

Tiscali: the Board of Directors approves the 2012 draft financial statements

Cagliari, Italy, 29 March 2013

Tiscali S.p.A.'s Board of Directors meeting today has:

- 1. Examined and approved the 2012 draft financial statements;**
- 2. Called the Shareholders' Meeting for 30 April 2013 in sole calling.**

Results for the year 2012

- **Consolidated revenues at EUR 233.8 million (-12.6% YoY);**
- **Media Revenues at EUR 23.4 million, up 11.7% YoY;**
- **B2B Revenues at EUR 16.4 million, up 9.2% YoY;**
- **Gross Margin percentage up to 53% (47.6% FY2011);**
- **Gross Operating Result at EUR 70.5 million, in line (1,7% YoY) with the same figure last year; net Ebitda after provisions up to EUR 44.2 million (+23% YoY);**
- **Negative Group EBIT of EUR 0.2 million, a sharp improvement with respect to the comparable figure for 2011 (negative EUR 21.3 million);**
- **Negative Group net result of EUR 15.9 million (compared to the corresponding figure of 2011 of negative EUR 38.1 million), a significant improvement despite the write-down of credits from previous years to about 12 million;**
- **ADSL customers 479 thousand; growth of 12 thousand ADSL customers in 4Q2012**
- **Improvement in the net financial position, EUR 192.9 million, compared with EUR 200 million in the same period in 2011;**
- **Cash generation before changes in working capital of approximately EUR 60 million; free cash flow at EUR 18 million;**
- **Continues in 1Q2013 the development of services in the profitable segment of the Over-the-top with the launch of istella, the local social search engine online starting from March 19th.**

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Tiscali's Board of Directors has approved the 2012 draft financial statements. The financial statements reflect the efforts made by the Company in a particularly competitive market context. In this context, the company carried out a heavy rationalisation of its operating structure, thereby responding to the pressure on margins of the telecommunications business. In this context extremely challenging, however the company had promising and positive records with the increase in the number of broadband lines, up by 12,000 units in the fourth quarter of 2012 thanks to a strong promotional push and the strong contribution of sales web channels. In addition to the consolidation of the traditional fixed-line business, Tiscali has continued to consolidate its position on web and media services, with an increase of 11,7% on sales of advertising, and launching three innovative services with high growth potential, such as Indoono, Istella and Streamago. These services are part of the strategy undertaken in recent years, which includes the garrison of a larger part of the value chain in the telecommunications market.

Tiscali Group: Consolidated revenues at EUR 233.8 million – satisfactory growth in Media and B2B Revenues – Gross Margin percentage up – Indirect costs down

Group revenues during 2012 came to EUR 233.8 million, down by 12.6% with respect to the balance of EUR 267.6 million recorded in 2011.

During 2012, internet access and voice services – the Group's core business – represented around 81% of turnover. The Group's profitability, with a Gross operating result before provisions of EUR 70.5 million, was in line (-1.7% YoY) with the figure at the end of 2011, EUR 71.7 million. The Gross Margin percentage came to 53% compared with a similar figure in 2011 of 47.6%. This significant growth comes from an improved quality of the customer base, the effects of the network rationalisation and from the lower mobile traffic costs.

At the end of 2012, active ADSL users in Italy amounted to around 479 thousand, of which 322 thousand were direct customers (LLU). The decrease compared to the corresponding figure in 2011, as well as reflecting in part the stagnation in the fixed-line market, is a direct result of lower customer acquisition in the first half of the year and the highest rate of disconnection detected in this period. In the second half of the year this trend has been reversed due to a particularly aggressive promotional policy, the excellent performance of online sales channels and reduced churn rate, which showed their full effect in the fourth quarter with an increase of 12 000 customers units. The total mobile SIM activated is more than 138 thousand units.

GROUP REVENUES BY BUSINESS SEGMENT

Access : 76% of revenues

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 177.8 million, representing around 76% of the Group's total revenues, down compared to the figure for last year when access revenues came to EUR 196.2 million (74.8% of total revenues). The decrease is attributable to the natural decrease in the narrowband segment (-24.2% YoY) and the reduction in the number of fixed lines and the consequent traffic deriving from the same.

