tiscali:

9M2011 Results Presentation

11 November 2011

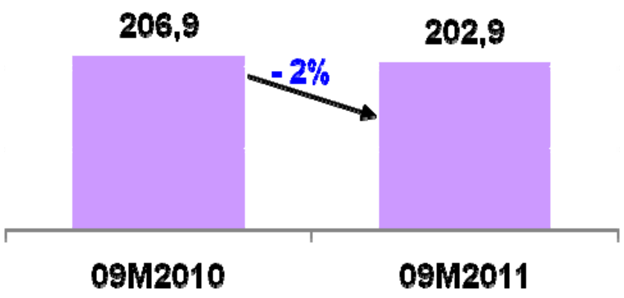
Key 9M2011 Results

- **Revenues** at EUR 202,9 million, slightly down vs 9M2010 (EUR 206,9). Access and Media revenues up;
- **EBITDA** (gross of bad debt) at EUR 54,4 million, up (+7,7%) YoY; EBITDA (net of bad debt) at EUR 29,9 million, ca 15,1% down due to high bad debt provision for old aged receivables;
- **Gross Margin** in 3Q11 at 48.6% up versus 3Q10 (43%) and 2Q11 (46.1%), showing effects of network and customer base rationalization;
- **EBIT** negative at EUR 12,5 million (positive at EUR 0,7 million in 9M2010);
- **Net result** negative for ca EUR 25,2 million vs a negative net result of EUR 15,4 million in the 9M2010; net loss in 3Q11 reduced vs 2Q11;
- **Net debt*** at EUR 202,6 million vs EUR 204,3 million as of 31st December 2010;
- **Free cash flow** positive for EUR 11,8 million; Capex at ca EUR 20,7 million;
- **ADSL active customers** at 504,7K. Dual play customers at 352K. Mobile Customers at 126K (+80% YoY); Traffic minutes up 1,3%, broadband ARPU up.

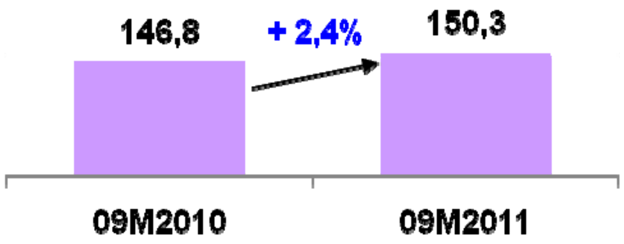
** Consob consolidated net financial debt*

9M2011 Results: Highlights

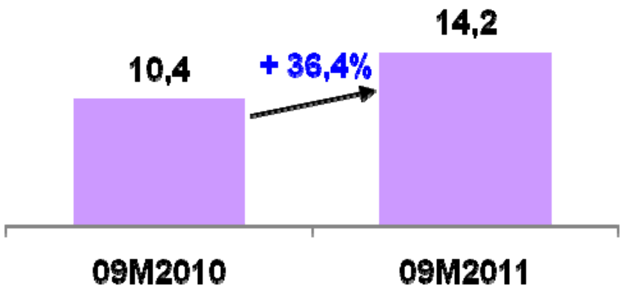
Sales (EUR Mln)



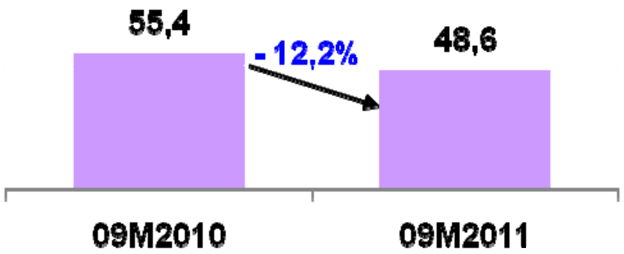
BB + VoIP revenues (EUR Mln)



Media & VAS (EUR Mln)

