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**1Q2007 financial results**

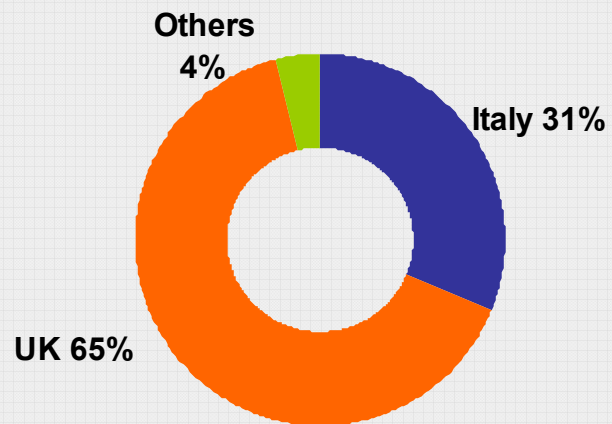
Milan, 10th May 2007

## Key 1Q07 results

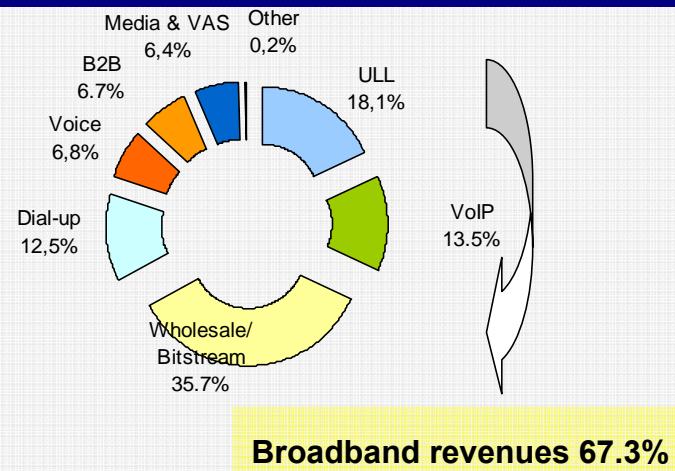
- **Solid growth of economic results, in line with business plan:**
  - 1Q07 revenues at 193.2 EUR ml (+25% YoY)
  - 1Q07 ADSL revenues at EUR 103.9 ml (+34% YoY)
    - Broadband revenues (including VoIP) represent over 67% of total
  - 1Q07 Voice revenues at EUR 39.2 ml (+67% YoY), driven by the success of double play (VoIP) product offers
  - 1Q07 Gross Operating Result (EBITDA) at EUR 25.2 ml (13% of revenues) +36% YoY
  
- **Over 1.9 ml ADSL customers:**
  - 100K new ADSL adds in the first quarter 2007, bringing total DSL customers at over 1.9 ml
  - Over 700K direct ULL customers
  
- **Drawn financing from Intesa Sanpaolo in 1Q07**
  - EUR 280 ml at Euribor +250 bps, to replace Silver Point and EDC facilities
  - Significant reduction of cost of debt

Operational breakdown and dynamics

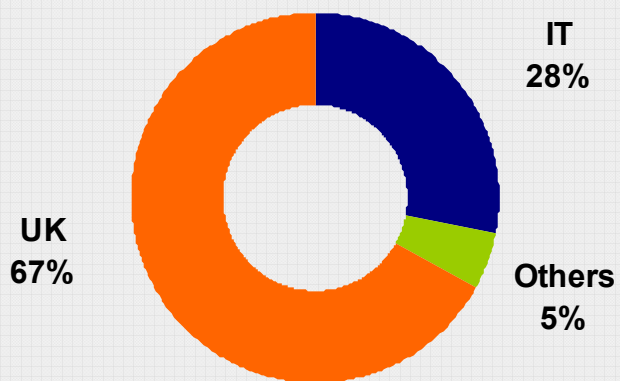
Geographical breakdown of revenues – 1Q07



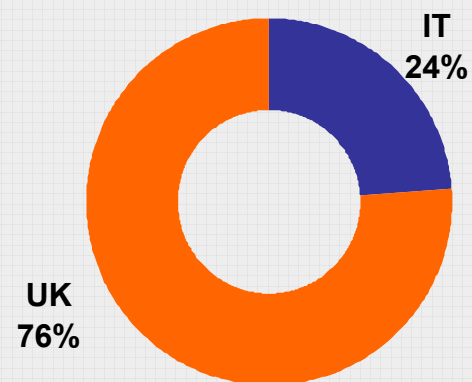
Business line breakdown of revenues – 1Q07