EUR 69.7 million of total Access revenues concern the voice traffic components generated by the VoIP services. As already stated, the customer acquisition trend has been inverted in the 4th quarter 2012.

Voice: 6.3% of revenues

The Voice segment includes traditional and wholesale telephone services. During 2012, voice revenues amounted to EUR 14.6 million, down with respect to the balance of EUR 26.7 million recorded the previous year (10% of revenues), principally due to the managerial choice to reduce the wholesale activity caused by its low marginality.

Business Services: +9.2% YoY, 7% 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 2012 to EUR 16.4 million, up 9.2% with respect to the EUR 15.1 million in 2011.

Media and value added services: +11.7% YoY, to 10% of revenues, traffic growth at 17%

The Company's progressive focus in web services has made a considerable consolidation possible of its competitive position on this market offering abundant growth prospects. During 2012, the revenues in the media and added value services segment (linked to direct and indirect advertising through commercial contracts with search engines) amounted to EUR 23.4 million, an increase of 11.7% compared to the figure of EUR 20.9 million in the same period of 2011. The increase, higher than the trend for the entire market (estimable at around 5.7%) is attributable to the rise in traffic on the properties managed by the media agent Vevisible and the increase of its customer base, achieved thanks to the focusing of the editorial product on the information segment, the strong coverage of direct customers and the verticalisation of the targets, which lead to an improved profit of the traffic. As a point of fact, all the network sites in 2012 developed more than 13.6 billion pages visited, registering growth of 17% with respect to the same figure in 2011 (more than 11.6 billion pages visited).

GROSS OPERATING RESULT : in line

The Gross Operating Result for the year, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 70.5 million, in line with respect to the balance of EUR 71.7 million in 2011 (-1.7% YoY).

During 2012, the Gross Margin amounted to EUR 123.9 million, compared with the same figure of EUR 127.3 million in 2011. The decrease, partly offset by the drop in operating costs, 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. However, during the 4th quarter of 2012 the Gross Margin percentage-wise came to 55.2%, up with respect to the 3rd quarter of 2012, disclosing the positive effect of the network rationalisation policies, the improved quality of the customer base and the positive contribution of media revenues.

The EBITDA, net of bad debt and other provisions came to EUR 44.2 million in 2011, an increase of 23% with respect to the comparable figure of EUR 35.9 million in 2011.

Indirect operating costs during 2012 came to EUR 57.9 million, down in absolute terms (-13.5% YoY) and in terms of a percentage of revenues (24.8% of revenues), when compared with the same figure in 2011 (EUR 66.9 million, 25% of revenues).

OPERATING RESULT (EBIT)

The operating result (EBIT) for 2012, net of provisions, write-downs and restructuring costs, was a loss of EUR 0.2 million, a net improvement with respect to the same figure in the previous year (EUR 21.3 million) thanks to the lower impact of the amortization.

NET RESULT

The Group's net result for 2012 was a loss of EUR 15.9 million, a sharp improvement with respect to the comparable negative figure of EUR 38.1 million reported in 2011 and despite the write-down of credits from previous years to about 12 million.

INVESTMENTS

The investments relating to the maintenance of the network and IT infrastructure, as well as the activation of new customers, amounted to EUR 26 million, principally attributable to the network development, to IT services and to new broadband customer acquisition.

FINANCIAL POSITION: Improvement in NFP

At 31 December 2012, the Tiscali Group held cash and cash equivalents totalling EUR 4.4 million, against a net financial debt, at the same date, with a negative balance of EUR 186.5 million (EUR 193.5 million as at 31 December 2011), thanks to the generations of cash flow during the year.

