

Tiscali's Board of Directors approves the results for the first quarter of 2014

Cagliari, 27 June 2014

Tiscali S.p.A.'s Board of Directors has approved the results as at 31 March 2014

- **Consolidated revenues totalling EUR 53,2 million (EUR 55.9 million in 1Q2013);**
- **Total Broadband customers equating to about 493 thousand, +9.6 thousand with respect to 4Q2013; Dual Play customers equating to 363 thousand (+10.8 thousand YoY);**
- **Gross operating result at EUR 13.5 million (EUR 15.9 million in 1Q2013);**
- **Net EBITDA after provisions of EUR 11 million (EUR 12.7 million in 1Q2013);**
- **Positive Group EBIT of EUR 1.9 million (positive balance of EUR 1 million in 1Q2013);**
- **Group net loss of EUR 2.2 million, an improvement with respect to the correspondent loss of EUR 2.6 million in 1Q2013;**
- **Business Revenues at EUR 4.7 million (+3.5% YoY);**
- **Media Revenues stable at EUR 5.1 million (EUR 5.1 million in 1Q2013);**
- **Negative net financial position of EUR 197.9 million.**

Tiscali's Board of Directors has approved the quarterly report as at 31 March 2014. Despite a particularly challenging macroeconomic context, together with a huge competitive pressure of the TLC market, the Tiscali Group continues to endeavour with regard to both the traditional business of TLC service and innovation, fostering innovative over The Top services, such as Indoona, Istella and Streamago, that fall within the strategy undertaken over the last few years and which envisages the coverage of a larger portion of the supply chain on the telecommunications market.

Tiscali Group: Consolidated revenues at EUR 53.2 million

Tiscali Group revenues during the first quarter of 2014 came to EUR 53.2 million, down with respect to the balance of EUR 55.9 million recorded in the same quarter of 2013.

During the first quarter of 2014, internet access and voice services – the Group's core business – represented around 81% of total turnover. The Gross Operating Result before provisions came to EUR 13.5 million compared with EUR 15.9 million in the 1Q2013 (-14.9% YoY).

As at 31 March 2014, the number of ADSL customers came to around 493 thousand (a growth with respect to the corresponding figure of 483.2 thousand in 1Q2013) of which 356.1 thousand are direct customers (LLU). This systematic growth mainly depends on the satisfactory performance, in the first three quarters of 2013, of the pull channels (web and inbound) and the sharp competitiveness of the consumer and SoHo offers. The result is important if taken into consideration the delicate macroeconomic context and the difficult competitive scenario on the Italian TLC market, especially with reference to the wireline segment. We also report the promising performance of the mobile telephony segment, which benefited also in beginning of 2014 of the launch of the new very competitive flat offers. In the last period, there was an increase of the active SIM customer base around 5000 units per month.

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REVENUES BY BUSINESS LINE

Access: equal to 74.3% of total 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 quarter of EUR 39.5 million, representing around 74.3% of the Group's total revenues, down compared to the figure for the same period in 2013 (EUR 41.9 million). The decrease is attributable to the ongoing decrease in the narrowband segment (-43.5% YoY) and the decrease in the average revenue per user as a consequence of the very aggressive commercial policy particularly focused on promotions and pull channels (web and inbound) which have a low acquisition cost. In addition, the downward trend is partly due to the reduction in traffic not yet fully compensated by migration to flat solutions.

Voice: 6.3% of total revenues

The Voice segment includes traditional and wholesale telephone services. During the first quarter of 2013, voice service revenues came to EUR 3.3 million (-16.4% YoY), compared to the figure of EUR 4 million registered in the 1Q2013.

Business Services: 8.9% 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 the first quarter of 2014 to EUR 4.7 million, slightly up of a 3.5% with respect to the EUR 4.6 million in the 1Q2013. The increase is due to the recent introduction of some important contracts with major companies and public administrations.

Media and value added services: 9.5% of total revenues

In the first quarter of 2014, the revenues in the media and added value services segment amounted to EUR 5.1 million, stable with the corresponding figure for the same period in 2013 (EUR 5.1 million). The result of virtually no change over the twelve months, although it represents a momentary interruption in a path of steady growth for several years, is still satisfactory in the light of stagnation taking place in the advertising market on place on both traditional media and online advertising market. The stable revenues, despite the market environment, is mainly attributable to the increase in traffic recorded on the network sites managed by the subsidiary Vevisible and to a better monetization of mobile platforms and other web services.

GROSS OPERATING RESULT

The Gross Operating Result for the quarter, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 13.5 million, down with respect to the corresponding balance of EUR 15.9 million in the first quarter of 2013 (-14.9% YoY).

EBITDA net of write-downs of receivables and other provisions was EUR 11 million, down compared with the same balance for the 1Q2013 of EUR 12.7 million (-13.2% YoY).