Geographical breakdown of EBITDA – 1Q07

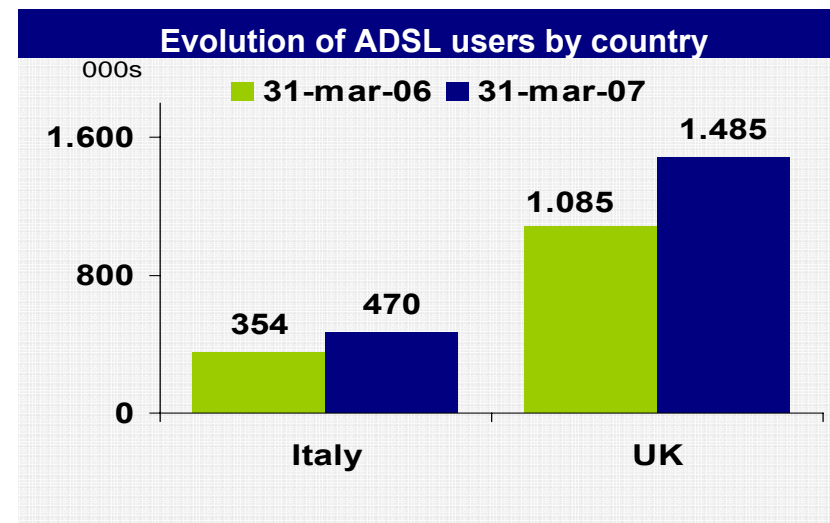
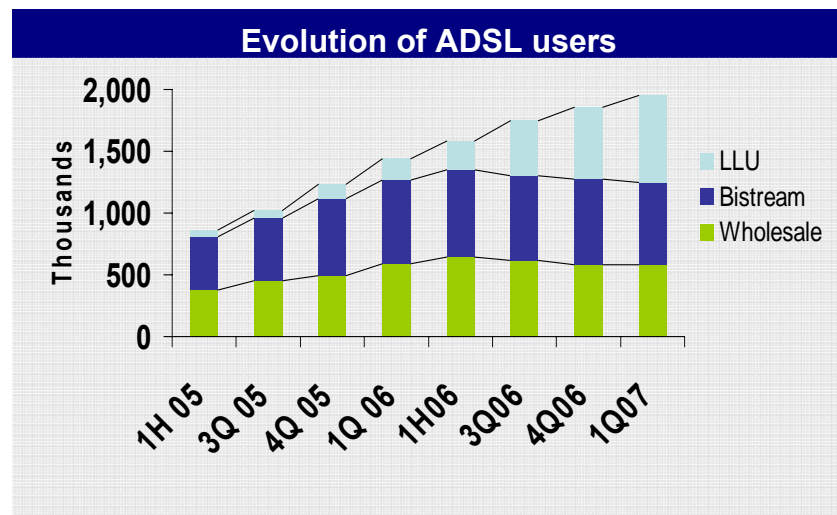


