

The Tiscali Board of Directors approves the results for the first half of 2012

Cagliari, 28 August 2012

Tiscali S.p.A.'s Board of Directors has approved the results as at 30 June 2012, which show a significant improvement compared to the reference period of 2011.

- Consolidated revenues amounted to EUR 118.5 million in the half;
- The Gross Operating Result amounted to EUR 39 million (+2.8% YoY);
- Net EBITDA after provisions amounted to EUR 25.9 million, an improvement with respect to the figure of the previous year (+32.6% YoY);
- Positive Group EBIT of EUR 5.2 million, versus a negative balance of EUR 8.7 million in 1H2011);
- Negative Net Result of EUR 2.3 million as at 30 June 2012, compared to negative EUR 17.4 million at 30 June 2011;
- Gross Margin percentage grew to 51% (46.2% in 1H2011)
- Media revenues grew by 23.2% YoY to EUR 12.3 million (EUR 10 million in 1H2011);
- Positive free cash flow of EUR 12.8 million;
- The net financial position improved to EUR 192.8 million (-3.3% YoY);

Tiscali's Board of Directors has approved the Half-Year Report at 30 June 2012. The results, with a net improvement with respect to the first semester 2011, reflect ever more clearly the effects of the efforts made by the company in a particularly competitive market environment. The significant streamlining of the operating structure provided a response to pressure on the margins of the telecommunications business. Tiscali also continued to consolidate its position in Web-based services, focusing specifically on innovative communication services.

Tiscali Group: – Gross Margin percentage up – indirect costs in decline – good growth in Media Revenues

The Tiscali Group's revenues amounted to EUR 118.5 million in the first half of 2012, down compared to the figure recorded in the first half of 2011 (EUR 140.1 million).

During the first half of 2012, Internet access and voice services – the Group's core business – represented around 81.3% of turnover. The Gross operating result before provisions amounted to EUR 39 million (+2.8% YoY) versus EUR 37.9 million in 1H2012.

As at 30 June 2012, the number of ADSL and Voice customers was approximately 494 thousand (of which 469 thousand are ADSL lines and 25 thousand are CPS and WLR voice customers). The number of customers already activated and connected via the Tiscali network infrastructure (unbundling) was approximately 312 thousand (339 thousand in 1H2011). Voip customers were at 335 thousand versus a figure at the same period 2011 of 358 thousand. The decrease compared to

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the figure for the same period of 2011 partly reflects the impact of the cancellation, in 2011, of lines relating to defaulted or silent customers, with a process that started in the second half of 2010. This process, as reported in the past, enabled the company to attain significant savings in operating costs. Moreover, during the half year approximately 11 thousand customers were terminated due to default.

In the first half of 2012 the total number of mobile SIM amounted to over 175 thousand, up by 58.4% vs. 1H2011.

REVENUES BY BUSINESS LINE

Access: 77.3% of total revenues

The segment in question, which includes revenues from Internet access services via broadband (ADSL) and narrowband (dial-up), the flat component of the bundled offers and VoIP, generated revenues of EUR 91.6 million in the first half, equal to 77.3% of total revenues, down compared to the figure in the same period in 2011 (EUR 104.8 million). The decline is due to the reduction in the size of the customer base and to the natural contraction of the narrowband segment.

Voice: 5.4% of total revenues

The voice segment includes traditional and wholesale telephone services. During the first half of 2012, voice service revenues amounted to EUR 6.4 million versus a figure of EUR 15.8 million in 1H2011. The decrease in voice revenues is due, in addition to the natural decline in analogue voice services, to the heavy decrease in wholesale services, carried out because of its low margins.

Business Services: 6.2% of total 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 to EUR 7.3 million in the first half of 2012, essentially stable with respect to the EUR 7.5 million recorded in 1H2011.

Media and value added services: + 23.2% YoY

In the first half of 2012, revenues in the media and value-added services segment amounted to EUR 12.4 million, an increase of 23.2% compared to the figure for the 1H2011 (EUR 10 million). The increase continues to be higher than the performance of the market as a whole (estimated at approximately 11%) and it is due to the growth of traffic on properties managed by TISCALI:ADV and to the expansion of its customer base, obtained thanks to the focus of the publishing product on the information segment, to strong relations with direct customers and to the verticalisation of the targets, which led to better profit generation from the traffic. In fact, more than 6.8 billion pages were viewed on all network sites in the 1H2012, with growth of 17.3% compared to the same period in 1H2011 (more than 5.8 billion pages viewed).

