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*Testo del comunicato*

Tiscali: preliminary non-binding letter of intent with Aria S.p.A. and the 2014 draft financial statements

## **Tiscali: preliminary non-binding letter of intent with Aria S.p.A. and the 2014 draft financial statements**

Cagliari, 20 March 2015

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

- 1. Signed a preliminary non-binding letter of intent for industrial aggregation with Aria S.p.A.;**
- 2. Examined and approved the 2014 draft financial statements;**
- 3. Called the Shareholders' Meeting on 30 April 2015 in sole calling.**

Signed a non-binding preliminary letter of intent for an industrial aggregation with Aria S.p.A.

Tiscali announces that today was signed a non-binding letter of intent on an industrial aggregation with Aria S.p.A., Italian provider that offers Wireless Broadband services, on the basis of the license awarded in the auction in 2008 for the use of band 3.5 GHz on the whole national territory. Today, thanks to recent developments in technology, this band has gained a particular strategic value because it can be used for the provision of Ultra Broadband LTE access services.

The possible operation, which also foresees the provision of a contribution of new financial resources managed by shareholders of Aria, if completed would strengthen the industrial and financial position of the company, strengthening the market presence of Tiscali in broadband access and creating a single operator in the domestic market able to provide Broadband services to landline and mobile throughout Italy thanks to the combination of the two network infrastructures.

The Board of Directors of Tiscali, assisted by the advisors Banca IMI e Borghesi e Associati S.p.A., has resolved to take the necessary steps to start the possible operation.

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## Results for the year 2014

- **Consolidated revenues at EUR 212,8 million (-4.7% YoY);**
- **B2B Revenues at EUR 19.1 million, up 5.4% YoY;**
- **Mobile Service Revenues up 125.8% YoY;**
- **Media Revenues at EUR 23.1 million (-2.8% YoY);**
- **Gross Operating Result at EUR 49.1 million; Net Ebitda after provisions at EUR 38.8 million;**
- **Negative Group EBIT of EUR 0.3 million, with respect to the comparable figure for 2013 (positive for EUR 9.2 million);**
- **Negative Group net result of EUR 16.4 million, compared with the same figure in 2013, negative for EUR 4.7 million;**
- **ADSL customers 481.3 thousand; mobile customers up 140% YoY at 92 thousand;**
- **Net Financial Position, EUR 199.5 million, compared with EUR 198.5 million in the same period in 2013.**

In 2014 Tiscali has primarily focused its efforts on the definition of the plan of debt rescheduling, which ended last December 2014 and aiming at establishing a more stable financial balance, and on industry consolidation, to enable the Company to support the target development set and define new ones. This perspective is part of the company focusing on services to the public administration, which led Tiscali to develop excellent prospects due to CONSIP SPC call for tender. The opportunity of aggregation with Aria, signed today, goes in the direction of combining the financial restructuring already undertaken with a significant industrial strengthening.

### **Tiscali Group: Consolidated revenues at EUR 212.8 million –growth in B2B Revenues**

Group revenues during 2014 came to EUR 212.8 million, down by 4.7% with respect to the balance of EUR 223.3 million recorded in 2013.

During 2014, internet access and voice services – the Group's core business – represented around 79.% of turnover. The Gross Operating Result before provisions came to EUR 49.1 million, down (-26.8% YoY) with respect to the figure reported at the end of 2013 equal to EUR 67 million.

At the end of 2014, the number of ADSL customers came to 481.3 thousand (-16.9 thousand YoY), of which over 353.6 thousand are direct customers (LLU). The decrease in the customer base figure is due to different factors. The fixed-line market recorded a marginal decline, partly due to the tough macroeconomic environment and partly to the fixed-mobile substitution process. Moreover, for about 6 months, the customers' acquisition flow in the bitstream area was negatively impacted by the temporary reduced network coverage due to the gradual technology replacement, going from the ATM bitstream central to the Ethernet one, for which Tiscali concluded its systems' adjustments in October 2014. On the other hand, the decrease was partially offset by an increase of the component of revenues from mobile services, up by

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125,8% YoY, with an increase rate in the customer base of active SIMs of about 140% YoY and a figure of 92 thousand mobile clients.

## **GROUP REVENUES BY BUSINESS SEGMENT**

### **Access: 72.7% of 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 ranges and VoIP and mobile telephone revenues, in 2014 generated revenues of around EUR 154.8 million (equal to 72.7% of total Group revenues), down by 5.3% with respect to the same figure in 2013 (EUR 161.9 million). The decrease is attributable to both the natural decrease in the narrowband segment (-32.3% YoY) and the reduction in the average revenue per user (ARPU) due to the aggressive promotions applied to new customers, as a consequence of the very aggressive commercial policy particularly focused on 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.