Geographical breakdown of DSL users 31.03.07



\* Others include TiNet and other minor subsidiaries

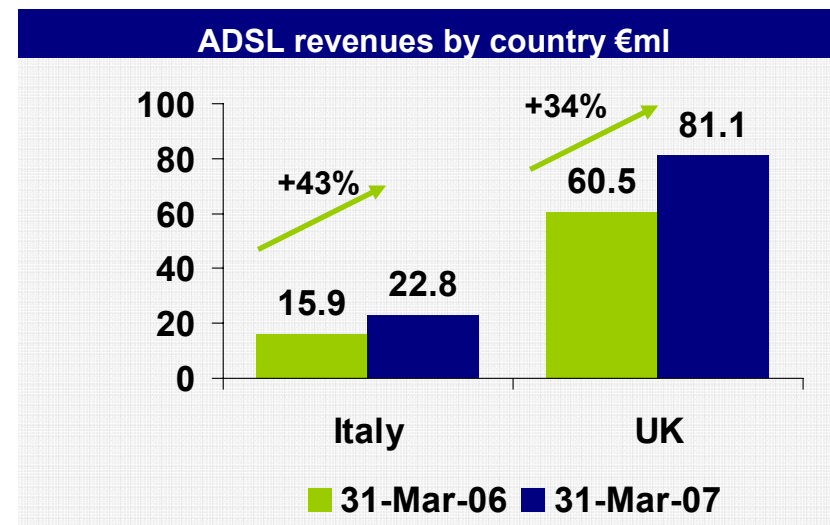
## ADSL: the growth driver



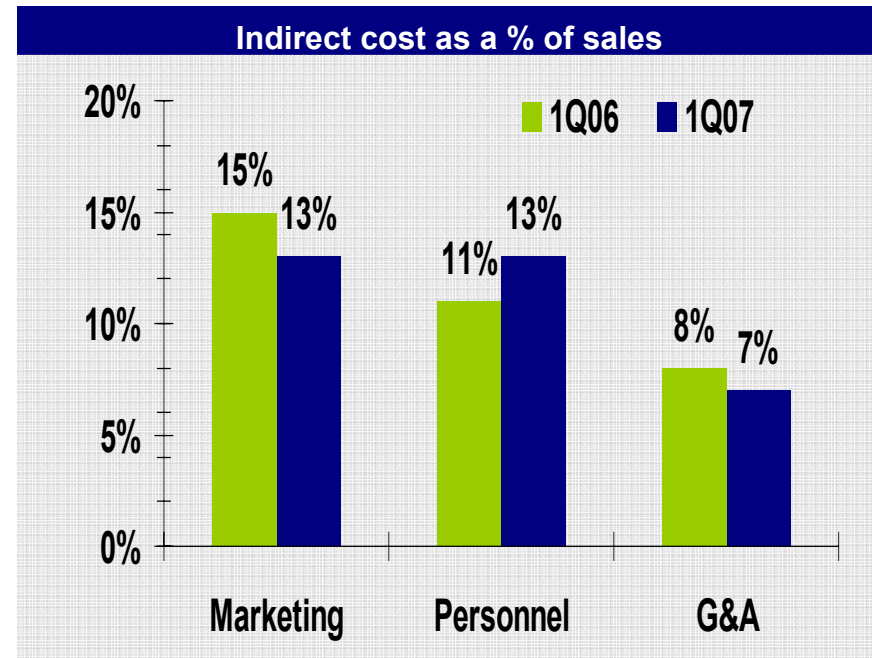
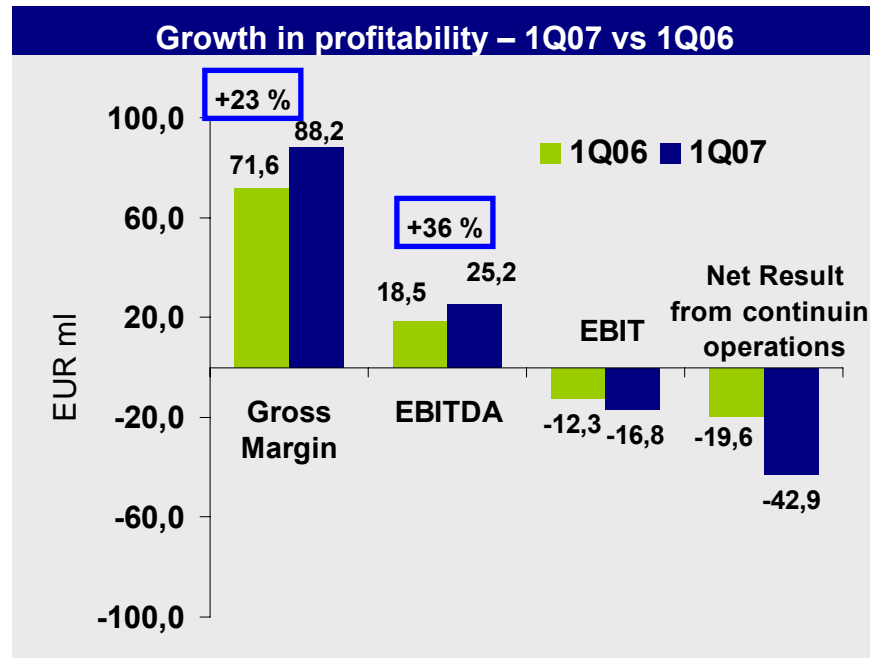
### Network coverage

	N. of Colos		% of HH	
	4Q06	1Q07	4Q06	1Q07
Italy	440	440	30%	30%
UK	420	445*	34%	35%

\*Of which 255 Colos are full unbundling, reaching 20% of HH



Improvement in profitability and indirect cost reduction



- EBIT trend is related to higher amortization for EUR 8.3 million, of which EUR 3 million is a non recurring adjustment related to amortization charges in the in UK
- Net result trend is due to higher interest charges of which 17.3ml non recurring costs in relation to Silver Point facility (restructuring costs and interest charges differential)
- For personnel costs please refer to explanation on page 8