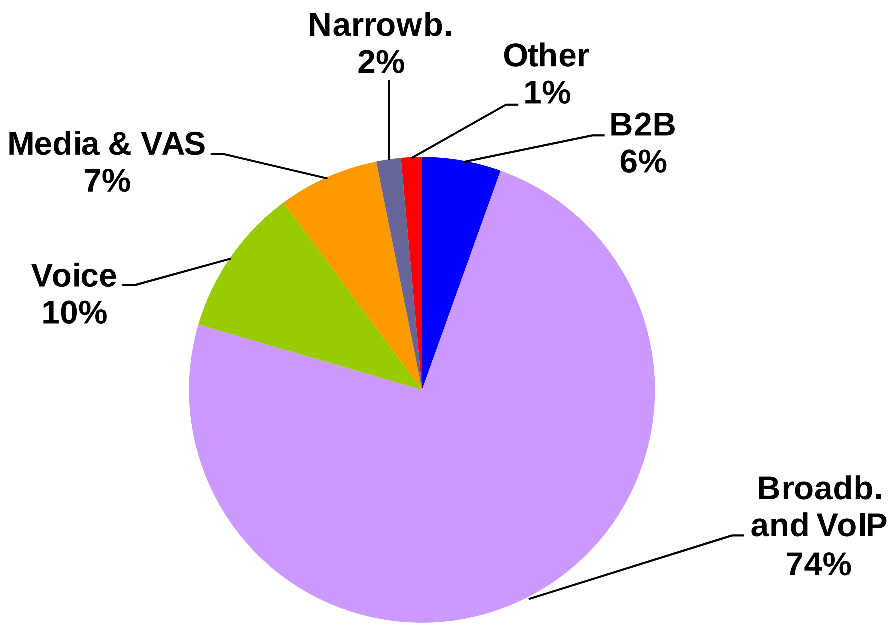


Operating Costs (EUR Mln)



9M2011 Group Results: Operational breakdown

Business line breakdown on revenues – 9M2011



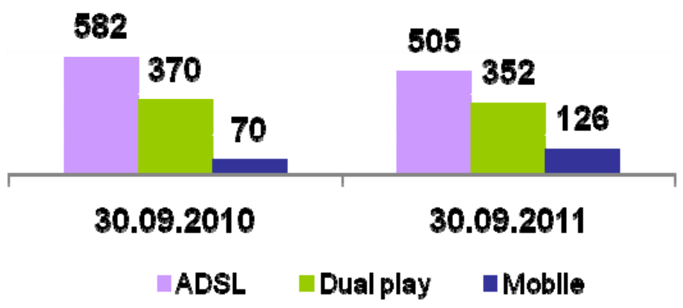
- **Broadband & Dual play (VoIP)**, core revenues, equal to ca EUR 150 million (74% of total revenues), up ca 2,4% vs 9M2010;

- **Media & VAS** (7% of total revenues) growth of 36,4% YoY (5% of total revenues in 9M2010).

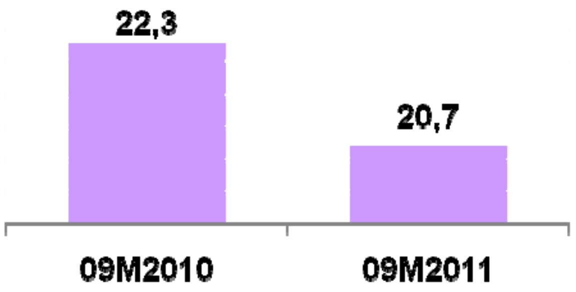
- Media & VAS: increased portal traffic on tiscali.it (+5%), as well as on Tiscali:ADV network (+15,7%); enhanced audience monetization.

Trading Performance Key Items

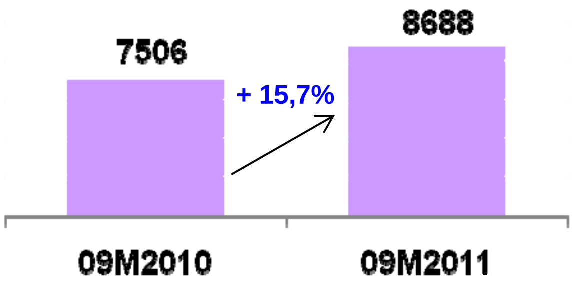
ADSL Customers pro-forma (000s)



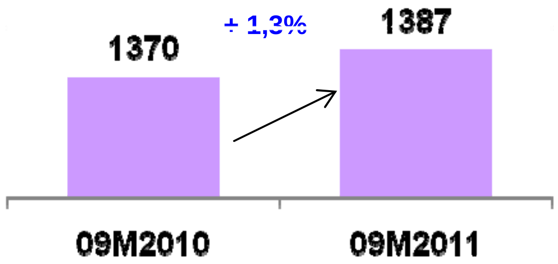
CAPEX (EUR mln)



Page views* (million)



Voice Traffic Minutes (000)