Indirect operating costs during the first quarter of 2014 came to EUR 14 million (26.3% of revenues) slightly down compared with the same balance last year (EUR 14.3 million, 25.6% of revenues).

OPERATING RESULT (EBIT)

The operating result (EBIT) for the first quarter of 2014, net of provisions, write-downs and restructuring costs, revealed a positive balance of around EUR 1.9 million, an increase with

respective to the positive balance of around EUR 1 million in the same period last year. The increase was mainly due to lower restructuring costs of about EUR 1.8 million, with respect to the first quarter 2013.

NET RESULT

The Group's net result was a loss of EUR 2.2 million, an improvement of 15.1% compared with a negative balance of EUR 2.6 million reported in the same period of 2013.

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Financial position

As at 31 March 2014, the Tiscali Group held cash and bank deposits totalling EUR 5.1 million, against net financial debt, at the same date, of EUR 190.1 million (EUR 191.6 million as at 31 December 2013).

<i>(EUR mln)</i>	Notes	31 March 2014	31 December 2013
A. Cash and Bank deposits		5.1	3.1
B. Other cash equivalents		0.0	0.0
C. Securities held for trading			-
D. Cash and cash equivalents (A) + (B) + (C)		5.1	3.1
E. Current financial receivables		0.1	-
F. Non-current financial receivables	(1)	6.9	6.9
G. Current bank payables	(2)	11.4	11.9
H. Current portion of non-current debt	(3)	133.5	131.8
I. Other current financial payables (*)	(4)	4.4	4.3
J. Current financial debt (G) + (H) + (I)		149.4	148.0
K. Net current financial debt (J) – (E) – (D) – (F)		137.2	137.9
L. Non-current bank payables		0.0	0.0
M. Bonds issued		-	
N. Other non-current payables (**)	(5)	53.7	53.7
O. Non-current financial debt (N) + (L) + (M)		53.7	53.7
P. Net Financial Debt (K) + (O)		190.9	191.6

(*) includes short-term leasing payables

(**) includes long-term leasing payables

Notes:

- (1) Includes mainly 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., Tiscali S.p.A. and Vevisible S.r.l.;
- (3) Includes the entire amount of the payables to Senior Lenders;
- (4) Includes mainly the short-term leasing of Sale & lease-back transaction on Sa Illetta;
- (5) Includes mainly the long-term leasing of Sale & lease-back transaction on Sa Illetta;

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It should be noted that the net financial position prepared by the Company as required by Consob Communication specification, reported in Note 24 of the consolidated quarterly financial statement amounted to EUR 197.9 million. The following is a reconciliation between the two net financial positions:

<i>(EUR mln)</i>	31 March 2014	31 December 2013
Consolidated net financial debt	190.9	191.6
Other cash equivalents and non-current financial receivables	6.9	6.9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	197.9	198.5

Investments were made during the quarter for around EUR 4.3 million essentially relating to the acquisition of new customers, compared with the same figure in the 1st quarter of 2013 which came to EUR 6.2 million. The reduction in the volume of investment is largely due to the lower volume of new customers as a direct consequence of the policy of customer acquisition focused on low cost channels and on direct access areas (LLU).

Significant events during the first quarter of 2014

Payment of interest and principal on the Senior Loan under the GFA

On January 3rd 2014 have been paid cash interest on the senior loan for EUR 0.5 million.

Tiscali S.p.A. 2013 draft financial statements approval

On 29 March 2014, Tiscali's Board of Directors delayed the approval of the 2013 draft financial statements to June, 13th 2014.

Events after the end of 1Q2014

Tender for the provision of connectivity services to public administrations (B2B Services)

On May 15, 2014 was made the opening of the envelopes of the tender CONSIP Spa (B2B services), and Tiscali was the company with the best financial offer. The tender is on to custody of connectivity services for governmental bodies, throughout the national territory, for a total duration of 7 years. The selection of Tiscali will be subject to the usual formal and substantial checks of all the parameters of the offer, including the technical requirements. Once successfully completed the tests, Tiscali will be awarded a minimum of 52% up to a maximum of 60% of the services offered

Approval of 2013 final year draft financial statement

On June 13th 2014 the Board of Directors has approved the 2013 final year draft financial statement and call the Shareholders' Annual General Meeting on July, 18th 2014 at 11:00am, unique calling.

Restructuring of the senior loan

As noted, the Company is engaged in a long process of negotiations aimed at restructuring the debt arising from the GFA. The negotiating process has seen the submission to the creditors of the loans granted under the GFA (Lenders) a preliminary and non-binding proposal, related to a restructuring of the financial debt of Tiscali Group which, on one hand, could give rise to a recapitalization of the group and on the other hand will produce a partial debt rescheduling and a reshaping of the financial

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covenants currently provided by the GFA. The above mentioned proposal has recently obtained by all the lenders a preliminary consent subject to, among other things, the completion of the authorization of the competent deliberant bodies of the Lenders and the definition of the necessary contractual documentation, thus enabling the Group to pursue a case of debt restructuring under the consensual GFA.

