital increase, concluded that the phase of strategic repositioning and equity and financial strengthening undergone over the last two years had been completed. Tommaso Pompei, in joint agreement with the Company, thus renounced his powers, with the intention of remaining as a Director until the normal expiry of the Board's term, and therefore until the approval of the financial statements for the year 2007. The Directors Gabriele Racugno and Rocco Sabelli resigned with immediate effect.

The Board of Directors then assigned the Director Mario Rosso to manage and coordinate this new strategic phase for the Company, appointing him as CEO.

OUTLOOK AND PROSPECTS

The Strategic Plan approved in November 2007 envisaged a reinforcement of the Group's position in Italy and the UK, focusing, especially in 2008, on a rapid integration of Pipex in the UK and on a strong marketing push in Italy. Tiscali's positioning will be maintained on the high.-capacity Dual Play (voice and data) offer and competitive prices, with an offer progressively enlarged to include IPTV services (already active in

the UK and currently being launched in Italy) and the integration with mobile services (by means of agreements for the offer of MVNO services).

In confirming all strategic and financial targets of the Strategic Plan, has mandated the CEO, Mario Rosso, to explore and evaluate the opportunities available to further generate value for all shareholders, in light of the ongoing consolidation process in the telecommunication arena in Europe and to appoint a financial advisor for this purpose.

The undersigned, Massimo Cristofori, 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.

CONSOLIDATED INCOME STATEMENT (EUR 000)	2007	2006
Revenues	910,969	678,481
Other income	5,652	3,685
Purchase of materials and outsourced services	651,144	498,389
Payroll and related costs	97,166	77,883
Other operating costs	6,885	5,472
Gross operating result	161,426	100,422
Write-downs of receivables from customers	27,332	15,394
Other provisions	11,697	185
Gross operating result after write-downs of receivables and other provisions	122,397	84,842
Restructuring costs, provisions for risks and write-downs	40,101	(32,401)
Amortization/depreciation	162,744	130,095
Other atypical (Income) Charges	-	(77,229)
Operating result	(80,448)	(12,852)
Share of profit or losses of associates with equity method	(10)	(937)
Net financial income (Charges)	(77,245)	(29,741)
Other net financial income (Charges)	(17,881)	(21,985)
Pre-tax result	(171,141)	(65,515)
Income taxes	17,305	5,851
Profit (Loss) from continuing operations	(153,836)	(59,664)
Profit (Loss) from discontinued and/or discontinuing operations and/or held for sale	78,511	(76,950)
Net result	(75,324)	(136,614)
Minority interests	(10,109)	(6,042)
Net result of the Group	(65,216)	(130,572)

<u>CONSOLIDATED BALANCE SHEET (EUR 000)</u>	31 December 2007	31 December 2006
<i>Non current assets</i>	1,210,692	876,465
<i>Current assets</i>	389,249	195,641
Assets held for sale	(0)	158,642
Total Assets	1,599,941	1,230,748
Shareholders' Equity (Group)	169,647	242,829
Minority interests	37,322	26,733
Total Shareholders' equity	206,970	269,561
<i>Non current liabilities</i>	786,623	222,299
<i>Current liabilities</i>	606,348	673,957
Liabilities directly related to assets held for sale	(0)	64,932
Total Shareholders' equity and liabilities	1,599,941	1,230,748

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.

Information on Tiscali

Tiscali S.p.A. (Borsa Italiana, Milan: TIS) is one of the leading alternative telecommunications operators 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, added-value services and other technologically advanced products.

At 31 December 2007, Tiscali counted both in Italy and the UK a total of 3.5 million active users. Of these, approximately 2.4 million were ADSL subscribers

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