## Financials 1Q06 vs 1Q07

€ ml	1Q07	% of rev.	1Q06	% of rev.	Delta 1Q06/1Q07
<b>Revenues</b>	<b>193,2</b>	<b>100%</b>	<b>154,7</b>	<b>100%</b>	<b>25%</b>
Access	128,2	66%	109,3	71%	17%
Voice	39,2	20%	23,5	15%	67%
B2B	13,0	7%	11,2	7%	16%
Media and VAS	12,4	6%	9,6	6%	29%
Other	0,4	1%	1,2	1%	nm
<b>Gross Margin</b>	<b>88,2</b>	<b>46%</b>	<b>71,6</b>	<b>46%</b>	<b>23%</b>
<b>Operating costs</b>	<b>63,9</b>	<b>33%</b>	<b>53,2</b>	<b>34%</b>	<b>20%</b>
Sales & Marketing costs	24,8	13%	23,6	15%	5%
Personnel costs	25,2	13%	17,7	11%	42%
G&A costs	13,9	7%	11,8	8%	18%
Extraordinary Income & Expenses	(0,9)	nm	(0,1)	nm	nm
<b>Gross Operating Result (EBITDA)</b>	<b>25,2</b>	<b>13%</b>	<b>18,5</b>	<b>12%</b>	<b>36%</b>
<b>EBIT</b>	<b>(16,8)</b>	<b>nm</b>	<b>(12,3)</b>	<b>nm</b>	<b>-37%</b>
<b>Net result from continuing operations</b>	<b>(42,9)</b>	<b>nm</b>	<b>(19,6)</b>	<b>nm</b>	<b>-119%</b>
<b>Net result</b>	<b>(44,0)</b>	<b>nm</b>	<b>(19,3)</b>	<b>nm</b>	<b>-128%</b>

## Financials 1Q06 vs 1Q07

ITALY					
€ ml	1Q07	% of rev.	1Q06	% of rev.	Delta 1Q06/1Q07
<b>Revenues</b>	<b>60,7</b>	<b>100%</b>	<b>51,0</b>	<b>100%</b>	<b>19%</b>
<i>of which ADSL</i>	22,8	38%	16,0	31%	43%
<b>Gross Margin</b>	<b>32,9</b>	<b>54%</b>	<b>25,6</b>	<b>50%</b>	<b>29%</b>
<b>Operating costs</b>	<b>23,3</b>	<b>38%</b>	<b>18,5</b>	<b>36%</b>	<b>26%</b>
<i>Sales &amp; Marketing costs</i>	11,3	19%	8,6	17%	31%
<i>Personnel costs</i>	8,3	14%	6,4	13%	30%
<i>G&amp;A costs</i>	3,7	6%	3,5	7%	6%
<b>Gross Operating Result (EBITDA)*</b>	<b>7,1</b>	<b>12%</b>	<b>5,3</b>	<b>10%</b>	<b>34%</b>

UK					
€ ml	1Q07	% of rev.	1Q06	% of rev.	Delta 1Q06/1Q07
<b>Revenues</b>	<b>128,0</b>	<b>100%</b>	<b>100,3</b>	<b>100%</b>	<b>28%</b>
<i>of which ADSL</i>	81,1	63%	60,5	60%	34%
<b>Gross Margin</b>	<b>53,5</b>	<b>42%</b>	<b>42,4</b>	<b>42%</b>	<b>26%</b>
<b>Operating costs</b>	<b>32,2</b>	<b>25%</b>	<b>26,7</b>	<b>27%</b>	<b>21%</b>
<i>Sales &amp; Marketing costs</i>	13,0	10%	14,7	15%	-12%
<i>Personnel costs</i>	10,5	8%	6,1	6%	72%
<i>G&amp;A costs</i>	8,7	7%	5,9	6%	47%
<b>Gross Operating Result (EBITDA)*</b>	<b>17,1</b>	<b>13%</b>	<b>14,1</b>	<b>14%</b>	<b>21%</b>

- Personnel costs increase in the UK is due to VNL employees
- G&A costs increase in the UK is due to costs of VNL facilities