GROSS OPERATING RESULT: +2.8% YoY – 32.9% of revenues

The Gross Operating Result in the half, before provisions for risks, write-downs and amortisation/depreciation, was EUR 39 million, up by 2.8% compared to EUR 37.9 million in the first half of 2011. The result is positive also considering revenue fall, and was achieved thanks to the strong streamlining and reduction in indirect operating costs undertaken in the previous years.

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In the first half of 2012, EBITDA net of write-downs of receivables and other provisions was EUR 25.9 million (+32.6% YoY) with respect to the comparable figure of 2011 (EUR 19.6 million).

Indirect operating costs during the first half of 2012 came to EUR 27.6 million (23.3% of revenues), a reduction of 14.2% when compared with the same balance in the first half of 2011 (EUR 32.2 million, 23% of revenues).

OPERATING RESULT (EBIT)

The operating result (EBIT) for the first half of 2012, net of provisions, write-downs and restructuring costs, had a positive balance of approximately EUR 5.2 million, up strongly with respect to the negative figure of EUR 8.7 million in the same period of 2011. The improvement still reflects the effect of the reduction in amortisation and depreciation (partly as a result of the revision of the useful life of certain intangible and tangible fixed assets) and the reduction in the allocation to the receivable write-down provision, which is largely due to claims relating to previous years.

NET RESULT

The Group's net result was a negative EUR 2.3 million in the first half of 2012, a strong improvement compared to the negative EUR 17.4 million in 1H2011.

FINANCIAL POSITION

At 30 June 2012, the Tiscali Group held cash and cash equivalents totalling EUR 12.8 million, against a net financial debt, at the same date, of EUR 192.8 million (EUR 200 million as at 31 December 2011).

<i>(EUR mln)</i>	Notes	30.06.2012	31.12.2011
A. Cash		12.8	6.6
B. Other cash equivalents		0.1	-
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		12.9	6.6
E. Current financial receivables		-	-
F. Non-current financial receivables		-	-
G. Current bank payables	(1)	11.4	13.8
H. Current portion of non-current debt	(2)	8.6	9.6
I. Other current financial payables (*)	(3)	0.2	0.6
J. Current financial debt (G) + (H) + (I)		20.2	24.0
K. Net current financial debt (J) – (E) – (D) – (F)		7.4	17.5
L. Non-current bank payables	(4)	127.0	124.4
M. Bonds issued		-	-
N. Other non-current payables to third parties (**)	(5)	58.4	58.1
O. Non-current financial debt (N) + (L) + (M)		185.4	182.5
P. Net Financial Debt (K) +(O)		192.8	200

(*) includes short-term leasing payables

(**) includes long-term leasing payables

Notes:

(1) Includes the bank payables of Tiscali Italia S.p.A. and Tiscali S.p.A. EUR 11.4 million;

(2) Includes the short-term component equal to EUR 8.6 million relating to payables to Senior Lenders, which includes the principal and interest portions repayable within 12 months;

(3) Includes EUR 0.2 million of short-term leasing of the subsidiary Tiscali Italia S.p.A.;

(4) The entire amount of EUR 127.1 million relates to the long-term component of the debt due to Senior Lenders;

(5) Includes the "Sale and Lease Back Sa Illetta" debt for EUR 57.7 million.

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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.

(EUR mln)	30.06.2012	31.12.2011
Consolidated net financial debt	186.4	193.5
Other cash equivalents and non-current financial receivables	6.4	6.5
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	192.8	200.0

Investments totalling approximately EUR 12 million were made in the half year. In addition, in the same period, the Company generated a positive Free Cash Flow of EUR 12.8 million, a slight increase compared with the figure recorded in the first half of 2011 (EUR 12.4 million).

Significant events after the end of the first half of 2012

Partial repayment of the Senior Loan

On 3 July, EUR 6.4 million of the debt due to Senior Lenders was repaid (principal and interest).

Spin-off of tiscali adv and incorporation of Vevisible

In July 2012, *Vevisible* was presented to the market; it is an on-line advertising sales agency and new player in the Italian digital arena, which intends to act as a veritable all-round advisor, able to offer integrated communication projects to its customers, along with a new perspective on the digital world. It emerged from the competence and more than decade-long experience of Tiscali:ADV, whose assets have been transferred to a new wholly-owned subsidiary of Tiscali.

Launch of Indoona Social

In August, Tiscali launched Indoona 2.0, the new version of the application which continues to revolutionise communication dedicated to mobile telephony users. Thanks to its new social features, Indoona now allows users to call, video call and send multimedia messages free of charge through the Internet, from Smartphone and from PC and to save on calls to traditional fixed and mobile network operators and on calls to foreign countries.