EUR 60.8 million of total Access revenues concern the voice traffic components generated by the VoIP services.

### **Voice: 6.8% of revenues**

The Voice segment includes traditional and wholesale telephone services. During 2014, voice revenues amounted to EUR 14.4 million (-9.1% YoY), slightly down with respect to the balance of EUR 15.8 million recorded in the previous year.

### **Business Services: 9% of revenues, +5.4% YoY**

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 2014 to EUR 19 million, up 5.4% with respect to the EUR 18 million in 2013. The increase reflects the recent introduction of some important contracts with major companies and public administrations.

### **Media and value added services: 10.8% of revenues**

In 2014, the revenues in the media and added value services segment amounted to EUR 23.1 million, slightly down compared with the figure of EUR 23.8 million recorded in 2013. The result still reflects the stagnation underway in the advertising market.

## **GROSS OPERATING RESULT**

The Gross Operating Result for the year, before provisions for risks, write-downs, depreciation and amortisation, came to EUR 49.1 million, down with respect to the balance of EUR 67 million in 2013 (-26.8% YoY). The decline is attributable not only to the decreasing in revenues detailed above, but also to the absence of some of the savings achieved in 2013 with the major suppliers of network services, whose effects were not repeated in the year 2014.

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The EBITDA, net of write-downs of receivables and other provisions came to EUR 38.8 million, down with respect to the comparable figure for 2013 of EUR 52.4 million (-25.9% YoY).

**Indirect operating costs** during 2014 came to EUR 60.4 million (28.4% of revenues), compared with last year's figure (EUR 56.9 million, 25.5% of revenues).

## **OPERATING RESULT (EBIT)**

The operating result (EBIT) for 2014, net of provisions, write-downs and restructuring costs, was a loss of EUR 0.3 million, with respect to the same figure in the previous year which was positive for EUR 9.2 million.

## **NET RESULT**

The Group's net result for 2014 was a loss of EUR 16.4 million, with respect to the comparable negative figure of EUR 4.7 million reported in 2013.

## **INVESTMENTS**

The investments relating to the maintenance of the network and IT infrastructure, as well as the activation of new customers, amounted to EUR 20,8 million, down 16,1% with respect to the same figure in the previous year.

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## FINANCIAL POSITION

At 31 December 2014, the Tiscali Group held cash and cash equivalents totalling EUR 4.8 million, against a net financial debt, at the same date, of EUR 192.6 million (EUR 191.6 million as at 31 December 2013).

<i>(EUR mln)</i>	Notes	31 December 2014	31 December 2013
A. Cash and Bank deposits		4.8	3.1
B. Other cash equivalents		0.0	0.1
C. Securities held for trading		--	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>4.8</b>	<b>3.1</b>
<b>E. Current financial receivables</b>		<b>0.1</b>	<b>0.1</b>
F. Non-current financial receivables	(1)	6.9	6.9
G. Current bank payables	(2)	12.5	11.9
H. Current portion of non-current debt	(3)	52.8	131.8
I. Other current financial payables (*)	(4)	10.6	4.3
<b>J. Current financial debt (G) + (H) + (I)</b>		<b>75.9</b>	<b>148</b>
<b>K. Net current financial debt (J) – (E) – (D) - (F)</b>		<b>64.1</b>	<b>137.9</b>
L. Non-current bank payables	(5)	80.5	0.0
M. Bonds issued		-	-
N. Other non-current payables (**)	(6)	48	53.7
<b>O. Non-current financial debt (N) + (L) + (M)</b>		<b>128.5</b>	<b>53.7</b>
<b>P. Net Financial Debt (K) + (O)</b>		<b>192.6</b>	<b>191.6</b>

(\*) includes short-term financial leasing payables

(\*\*) includes long-term financial leasing payables

Notes:

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- (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. and Tiscali S.p.A.;
- (3) Includes the short term component 52.8 million relating to the debt to Senior Lenders (debt and interest to be repaid within 12 months); as previously mentioned, the same entry on 31 December 2013 upheld the full amount of the debt financing under GFA following the failure to comply with the financial covenants provided in the loan agreement;
- (4) Includes mainly the short-term leasing of Sale & lease-back transaction on Sa Illetta;
- (5) Includes long component amounted to EUR 80.5 million relating to the debt to Senior Lenders; As mentioned above, this item showed zero to 31 December 2013 as a result of the failure to comply with financial covenants provided by GFA.
- (6) .Includes mainly the long-term leasing of Sale & lease-back transaction on Sa Illetta;

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 No. DEM/6064293 dated 28 July 2006.