Business outlook and prospects

The macro-economic context continues to be characterised by high instability and decreasing consumption levels, even if the tendential figures disclose a probable pick up towards the end of 2014. In this scenario, Tiscali is concentrating its efforts on the implementation of the business plan and on the definition of a financial restructuring plan that would allow the achievement of a balanced equity, economic and financial performance of the Group in the long period. From the industrial point of view, Tiscali intends to continue with the process of operational efficiency and rationalization combined with the necessary innovation in services.

As for the consumer segment of the fixed network, the major focus will continue to be placed on customer acquisitions mainly in the LLU areas, in order to optimize network investment and ensure the best quality of service. At the same time in line with what is done in the second half of 2013, Tiscali tip on expanding its customer base of mobile telephony, both with stand-alone products (mainly bundle) and to implement bundled fixed-mobile services in line with recent market trends. From a commercial standpoint, low cost channels will continue to be preferred, or rather the web and inbound, in addition to sales outlets throughout Italy.

On the market for business services, management attention will be placed on the enlargement of the customer base on traditional services and innovative ones, among which a major role is played by Open Net (wifi service) and streaming. At the same time it is expected that the positive outcome of the awarded bid SPC can allow a substantial dimensional shift for the service offered to the public administration.

As for the segment of digital media, it is expected that the recent downturn in the market has been a temporary setback in a multi-year growth path, a path led by the historical undersizing of the digital advertising market compared to traditional media. The model of digital media will increase more and more in importance in the business model of Tiscali thanks to the expansion of network traffic (tiscali.it and partner sites) and enlargement of the commercial furniture to the new digital mobile platforms.

On a parallel, the considerable commitment on innovation continues, with specific focus on the Indoona and Steamago products and the new search engine Istella, for which work will be carried out so as to extend the customer base and usage rates, so to turn the audience reached to profit.

In the second half of the year the company and the management will be committed to the definition and implementation of the restructuring plan of the senior debt arising from the GFA, thereby allowing the Group and the Company to achieve a financial and capital structure consistent with the expected cash flow and able to fulfil the development of targets of the business plan.

Financial Covenant as per GFA

As already stated for the approval of the annual financial statement as of December 31, 2013, some of the financial parameters set by the GFA were not met, resulting in the occurrence of a so called Event of Default as a result of which the Lenders could theoretically decide, with the favourable vote of persons who hold a total of more than two-thirds of the debt arising from the GFA, to declare the entire amount of the loan, granted under the GFA, due and payable. However it should be noted that all of the Lenders at the time of accession, albeit in a conditional and not binding manner to the

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restructuring proposal presented by the company, has agreed to a period of standstill set for the definition of the contractual documentation and till July 31, 2014, extendable upon Tiscali's request, if necessary, for an additional month.

Note that the interim management report as at 31 March 2014 shall be made available to the general public as per the formalities and within the deadlines laid down by law.

Balance sheet of the parent company

The parent company Tiscali S.p.A. recorded, as of 31 March 2014, a profit of EUR 0.5 million and a net worth of 61.6 million euros, compared with a registered capital of EUR 92 million. Consequently, the conditions existing as at 31 December 2013 for an art. 2446 are failed.

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<i>(EUR mln)</i>		
CONSOLIDATED INCOME STATEMENT	31 March 2014	31 March 2013
Revenues	53.2	55.9
Other income	0.5	2.2
Purchase of materials and outsourced services	31.5	33.6
Payroll and related costs	8.7	9.0
Other operating costs / (income)	0.0	(0.3)
Gross operating result	13.5	15.9
Write-downs of receivables from customers	2.5	3.2
EBITDA	11.0	12.7
Restructuring costs, provisions for risk reserves and write-downs	0.0	1.8
Amortisation/depreciation	9.1	9.8
Operating result (EBIT)	1.9	1.1
Net financial income (charges)	(3.7)	(3.3)
Pre-tax result	(1.8)	(2.2)
Income taxes	(0.4)	(0.4)
Net result from operating activities (on-going)	(2.2)	(2.6)
Result from assets disposed of and/or destined for disposal	0.0	0.0
Net result	(2.2)	(2.6)
Minority interests	0.0	0.0
Group Net Result	(2.2)	(2.6)

CONSOLIDATED BALANCE SHEET (EUR mln)	31 March 2014	31 December 2013
Non-current assets	158.7	163.4
Current assets	63.4	59.3
Total Assets	222.1	222.7
Group shareholders' equity	(154.1)	(151.9)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
Total Shareholders' equity	(154.1)	(151.9)
Non-current liabilities	61.7	64.1
Current liabilities	314.5	310.5
Total Liabilities and Shareholders' equity	222.1	222.7

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

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 March 2014 Tiscali reported around 493 thousand ADSL customers. Of these, more than 363 thousand are Dual Play customers.

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

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