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9M08 financial results

Milan, 13th November 2008

- **Revenue:**

- 9M08 at EUR 783.2 million +27% YoY
- 3M08 at EUR 248.0 million +12% YoY

- **EBITDA (before provisions):**

- 9M08 at EUR 146.4 million +41% YoY
- 3M08 at EUR 50.6 million +22% YoY

- 3.1 million users, of which ca 2.4 million DSL of which 1.1 million multi-play and 1.3 million direct. ARPU stable vs 2007, in spite of higher competitive pressure and of FX effect
- Net debt at EUR 557 million, vs EUR 579 million as of 30th June, also due to capital injection of convertible bond conversion
- 3Q08 Operating Cash Flow positive at EUR 8.5 ml, before interest charges
- Strategic review process ongoing: new business plan to be presented in 4Q08

€ml	9M08	% of rev.	9M07	% of rev.	Delta 08/07
Revenues	783.2	100%	614.3	100%	27%
Access	427.6	55%	381.3	62%	12%
of which ADSL	387.1	49%	319.9	52%	21%
Voice	252.8	32%	141.0	23%	79%
of which dual play voice traffic	92.6	12%	88.1	14%	5%
B2B	55.2	7%	42.7	7%	29%
Media and VAS	35.8	5%	36.5	6%	-2%
Other	11.8	2%	12.7	2%	-7%
Gross Margin	358.5	46%	283.5	46%	26%
Operating costs	225.7	29%	182.7	30%	24%
Sales & Marketing costs	74.7	10%	65.6	11%	14%
Personnel costs	77.6	10%	72.5	12%	7%
G&A costs	73.5	9%	44.5	7%	65%
Gross Operating Result (adjusted EBITDA)	146.4	19%	103.5	17%	41%
Bad debt	22.5	3%	16.1	3%	40%
Other provisions	5.2	1%	1.3	0%	3X
Gross Operating Result (EBITDA)	118.7	15%	86.2	14%	38%
EBIT pre restructuring costs	(13.8)	nm	(26.4)	nm	nm
EBIT	(50.7)	nm	(36.3)	nm	nm
Net result of the Group from cont operations	(98.2)	nm	(87.6)	nm	nm

- Provisions increase due to stock options plan and tighter bad debt policy, especially in Italy
- G&A increase due to Pipex acquisition

Groups results 3Q08 vs 3Q07

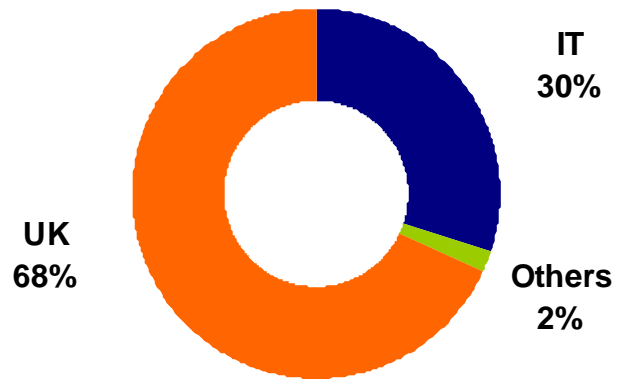


€ml	3Q08	% of rev.	3Q07	% of rev.	Delta 08/07
Revenues	248.0	100%	221.3	100%	12%
Access	128.6	52%	129.5	59%	-1%
of which ADSL	117.6	47%	112.3	51%	5%
Voice	87.8	35%	56.7	26%	55%
of which dual play voice traffic	26.2	11%	32.3	15%	-19%
B2B	19.3	8%	15.8	7%	22%
Media and VAS	10.1	4%	11.9	5%	-15%
Other	2.2	1%	7.2	3%	-69%
Gross Margin	113.7	46%	102.1	46%	11%
Operating costs	62.5	25%	61.2	28%	2%
Sales & Marketing costs	13.8	6%	23.1	10%	-40%
Personnel costs	23.7	10%	22.3	10%	6%
G&A costs	25.0	10%	15.7	7%	59%
Gross Operating Result (adjusted EBITDA)	50.6	20%	41.6	19%	22%
Bad debt	6.4	3%	6.8	3%	-6%
Other provisions	0.2	0%	0.1	0%	nm
Gross Operating Result (EBITDA)	43.9	18%	34.6	16%	27%
EBIT pre restructuring costs	(2.7)	nm	(5.5)	nm	51%
EBIT	(17.9)	nm	(7.8)	nm	nm
Net result of the Group from cont operations	(40.9)	nm	(30.6)	nm	nm