<i>(EUR mln)</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Consolidated net financial debt</b>	<b>192.6</b>	<b>191.6</b>
Other cash equivalents and non-current financial receivables	6.9	6.9
<b>Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006.</b>	<b>199.5</b>	<b>198.5</b>

## Significant events during the financial year

### Payment of interest on the Senior Loan

On January 3, 2014 were paid interest on cash Senior debt of 0.5 million euros. Subsequently, following the signing of the new agreement to restructure the senior debt, which occurred on December 23, 2014, were paid 5 million euros of share capital and 0.4 million of cash interest.

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

On May 14, 2014 was carried out the opening of the envelopes of the tender called by Consip within the public connection system for providing connectivity services and accessories to the Public Administration. Tiscali was the company with the best financial offer. In the following months, the offer of Tiscali has been under the scrutiny of fairness on the part of the jury of CONSIP, sifting successfully as per communication of 24 December 2014. On that date CONSIP has simultaneously invited the other competitors to adjust their offer the list presented by Tiscali.

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## Signed senior debt restructuring agreement and SEF (Standby Equity Facility) with Société Générale

On December 23, 2014 Tiscali, has signed with the lenders an agreements aimed at restructuring and rescheduling the senior debt arising from the Group Facility Agreement (GFA) and amounting, at that date, approximately 140 million Euro. On 24 December 2014, the Company entered into an agreement with Société Générale relating to a Standby Equity Facility ("SEF Agreement"). The SEF Agreement provides that Société Générale signs a capital increase in the Company's payment, to be made in one or more tranches, with the exclusion of option rights, pursuant to art. 2441, paragraph 5 of the Civil Code (the "Capital Increase").

## **Events after the end of year 2014**

### Extraordinary Shareholders' Meeting

On January 30, 2015, the Shareholders' Meeting of Tiscali S.p.A., meeting in extraordinary session, approved the proposal to give the Board of Directors of the Company, pursuant to art. 2443. civ., the power to increase the share capital by payment in several tranches, divisible, no later than the 31.12.2017, with the exclusion of option rights, pursuant to art. 2441, 5th c., Cod. civ.

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

In January 2015 two direct competitors have joined the offer made by Tiscali for custody of connectivity services within the public connection system. At the end of the tendering procedure, indicating all of the law of the cheap and requirements for drawing up the final list, and in view of acceptances occurred, on the basis of the procurement process, Tiscali will have to provide services for a supply share equal to 60% of the global maximum, while the other two companies that have expressed their acceptance will have been awarded 20% each.

### Signed non-binding preliminary letter of intent for an industrial aggregation with Aria S.p.A.

Today was signed a non-binding letter of intent on an industrial aggregation with Aria S.p.A., Italian provider that offers Wireless Broadband services, on the basis of the license awarded in the auction in 2008 for the use of band 3.5 GHz on the whole national territory. The possible operation, which also foresees the provision of a contribution of new financial resources managed by the shareholders of Aria, would strengthen the industrial and financial position of the company, strengthening the market presence of Tiscali in broadband access to landline and mobile and creating a single operator in the domestic market potentially able to provide high capacity Broadband services throughout Italy thanks to the combination of the two network infrastructures.

## **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. In parallel, the management shall proceed all the preparatory activities necessary to carry out the steps that require the industrial aggregation announced today.

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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. Particular focus will be put on the evolution of the ultrabroadband, thanks to a constant increasing demand for wireless services. 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. For this reason, the company's management will focus on the provision of the infrastructure and organization necessary for the management of the additional business volumes that will result.

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.

In 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.

## **BUSINESS CONTINUITY**

The Board of Directors in analyzing what has been achieved in the process that will enable the Group to achieve in the long run a balanced equity, financial and economic, recognizes that to date remain, as already shown in the financial statements for 2013, uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue to operate on the basis of the going concern assumption. However, after making the necessary checks and assessing the uncertainties found in the light of all the above, taking into account the requirements of the Restructuring Agreements on the operation of the Group's recapitalization and debt restructuring, the Board of Directors have a reasonable expectation that the Group can achieve a financial structure in line with the expected cash flows and thinks that the Group has adequate resources to continue in operational existence for the foreseeable future, and have therefore adopted the going concern basis in the preparation of the financial statements.

