

tiscali.

## 1H08 financial results

Milan, 8th August 2008

## Key 1H08 results

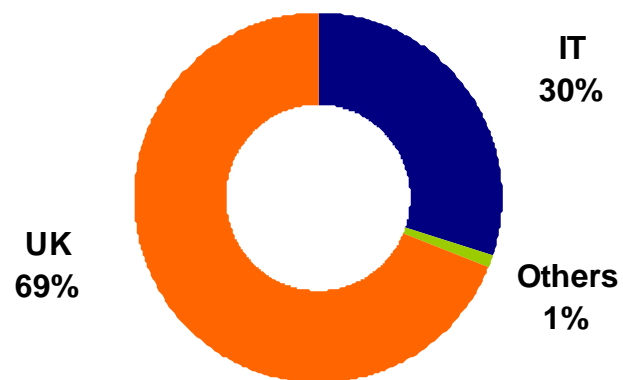
- Revenue, EBITDA and KPIs growth:
  - Revenue at EUR 535.2 million +36% YoY
  - EBITDA at EUR 95.8 million +55% YoY
  - Total DSL users at 2.4 million, increasing by over 375K YoY
- Net loss from continued operations reduction (-22%)
- Net financial debt at EUR 589.5 ml vs EUR 636.5 ml as of 31st December 2007
- Operating FCF in 1H2008 at ca EUR -50 ml

| €ml   | 1H08          | % of rev.   | 1H07          | % of rev.   | Delta 08/07 |
|---|---------------|-------------|---------------|-------------|-------------|
| <b>Revenues</b>                                     | <b>535.2</b>  | <b>100%</b> | <b>393.0</b>  | <b>100%</b> | <b>36%</b>  |
| Access  | 298.9         | 56%         | 251.8         | 64%         | 19%         |
| of which ADSL                                       | 269.6         | 50%         | 207.5         | 53%         | 30%         |
| Voice   | 164.9         | 31%         | 84.3          | 21%         | 96%         |
| of which dual play voice traffic                    | 66.5          | 12%         | 55.8          | 14%         | 19%         |
| B2B   | 35.9          | 7%          | 26.9          | 7%          | 33%         |
| Media and VAS                                       | 25.6          | 5%          | 24.5          | 6%          | 4%          |
| Other   | 9.6           | 2%          | 5.6           | 1%          | 71%         |
| <b>Gross Margin</b>                                 | <b>244.8</b>  | <b>46%</b>  | <b>181.5</b>  | <b>46%</b>  | <b>35%</b>  |
| <b>Operating costs</b>                              | <b>163.2</b>  | <b>30%</b>  | <b>121.5</b>  | <b>31%</b>  | <b>34%</b>  |
| Sales & Marketing costs                             | 60.9          | 11%         | 42.5          | 11%         | 43%         |
| Personnel costs                                     | 53.9          | 10%         | 50.2          | 13%         | 7%          |
| G&A costs   | 48.4          | 9%          | 28.8          | 7%          | 68%         |
| <b>Gross Operating Result (adjusted EBITDA)</b>     | <b>95.8</b>   | <b>18%</b>  | <b>61.9</b>   | <b>16%</b>  | <b>55%</b>  |
| Bad debt and other provisions                       | 21.1          | 4%          | 10.4          | 3%          | 103%        |
| <b>Gross Operating Result (EBITDA)*</b>             | <b>74.7</b>   | <b>14%</b>  | <b>51.5</b>   | <b>13%</b>  | <b>45%</b>  |
| <b>EBIT pre restructuring costs</b>                 | <b>(11.1)</b> | <b>nm</b>   | <b>(20.9)</b> | <b>nm</b>   | <b>47%</b>  |
| <b>EBIT</b>   | <b>(32.7)</b> | <b>nm</b>   | <b>(28.5)</b> | <b>nm</b>   | <b>-15%</b> |
| <b>Net result of the Group from cont operations</b> | <b>(57.2)</b> | <b>nm</b>   | <b>(73.4)</b> | <b>nm</b>   | <b>22%</b>  |