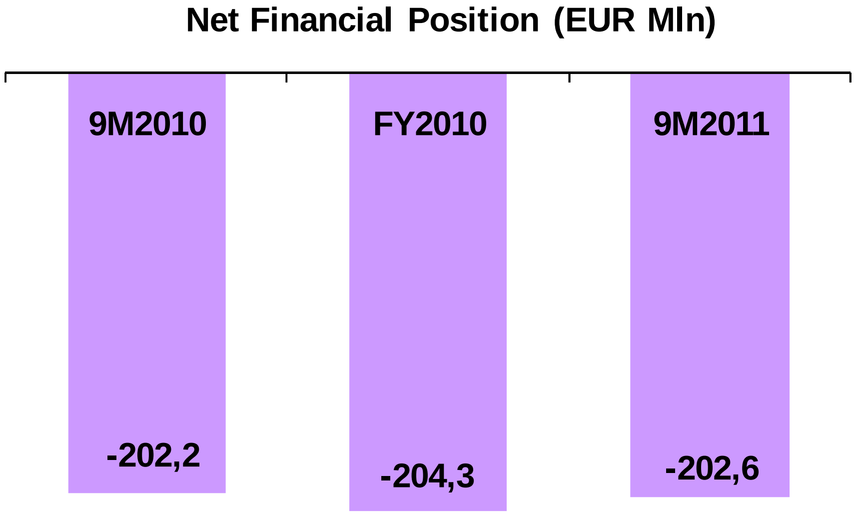


** Page views refer to Tiscali ADV network*

- Decline in customer number versus 3Q10 mainly due to massive cancellations (71k to date); weak 3Q11 performance due to seasonality effect, strong competitive scenario and limited push channels contribution;
- Network coverage stable at 688 LLU sites;
- Increased traffic on network web properties driving strong performance of ADV sales (+15,7% YoY); slight increase in traffic minutes (+1,3% YoY) despite decrease in customer base and adverse market scenario;
- Reduced Capex spending mainly concentrated on customer acquisition.

Net Financial Position

- Total Net Debt* in line with 9M2010 balance.



- Net Debt in line respect to previous year despite 6,4 ml restructuring costs paid in 9M2011.

** Consob consolidated net financial debt*

9M2011 vs 9M2010

tiscali:

EUR mln	9M2011	% of rev.	9M2010	% of rev.	Delta 11/10
Revenues	**202,9**	***100%***	**206,9**	***100%***	***-1,9%***
Access	150,3	*74%*	146,8	*71%*	*2,4%*
of which ADSL	89,7	*44%*	92,7	*45%*	*-3,2%*
of which VOIP	57,7	*28%*	54,1	*26%*	*6,8%*
Voice	21,0	*10%*	20,6	*10%*	*1,8%*
Narrowband	3,5	*2%*	6,4	*3%*	*-46,2%*
B2B	11,1	*5%*	18,4	*9%*	*-39,7%*
Media and VAS	14,2	*7%*	10,4	*5%*	*36,4%*
Other	2,9	*1%*	4,3	*2%*	*-32,3%*
Gross Margin	**95,2**	***47%***	**99,6**	***48%***	***-4,3%***
Operating costs	**48,6**	***24%***	**55,4**	***27%***	***-12,2%***
Sales & Marketing costs	8,2	*4%*	8,0	*4%*	*2,9%*
Personnel costs	28,3	*14%*	33,9	*16%*	*-16,3%*
G&A costs	12,0	*6%*	13,5	*7%*	*-10,9%*
Other (Income) / Expenses	(7,7)	*nm*	(6,3)	*nm*	*nm*
Gross Operating Result (adjusted EBITDA)	**54,4**	***27%***	**50,5**	***24%***	***7,7%***
Bad debt and other provisions	24,5	***12%***	15,2	***7%***	***60,7%***
Gross Operating Result (EBITDA)	**29,9**	***15%***	**35,2**	***17%***	***-15,1%***
D&A and Restructuring costs	**42,4**	***21%***	**34,5**	***17%***	***22,8%***
EBIT	**(12,5)**	***nm***	**0,7**	***nm***	***nm***
Net result of the Group	**(25,2)**	***nm***	**(15,4)**	***nm***	***nm***

9M2011 vs 9M2010

tiscali:

- 9M2011 revenues slightly down vs 9M2010 (EUR 206,9) due to:
  - Increase in access segment BB and VOIP;
  - Decline in narrowband and BTB revenue due to termination of the contract with the disposed UK branch;
  - Good performance of media business.
- 4,3% Gross margin decrease compared to 9M2010, caused by:
  - Impact of declined revenues;
  - Competitive scenario driving down margins on Access business;
  - Adverse effect of change in regulated tariffs.
- Gross Operating Result up 7,7%, showing good performance of the on-going business, EUR 6 million VAT recovery due to exceptional write-off;
- Continued effort on operating cost reduction down 12,2% YoY, compensating gross margin drop.