<i>(EUR mln)</i>	Notes	31 December 2012	31 December 2011
A. Cash and Bank deposits		4.4	6.6
B. Other cash equivalents		0.1	0.1
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		4.5	6.7
E. Current financial receivables		-	-
F. Non-current financial receivables	(1)	6.3	6.3
G. Current bank payables	(2)	6	14
H. Current portion of non-current debt	(3)	9.5	9.6
I. Other current financial payables (*)	(4)	0.1	0.6
J. Current financial debt (G) + (H) + (I)		16.0	24.0
K. Net current financial debt (J)-(E)-(D)-(F)		5.1	11.0
L. Non-current bank payables	(5)	122.7	124.4
M. Bonds issued		-	-
N. Other non-current payables (**)	(6)	58.6	58.1
O. Non-current financial debt (N) + (L) + (M)		181.3	182.5
P. Net Financial Debt (K) + (O)		186.5	193.5

(*) includes short-term leasing payables

(**) includes long-term leasing payables

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 9.5 million relating to payables to Senior Lenders (principal and interest portions repayable within 12 months);
- (4) Includes EUR 0.1 million of short-term leasing of the subsidiary Tiscali Italia S.p.A.;
- (5) The entire amount of EUR 122.7 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 58 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 mln)</i>	31 December 2012	31 December 2011
Consolidated net financial debt	186.5	193.5
Other cash equivalents and non-current financial receivables	6.4	6.4
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	192.9	200.0

Residual Group debt at 31 December 2012, owed to Senior Financial Institutions, amounts in total to 132.2 million.

The Group's senior debt includes financial and operating covenants. As at 31 December 2012, said covenants had been observed.

OUTLOOK AND PROSPECTS

The macroeconomic environment characterized by high uncertainty, combined with the strong pressure on margins caused by the high level of market competition on telecommunications services, are particularly challenging scenario for the industry. In this context, the Company is focusing its efforts on streamlining management and better monetization of the customer base, focusing on containment of churn and customer acquisition focus in the LLU areas. The promising results obtained in the 4th quarter in terms of customer acquisition confirm the strength of the brand, the attractiveness of the business proposal and the validity of the strategy of selling products based mainly on low cost pull channels and therefore is expected to continue in the same marketing strategy on consumer and SOHO segment also in 2013.

About the business segment, the company intends to capitalize on the experience of sales and product aimed at businesses and public administrations. Special role will play in the expansion of the customer base of Open Net and Open wi-fi services, which have received significant interest from the market in 2012

As for the media segment, the objective is to strengthen the market position of the network and thus continue the growth path taken by Vevisible, the advertising media center of the Group. The growth of the revenue base goes through the enrichment of the editorial portal Tiscali.it, the increase in traffic on web properties managed and enlargement of the product portfolio, both in the thematic areas of particular interest to investors, either by extending collection to mobile platforms.

In parallel with the consolidation of the telecommunications business and the pursuit of growth on advertising online, Tiscali will continue to develop innovative products and services in the profitable segment of the Over-the-Top. These include: Indoona (www.indoona.com), Streamago (www.streamago.com), developed by leveraging the expertise and infrastructure of

existing network and IT, and the newly born Istella (www.istella.it), a new and original model and social local search engine, launched last March 19, born on imported skills developed over fifteen years of work by Tiscali. This platform has already met with great interest from users.

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

The Board of Directors updated economic forecasts and financial plan 2012-2017, while maintaining substantial continuity with the strategy of the previous plan, in particular with reference to the case of rescheduling of the line of credit expires in 2014. In this regard, the Board mandated the CEO to undertake discussions with the financial institutions in order to obtain the rescheduling and / or modification of the terms of this financing.

Below are the target 2013 seconds the current plan 2012-2017:

- **Revenues in line with 2012**
- **Net EBITDA on the up**
- **Positive net result**

Shareholders' meeting called

Tiscali's Board of Directors called the ordinary shareholders' meeting **in sole calling** for 30 April 2013 at 11.00 a.m. at the registered offices. 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. Holders of "Tiscali S.p.A. 2009 – 2014 warrants" (the "Warrants") are hereby informed that, pursuant to Article 4.1 of the related Regulations, the exercise of the Warrants is suspended as from 30 March 2013 (inclusive), the day after the Tiscali S.p.A. Board meeting which resolved to call the shareholders' meeting (the "Day of Calling") until 1 May 2013 (inclusive) day after that when the shareholders' meeting will take place (the "Shareholders' meeting date").