Note that the draft financial statements as at 31 December 2014 shall be made available to the general public as per the formalities and within the deadlines laid down by law.

## **Shareholders' meeting called**

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Tiscali's Board of Directors called the ordinary shareholders' meeting, previously scheduled on April 29<sup>th</sup>, **in sole calling** for 30 April 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](http://www.tiscali.com)) by the deadlines envisaged by current legislation.

#### **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



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

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(EUR mln)

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Revenues	212.8	223.4
Other income	2.1	2.1
Purchase of materials and outsourced services	132.5	128.5
Payroll and related costs	35.1	34.6
Other operating costs / (income)	(1.8)	(4.7)
<b>Gross operating result</b>	<b>49.1</b>	<b>67.1</b>
Write-downs of receivables from customers	10.3	14.6
Stock option plan cost		0.0
<b>EBITDA</b>	<b>38.8</b>	<b>52.4</b>
Restructuring costs, provisions for risk reserves and write-downs	2.7	3.4
Amortisation/depreciation	36.4	39.8
<b>Operating result (EBIT)</b>	<b>(0.3)</b>	<b>9.3</b>
Portion of result of equity investments carried at equity		0.0
Net financial income (charges)	(15.7)	(13.2)
<b>Pre-tax result</b>	<b>(16.0)</b>	<b>(3.9)</b>
Income taxes	(0.4)	(0.8)
<b>Net result from operating activities (on-going)</b>	<b>(16.4)</b>	<b>(4.8)</b>
Result from assets disposed of and/or destined for disposal	0.0	0.0
Net result	(16.4)	(4.8)
Minority interests	0.0	0.0
<b>Group Net Result</b>	<b>(16.4)</b>	<b>(4.8)</b>

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<b>CONSOLIDATED BALANCE SHEET</b> <i>(EUR mln)</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Non-current assets	147.9	163.4
Current assets	60.1	59.3
<b>Total Assets</b>	<b>207.9</b>	<b>222.7</b>
Group shareholders' equity	(168.8)	(151.9)
Shareholders' equity pertaining to minority shareholders	-	-
<b>Total Shareholders' equity</b>	<b>(168.8)</b>	<b>(151.9)</b>
Non-current liabilities	137.0	64.1
Current liabilities	239.8	310.5
<b>Total Liabilities and Shareholders' equity</b>	<b>207.9</b>	<b>222.7</b>

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## Prospetto di conto economico

<i>(Euro)</i>	<b>2014</b>	<b>2013</b>
Revenues	4.399.062	4.411.665
Other income	-	-
Purchase of material and outsourced services	(1.376.347)	(1.214.930)
Payroll and related costs	(1.923.718)	(1.699.399)
Other operating costs (income)	2.671.288	756.548
Svalutazione crediti	(164.662)	(372.143)
Other write-downs	(1.415.681)	(912.823)
Write-downs	-	-
<b>Gross Operating Result</b>	<b>2.189.941</b>	<b>968.919</b>
Portion of result of equity investments carried at equity	-	-
Net Financial income/charges	(1.590.091)	(1.665.586)
<b>Pre-tax Result</b>	<b>599.850</b>	<b>(696.667)</b>
Income taxes	(49.379)	(81.044)
<b>Net Result from operating activities</b>	<b>550.471</b>	<b>(777.711)</b>
Result from assets disposed of and/or destined for proposal	-	-
<b>Group Net Result</b>	<b>550.471</b>	<b>(777.711)</b>

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<b>TISCALI SPA BALANCE SHEET</b> (EUR mln)	<b>31 December 2014</b>	<b>31 December 2013</b>
Non-current assets	138.3	133.2
Current assets	1.7	4.2
Assets held for sale	0.0	0.0
<b>Total Assets</b>	<b>140</b>	<b>137.5</b>
Group shareholders' equity	61.7	61.1
Shareholders' equity pertaining to minority shareholders	0.0	0.0
<b>Total Shareholders' equity</b>	<b>61.7</b>	<b>61.1</b>
Non-current liabilities	22.4	21.6
Current liabilities	55.9	54.7
Liabilities directly related to assets held for sale	0.0	0.0
<b>Total Liabilities and Shareholders' equity</b>	<b>140</b>	<b>137.5</b>

*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 2014 Tiscali reported around 481.3 thousand ADSL customers in Italy. Of these, around 357 thousand are Dual Play customers*

*The Tiscali website may be accessed at [www.tiscali.it](http://www.tiscali.it).*

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