  Further reduction envisaged in 4Q2011 through network rationalization, customer base clean-up and labor cost cut (Contratto di Solidarietà);
- EBIT down at -12,5%, mainly due to the strong impact of bad debt provision, rising from about EUR 15,2 million in 9M2010 to around EUR 24,5 million in 9M2011.

3Q2011 vs 3Q2010

tiscali:

EUR mln	3Q11	% of rev.	3Q10	% of rev.	Delta 3Q11/3Q10
Revenues	**62,8**	***100%***	**66,4**	***100%***	***-5,4%***
Access	47,7	*76%*	48,1	*72%*	*-0,8%*
of which ADSL	28,3	*45%*	30,6	*46%*	*-7,4%*
of which VOIP	18,4	*29%*	17,5	*26%*	*5,3%*
Narrowband	1,1	*2%*	1,7	*3%*	*-32,8%*
Voice	5,2	*8%*	6,9	*10%*	*-24,3%*
B2B	3,6	*6%*	5,6	*8%*	*-34,9%*
Media and VAS	4,1	*7%*	2,9	*4%*	*43,2%*
Other	1,0	*2%*	1,2	*2%*	*-22,2%*
Gross Margin	**30,5**	***49%***	**28,6**	***43%***	***6,9%***
Operating costs	**16,4**	***26%***	**17,6**	***26%***	***-6,5%***
Sales & Marketing costs	2,6	*4%*	2,3	*3%*	*12,7%*
Personnel costs	9,7	*15%*	10,4	*16%*	*-6,5%*
G&A costs	4,1	*7%*	4,9	*7%*	*-15,5%*
Other (Income) / Expenses	(2,3)	*nm*	(3,2)	*nm*	*nm*
Gross Operating Result (adjusted EBITDA)	**16,4**	***26%***	**14,2**	***21%***	***15,4%***
Bad debt and other provisions	6,1	***10%***	5,2	***8%***	***16,8%***
Gross Operating Result (EBITDA)	**10,3**	***16%***	**9,0**	***14%***	***14,5%***
D&A and Restructuring costs	**14,2**	***23%***	**12,5**	***19%***	***12,8%***
EBIT	**(3,8)**	***nm***	**(3,5)**	***nm***	***nm***
Net result of the Group	**(7,7)**	***nm***	**(2,8)**	***nm***	***nm***

3Q2011 vs 3Q2010

tiscali:

- Revenues down at -5,4% versus 3Q10 due to:
    - Decline narrowband and analog voice;
    - Phase-out of IT UK contract;
    - Partial offset by good performance of Media;
    - Slight decline of Access segment due to strong impact of promotions and declined customer base: nevertheless quality and ARPU of customer base show continuous improve.
- Gross margin recovery at 48,6% versus 43% in 3Q10 and 46,1% in 2Q11, despite revenue decline. Positive contribution of customer base clean-up, increase in media revenues and network optimization;
- Revenues decline in 3Q11 versus 2Q11 mainly due to seasonality effect on voice traffic and media revenues;
- Gross operating result at Eur 16,4 million (26,1% of revenues), ca 22% up versus 3Q10, showing effects of reduced cost base at both technical and operating level;
- Net income down vs 3Q10 which was affected by positive contribution of discontinued operations for EUR 3,8 million.