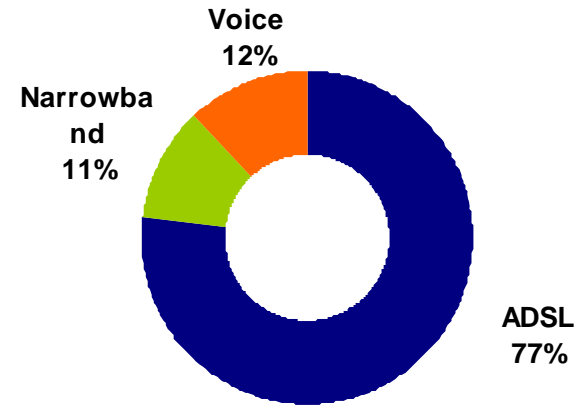
- Sales and marketing trend affected by front loading of marketing expenses in the first months of the years
- Dual play voice traffic reflects increase of flat bundled offers

Geographical and business breakdown

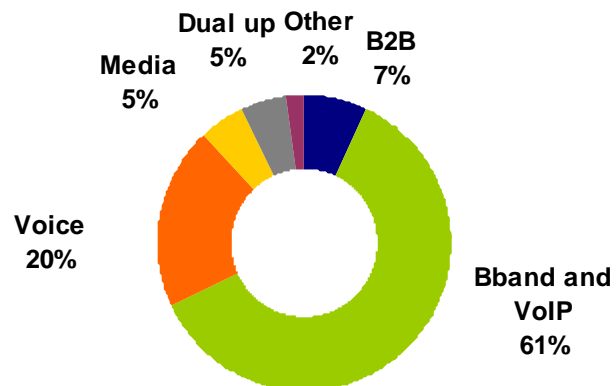
Geographical breakdown of revenues – 9M08



Breakdown of customers – 9M08



Business line breakdown of revenues – 9M08



■ Broadband and voice revenues represent 80% of total

ITALY						
€ m	9M08	% of rev.	9M07	% of rev.	Delta 08/07	
Revenues	235.0	100%	213.5	100%	10%	
	<i>of which ADSL</i>	92.1	39%	74.1	35%	24%
	<i>of which Voice</i>	69.4	30%	50.9	24%	36%
Gross Margin	134.5	57%	121.9	57%	10%	
Operating costs	85.1	36%	72.2	34%	18%	
	<i>Sales & Marketing costs</i>	33.2	14%	28.4	13%	17%
	<i>Personnel costs</i>	31.2	13%	30.6	14%	2%
	<i>G&A costs</i>	20.6	9%	13.2	6%	56%
Gross Operating Result (adjusted EBITDA)*	46.4	20%	48.3	23%	-4%	
Gross operating result (EBITDA)**	35.7	15%	42.8	20%	-17%	
EBIT pre restructuring costs	(3.2)	nm	2.4	nm	nm	
EBIT	(3.4)	nm	2.4	nm	nm	

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

** EBITDA is after bad debt and other provisions

- Gross margin stable, impact of increased G&A (including call centers) and of extraordinary bad debt provision

ITALY						
€m	3Q08	% of rev.	3Q07	% of rev.	Delta 08/07	
Revenues	76.9	100%	73.8	100%	4%	
<i>of which ADSL</i>	32.9	43%	26.1	35%	26%	
<i>of which Voice</i>	23.7	31%	19.4	26%	22%	
Gross Margin	44.8	58%	44.6	60%	0%	
Operating costs	21.8	28%	22.9	31%	-5%	
<i>Sales & Marketing costs</i>	4.2	5%	8.3	11%	-49%	
<i>Personnel costs</i>	10.1	13%	9.5	13%	6%	
<i>G&A costs</i>	7.5	10%	5.1	7%	47%	
Gross Operating Result (adjusted EBITDA)*	22.4	29%	21.3	29%	5%	
Gross Operating Result (EBITDA)**	19.7	26%	19.6	27%	1%	
EBIT pre restructuring costs	5.8	nm	5.7	nm	nm	
EBIT	5.8	nm	5.7	nm	nm	