STATEMENT OF THE APPOINTED EXECUTIVE

I, the undersigned, Pasquale Lionetti, Executive in charge of drawing up Tiscali S.p.A's corporate accounting documents, hereby declare in pursuance of Article 154 bis, section 2 of Italian Legislative Decree No. 58/98, as amended, that the accounting disclosure contained in this press release is consistent with the documental results, the books and ledgers and the accounting records.

Pasquale Lionetti



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

(EUR mln)

CONSOLIDATED INCOME STATEMENT	31 December 2012	31 December 2011
Revenues	233.8	267.6
Other income	2.4	3.9
Purchase of materials and outsourced services	133.3	169.3
Payroll and related costs	34.5	38.0
Other operating costs / (income)	(2.1)	(7.5)
Gross operating result	70.5	71.7
Write-downs of receivables from customers	26.3	35.8
Stock option plan cost	0.0	0.0
EBITDA	44.2	35.9
Restructuring costs, provisions for risk reserves and writedowns	1.6	2.1
Amortisation/depreciation	42.8	55.1
Operating result (EBIT)	(0.2)	(21.3)
Net financial income (charges)	(13.2)	(15.1)
Pre-tax result	(13.4)	(36.4)
Income taxes	(2.5)	(1.8)
Net result from operating activities (on-going)	(15.9)	(38.2)
Result from assets disposed of and/or destined for disposal	(0.0)	0.1
Net result	(15.9)	(38.1)
Minority interests	0.0	0.0
Group Net Result	(15.9)	(38.1)

CONSOLIDATED BALANCE SHEET <i>(EUR mln)</i>	31 December 2012	31 December 2011
Non-current assets	177.7	194.4
Current assets	76.3	112.7
Total Assets	254.0	307.1
Group shareholders' equity	(145.9)	(130.0)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
Total Shareholders' equity	(145.9)	(130.0)
Non-current liabilities	192.5	197.4
Current liabilities	207.3	239.6
Total Liabilities and Shareholders' equity	254.0	307.1

(EUR mln)

TISCALI SPA INCOME STATEMENT	2012	2011
Revenues	4.5	5.3
Other income	0.0	6.4
Purchase of materials and outsourced services	2.0	2.3
Payroll and related costs	1.8	2.0
Other operating costs / (income)	(1.5)	(0.1)
Gross operating result	2.2	7.6
Write-downs of receivables from customers	2.2	20.6
Stock option plan cost	0.0	0.0
Net EBTDA	(0.1)	(13.0)
Restructuring costs, provisions for risk reserves and writedowns	0.3	16.9
Amortisation/depreciation	0.0	0.0
Operating result (EBIT)	(0.4)	(29.9)
Net financial income (charges)	(0.8)	(0.1)
Pre-tax result	(1.2)	(30.0)
Income taxes	(1.2)	(0.1)
Net result from operating activities (on-going)	(2.5)	(30.1)
Result from assets disposed of and/or destined for disposal	(0.7)	0.2
Net result	(3.1)	(29.9)
Minority interests	0.0	0.0
Group Net Result	(3.1)	(29.9)

TISCAL SPA BALANCE SHEET (EUR mln)	31 December 2012	31 December 2011
Non-current assets	134.1	137.1
Current assets	1.8	0.8
Total Assets	135.9	138.0
Group shareholders' equity	61.9	65.1
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	61.9	65.1
Non-current liabilities	58.2	56.4
Current liabilities	15.7	16.5
Total Liabilities and Shareholders' equity	135.9	138.0

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 2012 Tiscali reported around 479 thousand ADSL customers in Italy. Of these, around 348 thousand are Dual Play customers

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