Resignation of Victor Uckmar and cooptation of Dr. Assunta Brizio

The Board of Directors of Tiscali has accepted the resignation of Victor Uckmar from the post of independent director and member of the Audit Committee and the Risk Committee and the Remuneration charges. Prof. Uckmar resigned because of previous professional commitments which made difficult the exercise of roles. The Board of Directors and the Statutory Auditors of the Company would like to thank Prof. Uckmar for his invaluable work.

At today's meeting the Board of Directors has appointed Dr. Assunta Brizio, retired magistrate, former President of the Chamber of the Civil Court of Cagliari. Assunta Brizio is in possession of the independence requirements provided for in the Code of Conduct and became a member of the Audit

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Committee and the Risk Committee and the Remuneration charges, pursuant to art. 2386 of the Civil Code shall remain in office until the next meeting of the Company.

Business outlook and prospects

In a macroeconomic environment characterized by uncertainty and contraction in consumption levels, and in a competitive environment characterized by high pricing pressure, Tiscali will continue to place primary emphasis on operative streamlining and cash generation for the commercial and financial debt service.

For what concerns the consumer telecommunications sector, the focus will be on customer acquisitions in direct area, in order to saturate the network infrastructure and generate more cost efficiencies, and at the same time provide the best quality of service. From the commercial point of view the management will continue to favor the low cost sales channels, primarily the web, with a selective use of high-cost push channels. In the business sector the focus will be on the development of trade relations undertaken with key clients and market deployment of new products (Open-net, EFM), which are experiencing significant acceptance by the market.

The media segment will continue the development of trade relations with customers, also benefiting from the recent creation of the new sales structure Vevisible in order to continue the trend of revenue growth. At the same time, Tiscali will continue the strong commitment to innovation management, with particular focus on the products Indoona and Streamago, which will seek to substantially expand its customer base.

Although the results presented confirm the effectiveness of the effort made by the management in order to maintain operating performance appropriate to the Group shape, the difficult macroeconomic environment and the competitive situation of a particularly challenging market led the Board of Directors to update the revenue forecasts for the year 2012, estimating a value of EUR 245 million.

The Group's senior debt includes financial and operating covenants. As at 30 June 2012, said covenants had been observed.

Note that the interim financial report as at 30 June 2012 shall be made available to the general public as per the formalities and within the deadlines laid down by law.

CONSOLIDATED INCOME STATEMENT (EUR mln)	30.06.2012	30.06.2011
Revenues	118.5	140.1
Other income	1.1	1.1
Purchase of materials and outsourced services	68.3	88.9
Payroll and related costs	16.6	18.7
Other operating costs / (income)	(4.3)	(4.3)
Gross Operating Result	39.0	38.0
Write-downs of receivables from customers	13.1	18.4
EBITDA	26.0	19.6
Restructuring costs, provisions for risk reserves and write-downs	0.7	1.4
Amortisation/depreciation	20.0	26.8
OPERATING RESULT (EBIT)	5.2	(8.7)
Net financial income (charges)	(6.8)	(7.9)
Pre-tax result	(1.6)	(16.6)
Income taxes	(0.7)	(0.9)
Net result from operating activities (on-going)	(2.3)	(17.5)
Result from assets disposed of and/or destined for disposal	-	-
Net Result	(2.3)	(17.4)
Minority interests	-	-
Group Net Result	(2.3)	(17.4)

CONSOLIDATED BALANCE SHEET	30.06.2012	31.12.2011
(EUR mln)		
Non-current assets	186.4	194.4
Current assets	100.3	112.7
Total Assets	286.7	307.1
Group shareholders' equity	(132.3)	(130.0)
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	(132.3)	(130.0)
Non-current liabilities	199.2	197.4
Current liabilities	219.8	239.6
Total Liabilities and Shareholders' equity	286.7	307.1

STATEMENT OF THE APPOINTED EXECUTIVE

I, the undersigned, Pasquale Lionetti, executive in charge of drawing up the corporate accounting documents of Tiscali SpA, declare, pursuant to Article 154.2 bis of Legislative Decree 58/98, as amended, that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

Pasquale Lionetti



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

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 value-added services and other technologically advanced products.

At 30 June 2012, Tiscali recorded over 465,000 ADSL clients. Of these, over 335,000 are Dual Play clients. Tiscali's website is www.tiscali.it.

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