\*post provisions

Operational breakdown and dynamics

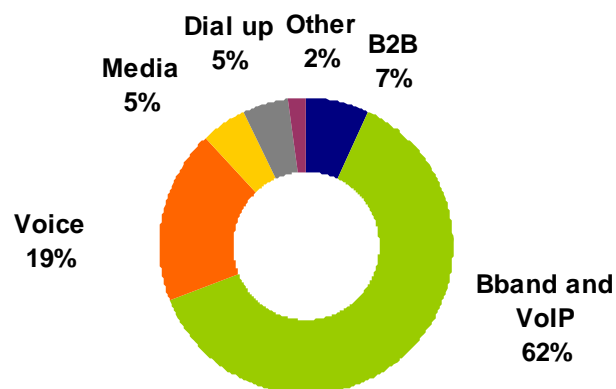
Geographical breakdown of revenues – 1H08



- The revenues from Italy include the former Tiscali Services, following the merger effective as of 1st Jan 2008

- Broadband and dual play (VoIP) revenues are over 60% of total revenues, with voice over 80%. VoIP revenues are traffic generated revenues in dual play offers

Business line breakdown of revenues – 1H08



- Network coverage:
  - Italy: 55% coverage
  - UK: 57% coverage

## Financials by country 1H08 vs 1H07

| <b>ITALY</b>                                     |              |                  |              |                  |                    |
|--|--------------|------------------|--------------|------------------|--------------------|
| <b>€m</b>  | <b>1H08</b>  | <b>% of rev.</b> | <b>1H07</b>  | <b>% of rev.</b> | <b>Delta 08/07</b> |
| <b>Revenues</b>                                  | <b>158.1</b> | <b>100%</b>      | <b>139.7</b> | <b>100%</b>      | <b>13%</b>         |
| <i>of which ADSL</i>                             | 59.1         | 37%              | 47.9         | 34%              | 23%                |
| <i>of which Voice</i>                            | 45.6         | 29%              | 31.5         | 23%              | 45%                |
| <b>Gross Margin</b>                              | <b>89.7</b>  | <b>57%</b>       | <b>77.3</b>  | <b>55%</b>       | <b>16%</b>         |
| <b>Operating costs</b>                           | <b>63.3</b>  | <b>40%</b>       | <b>49.3</b>  | <b>35%</b>       | <b>28%</b>         |
| <i>Sales &amp; Marketing costs</i>               | 29.0         | 18%              | 20.2         | 14%              | 44%                |
| <i>Personnel costs</i>                           | 21.1         | 13%              | 21.1         | 15%              | 0%                 |
| <i>G&amp;A costs</i>                             | 13.1         | 8%               | 8.0          | 6%               | 64%                |
| <b>Gross Operating Result (adjusted EBITDA)*</b> | <b>24.0</b>  | <b>15%</b>       | <b>27.0</b>  | <b>19%</b>       | <b>-11%</b>        |
| <b>Gross Operating Result (EBITDA)**</b>         | <b>16.0</b>  | <b>10%</b>       | <b>23.2</b>  | <b>17%</b>       | <b>-31%</b>        |
| <b>EBIT pre restructuring costs</b>              | <b>(9.1)</b> | <b>nm</b>        | <b>(3.3)</b> | <b>nm</b>        | <b>-176%</b>       |
| <b>EBIT</b>                                      | <b>(9.2)</b> | <b>nm</b>        | <b>(3.3)</b> | <b>nm</b>        | <b>-179%</b>       |