Net Financial Position

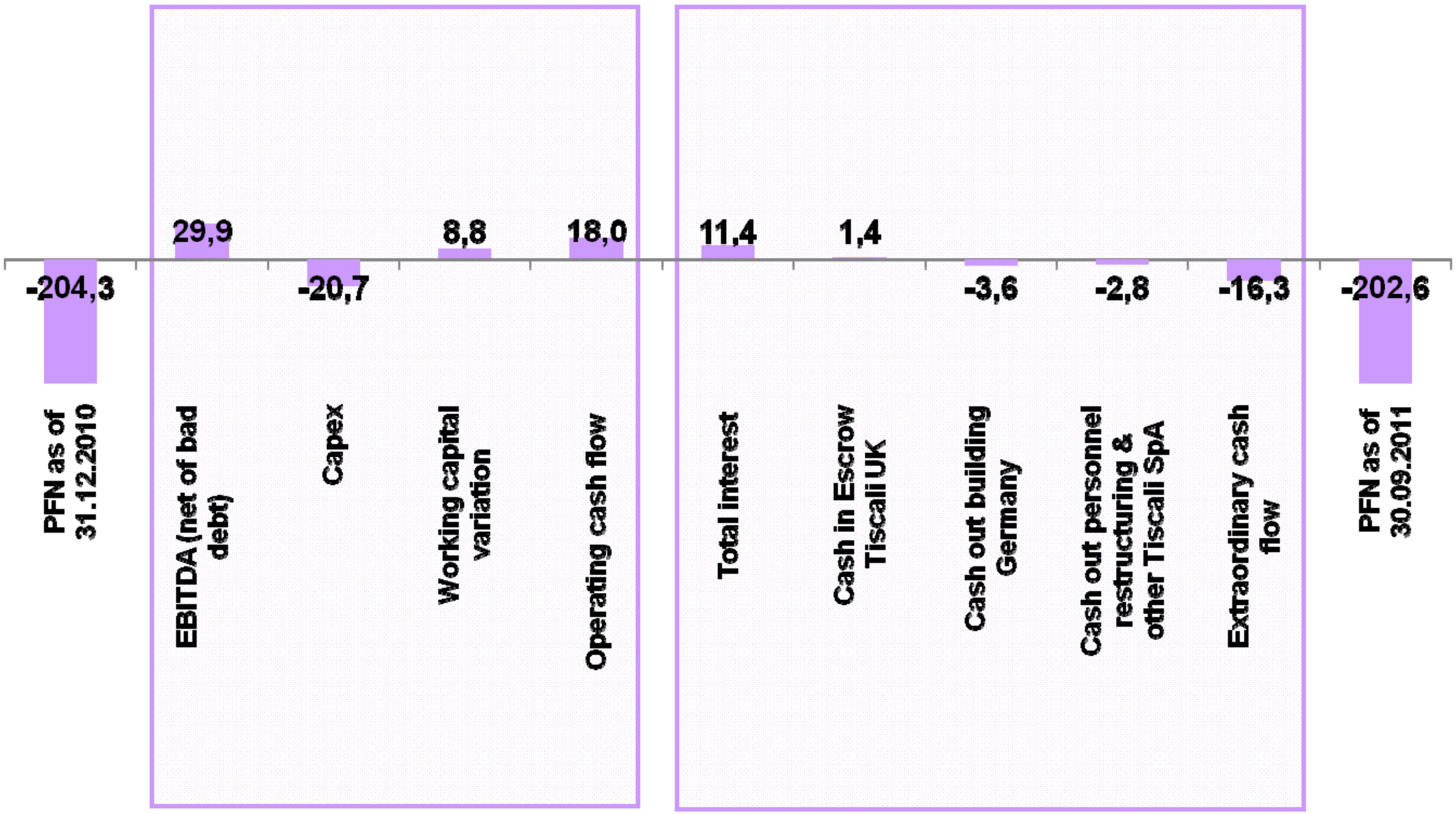
tiscali:

EUR Mln	**30-sep-2011**	**31-dec-2010**
A. Cash	4,4	10,3
B. Other liquid assets	0,1	0,4
C. Securities	-	-
D. Total cash and other financial assets (A) + (B) + (C)	**4,5**	**10,8**
E. Current financial receivables	**0,0**	**-**
F. Non-Current financial receivables	**6,3**	**6,3**
G. Current bank debt	15,9	12,8
H. Long term loans falling within one year	8,8	17,0
I. Other current financial debt (*)	0,9	1,5
J. Current financial debt (G) + (H) + (I)	**25,6**	**31,2**
K. Net current financial debt (J) – (E) – (F) – (D)	**14,8**	**14,2**
L. Non current bank loans	123,3	124,7
M. Bonds	-	-
N. Other non current debt (**)	58,1	58,7
O. Non current financial debt (L) + (M) + (N)	**181,4**	**183,4**
P. Net Financial Debt (K) + (O)	**196,2**	**197,6**
Other cash equivalents and non current financial receivables	6,4	6,7
Consob Net Financial Debt	**202,6**	**204,3**

(*) includes leasing debts

(**) includes leasing debts and debts to shareholders

Tiscali Group: 9M2011 – Cash Flow Analysis (EUR ml)



- Operating cash flow positive for EUR 18 million;
- Free cash flow positive for EUR 11,8 million, in line with 09M2010 despite EUR 6,4 million cash out for restructuring.

2011 trading outlook

tiscali:

- Continued effort on marginality improvement, achieved by cost cutting at technical and operational level (network and labour costs primarily);
- On going commitment on innovation: recent launch of indoona, good acceptance by the customers;
- Extremely hard competitive scenario on telecom market which is becoming more and more a churn market . Customer acquisition costs increasing and pressure on margins;
- Limited financial flexibility caps growth opportunity as the company focuses on cash generation;
- Revenues 2011 full year target slightly below 2010;
- Net income positive target in 2012, full effects of cost saving initiatives expected to be displayed.