\* Includes intra-group costs

**Evolution of capital structure**

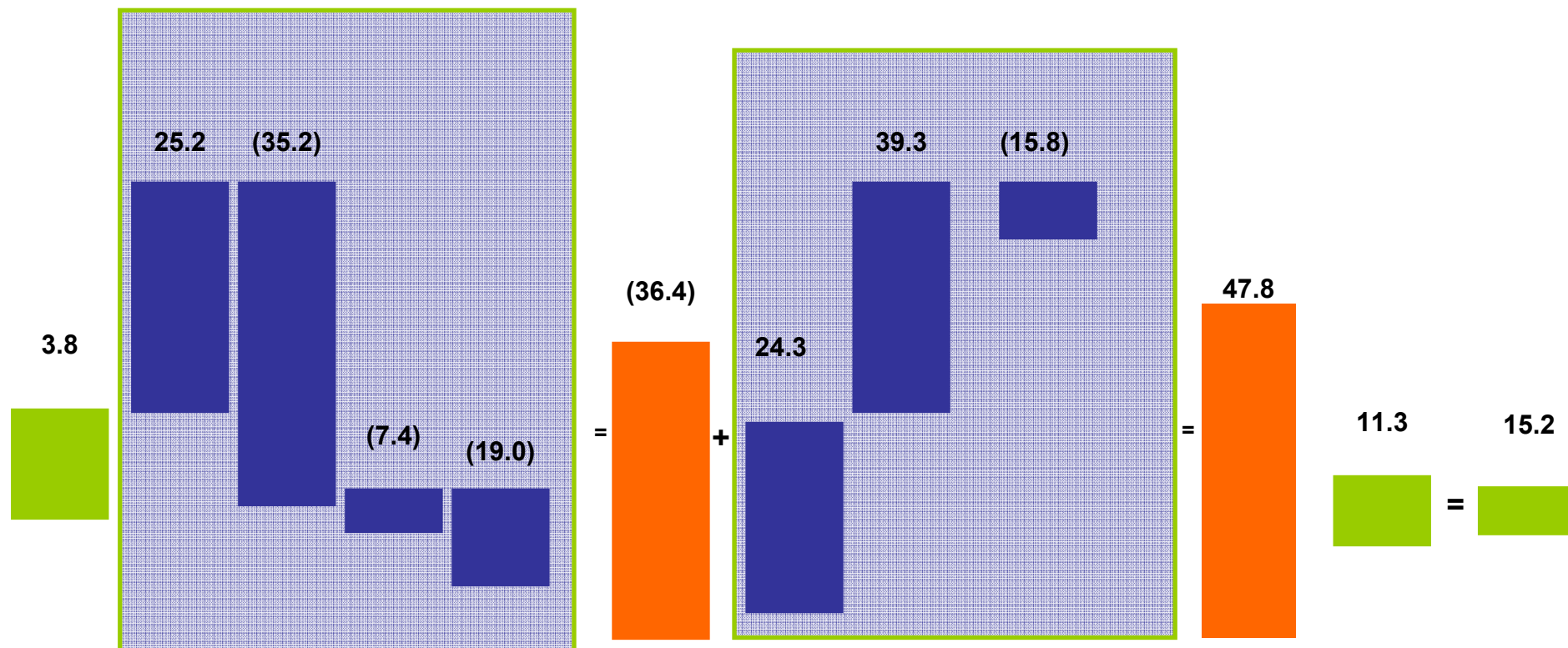
€ ml	31-mar-07	31-dic-06
A. Cash	15,1	3,8
B. Other liquid assets	17,0	11,5
C. Securities		-
<b>D. Total cash and other financial assets (A) + (B) + (C)</b>	<b>32,2</b>	<b>15,3</b>
<b>E. Other current financial assets</b>	<b>19,4</b>	<b>21,2</b>
F. Bank Overdraft	92,0	374,8
G. Long term loans falling within one year	-	-
H. Other financial debt (*)	23,4	12,3
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>115,4</b>	<b>387,1</b>
<b>J. Net current financial debt (I) – (E) – (D)</b>	<b>63,7</b>	<b>350,6</b>
K. Non current bank loans	276,4	-
L. Bonds	-	-
M. Other non current debt (**)	90,7	46,6
<b>N. Non current financial debt (K) + (L) + (M)</b>	<b>367,1</b>	<b>46,6</b>
<b>O. Net financial debt (J) + (N)</b>	<b>430,8</b>	<b>397,2</b>

(\* ) includes leasing debts

(\*\*) includes leasing debt and debts to shareholders



Cash Flow & Net debt



Cash as of  
31.12.06

EBITDA

CAPEX

Δ WC

Interests

**Δ Operating cash**

Disposals

Net  
debt and  
leasing  
repayment/in  
crease

Financial  
Restructuring

**Δ Extraord.  
Cash**

Δ Tot  
Cash

Cash as of  
31.03.07

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## 2007 targets

- 2007 targets:
  - Revenues: EUR 820 ml
  - Gross Operating Result (EBITDA): ca EUR 150 ml (over 18% margin)
  - Capex: EUR 200 ml

## Disclaimer

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