\* Gross Operating Results is after deduction of management fee

\*\* EBITDA is after bad debt and other provisions

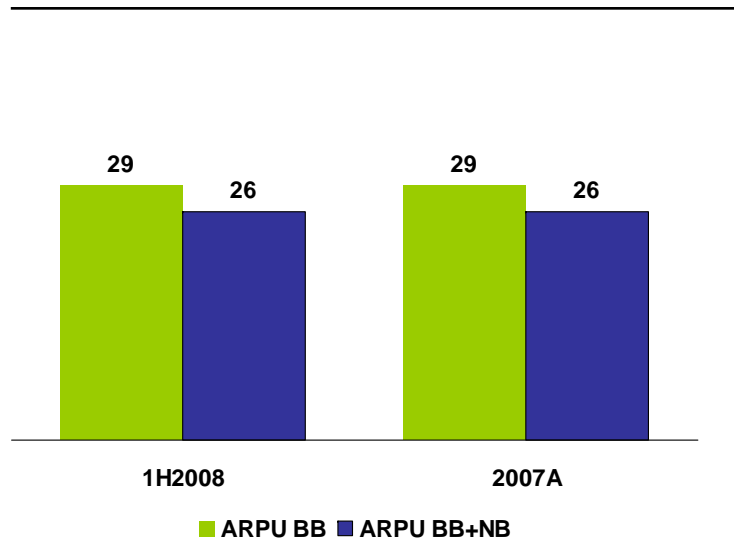
| UK   |               |             |               |             |              |
|--|---------------|-------------|---------------|-------------|--------------|
| €m   | 1H08          | % of rev.   | 1H07          | % of rev.   | Delta 08/07  |
| <b>Revenues</b>                                  | <b>368.6</b>  | <b>100%</b> | <b>253.2</b>  | <b>100%</b> | <b>46%</b>   |
| <i>of which ADSL</i>                             | 210.5         | 57%         | 159.6         | 63%         | 32%          |
| <i>of which Voice</i>                            | 119.1         | 32%         | 51.6          | 20%         | 131%         |
| <b>Gross Margin</b>                              | <b>151.8</b>  | <b>41%</b>  | <b>105.7</b>  | <b>42%</b>  | <b>44%</b>   |
| <b>Operating costs</b>                           | <b>82.4</b>   | <b>22%</b>  | <b>59.6</b>   | <b>24%</b>  | <b>38%</b>   |
| <i>Sales &amp; Marketing costs</i>               | 30.4          | 8%          | 21.4          | 8%          | 42%          |
| <i>Personnel costs</i>                           | 20.8          | 6%          | 20.7          | 8%          | 0%           |
| <i>G&amp;A costs</i>                             | 31.2          | 8%          | 17.5          | 7%          | 78%          |
| <b>Gross Operating Result (adjusted EBITDA)*</b> | <b>58.7</b>   | <b>16%</b>  | <b>36.0</b>   | <b>14%</b>  | <b>63%</b>   |
| <b>Gross operating result (EBITDA)**</b>         | <b>48.4</b>   | <b>13%</b>  | <b>29.8</b>   | <b>12%</b>  | <b>62%</b>   |
| <b>EBIT pre restructuring costs</b>              | <b>(7.9)</b>  | <b>nm</b>   | <b>(11.7)</b> | <b>nm</b>   | <b>32%</b>   |
| <b>EBIT</b>                                      | <b>(28.7)</b> | <b>nm</b>   | <b>(12.7)</b> | <b>nm</b>   | <b>-126%</b> |

\* Gross Operating Results is after deduction of management fee and of Tiscali Services IC costs

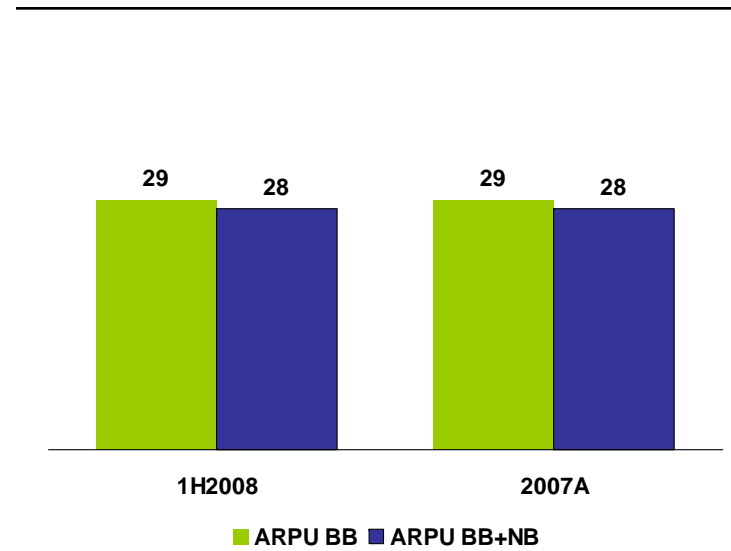
\*\* EBITDA is after bad debt and other provisions

Retail broadband and blended ARPU

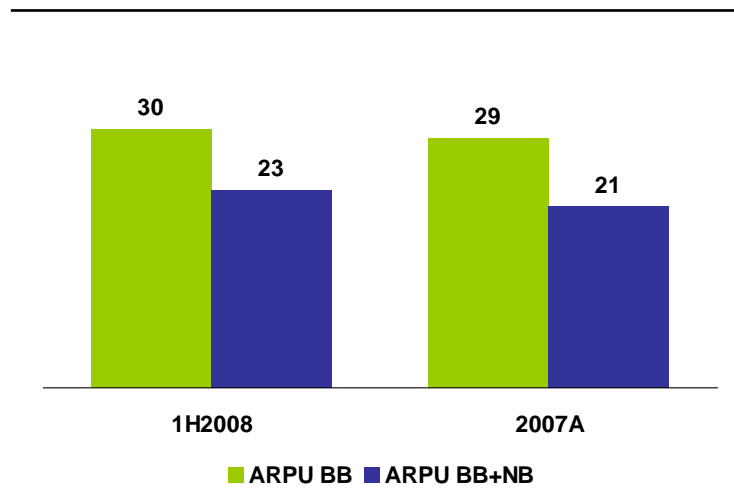
Group (€)



UK (€)



Italy (€)



- ARPU stable in spite of market conditions thanks to clients' refocusing activity

## Customer base : Yearly evolution

| <i>Numbers in 000s</i>                            | 30th June 2007 | 30th June 2008 | Delta YoY |
|---|----------------|----------------|-----------|
| <b>DSL customers</b>                              | 2,036          | 2,412          | +376      |
| <b>Italy</b>                                      | 500            | 574            | +74       |
| <i>Of which dual play</i>                         | 123            | 233            | +110      |
| <i>Of which LLU</i>                               | 294            | 363            | +69       |
| <b>UK broadband</b>                               | 1,550          | 1,838          | +288      |
| <i>Of which dual play</i>                         | N.A            | 884*           | nm        |
| <i>Of which LLU</i>                               | 494            | 878            | +384      |
| <b>Narrowband and single play voice customers</b> | 1,284          | 779            | -505      |
| <b>Italy</b>                                      | 632            | 356            | -277      |
| <i>Of which single play voice</i>                 | 139            | 100            | -39       |
| <b>UK</b>   | 652            | 424            | -228      |
| <i>Of which single play voice</i>                 | 324            | 273            | -51       |

\* Based on today's classification of dual play customers

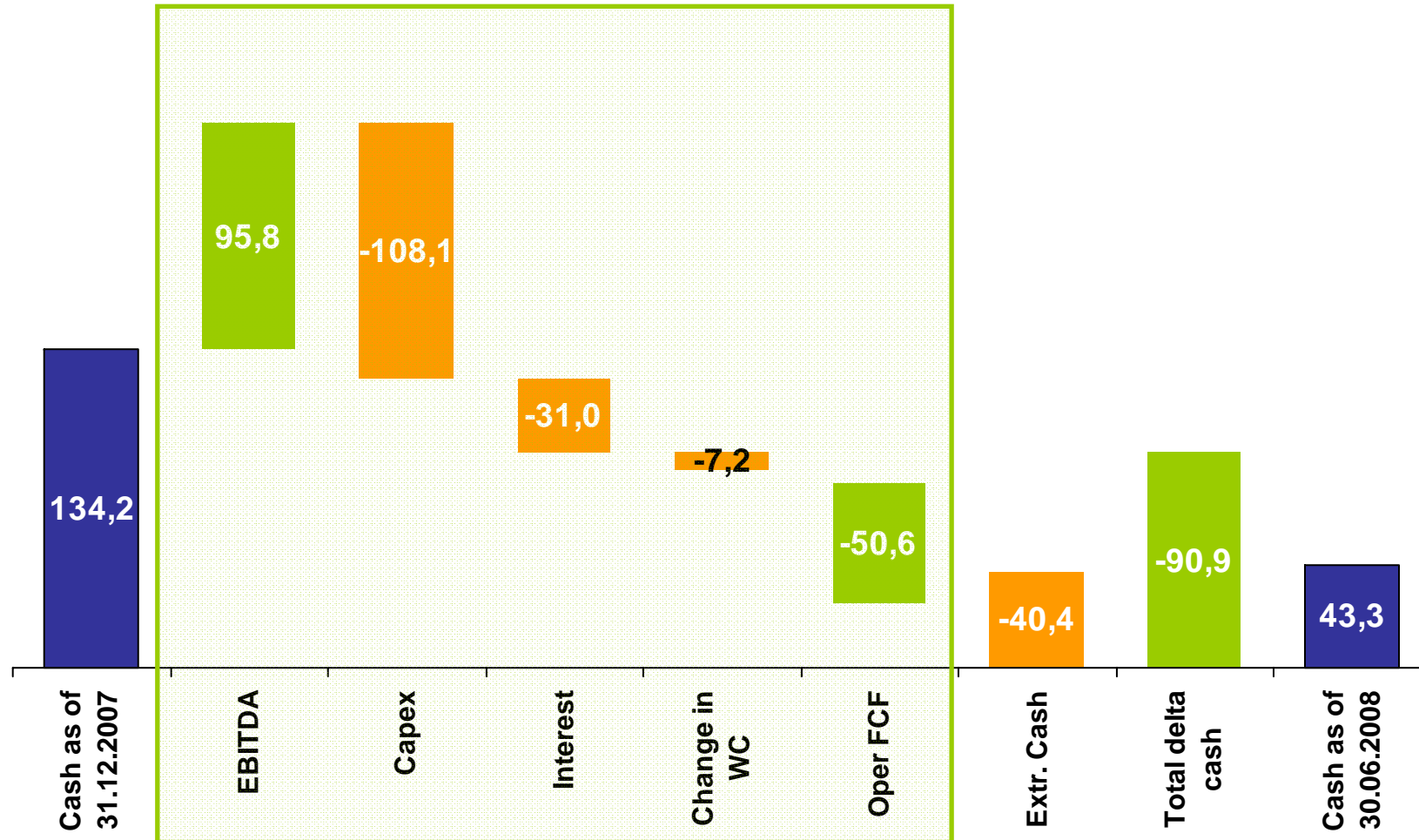


## Net financial position

| € ml  | 30-Jun-08     | 31-Dec-07    |
|---|---------------|--------------|
| A. Cash   | 43.3          | 134.2        |
| B. Other liquid assets  | 15.7          | 16.3         |
| C. Securities   | -             | -            |
| <b>D. Total cash and other financial assets (A) + (B) + (C)</b> | <b>58.9</b>   | <b>150.5</b> |
| <b>E. Other current financial assets</b>                        | <b>7.9</b>    | <b>12.1</b>  |
| F. Non-Current financial payables                               | 10.5          | 1.2          |
| G. Current bank debt  | 25.9          | 176.2        |
| H. Long term loans falling within one year                      | -             | -            |
| I. Other current financial debt (*)                             | 30.4          | 19.5         |
| <b>J. Current financial debt (G) + (H) + (I)</b>                | <b>56.3</b>   | <b>195.7</b> |
| <b>K. Net current financial debt (J) – (E) – (F) – (D)</b>      | <b>(21.1)</b> | <b>31.8</b>  |
| L. Non current bank loans                                       | 440.8         | 450.0        |
| M. Bonds  | 53.9          | 43.8         |
| N. Other non current debt (**)                                  | 105.3         | 109.6        |
| <b>O. Non current financial debt (L) + (M) + (N)</b>            | <b>600.1</b>  | <b>603.4</b> |
| <b>P. Net financial debt (K) + (O)</b>                          | <b>578.9</b>  | <b>635.2</b> |

(\*) includes leasing debts

Cash flow analysis



■ Operating FCF at EUR -50.6 ml

■ Extraordinary cash mainly related to Pipex restructuring costs, stock options and capital increase fees

\*WC includes non cash component of Capex

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## FY2008 targets

- New target range reflects:
  - Weakening of GBP/EUR vs Business Plan assumption (formerly 1.43 vs current 1.26)
  - Market conditions in broadband and consumer markets
  - FY2008 new revenues target range: EUR 1 billion – EUR 1.1 billion (FX effect accounts for ca half of previous target change)
  - FY2008 new EBITDA target range: EUR 220 – EUR 230 million (FX effect accounts for ca 1/3 of previous target change)
  
- New business plan to be released in 4Q2008
  
- **Tiscali proves to be a key industrial assets in consolidating markets: strategic process ongoing**

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