* Gross Operating Results is after deduction of management fee

** EBITDA is after bad debt and other provisions

UK					
€m	9M08	% of rev.	9M07	% of rev.	Delta 08/07
Revenues	534.6	100%	394.6	100%	35%
<i>of which ADSL</i>	295.1	55%	245.8	62%	20%
<i>of which Voice</i>	183.3	34%	87.8	22%	109%
Gross Margin	218.0	41%	163.5	41%	33%
Operating costs	118.8	22%	89.8	23%	32%
<i>Sales & Marketing costs</i>	38.8	7%	32.7	8%	19%
<i>Personnel costs</i>	31.3	6%	29.6	8%	6%
<i>G&A costs</i>	48.7	9%	27.5	7%	77%
Gross Operating Result (adjusted EBITDA)*	82.9	16%	58.6	15%	41%
Gross operating result (EBITDA)**	68.4	13%	47.1	12%	45%
EBIT pre restructuring costs	(18.4)	nm	(21.7)	nm	15%
EBIT	(53.8)	nm	(24.9)	nm	-116%

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** EBITDA is after bad debt and other provisions

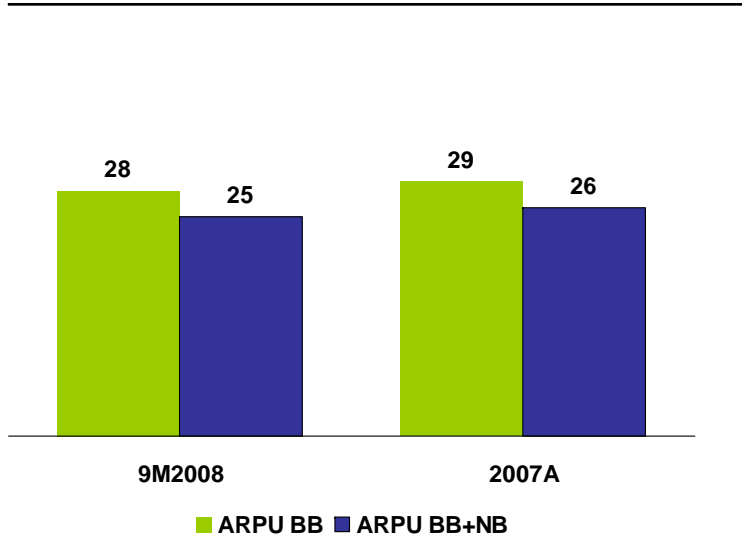
- Impact of G&A and restructuring costs related to Pipex acquisition

UK					
€m	3Q08	% of rev.	3Q07	% of rev.	Delta 08/07
Revenues	165.9	100%	141.4	100%	17%
<i>of which ADSL</i>	84.6	51%	86.2	61%	-2%
<i>of which Voice</i>	64.1	39%	36.2	26%	77%
Gross Margin	66.2	40%	57.8	41%	15%
Operating costs	36.4	22%	30.1	21%	21%
<i>Sales & Marketing costs</i>	8.4	5%	11.3	8%	-26%
<i>Personnel costs</i>	10.5	6%	8.8	6%	19%
<i>G&A costs</i>	17.5	11%	10.0	7%	75%
Gross Operating Result (adjusted EBITDA)*	24.1	15%	22.6	16%	7%
Gross operating result (EBITDA)**	20.1	12%	17.3	12%	16%
EBIT pre restructuring costs	(10.5)	nm	(9.9)	nm	-6%
EBIT	(25.1)	nm	(12.4)	nm	-102%

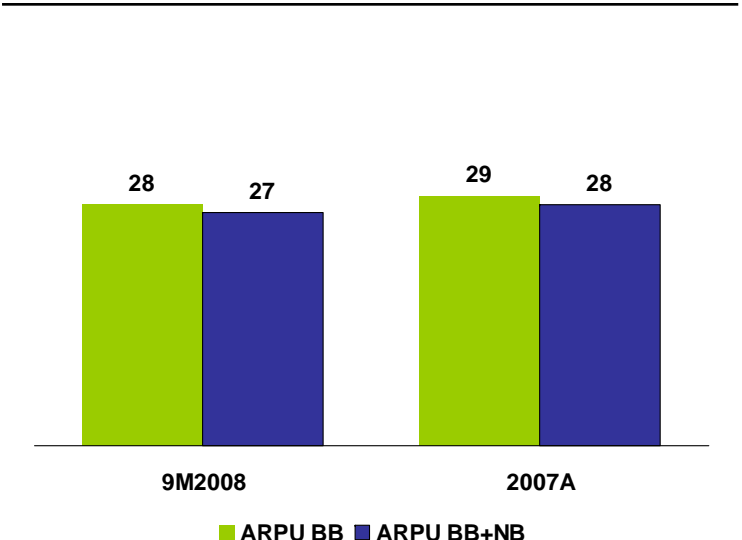
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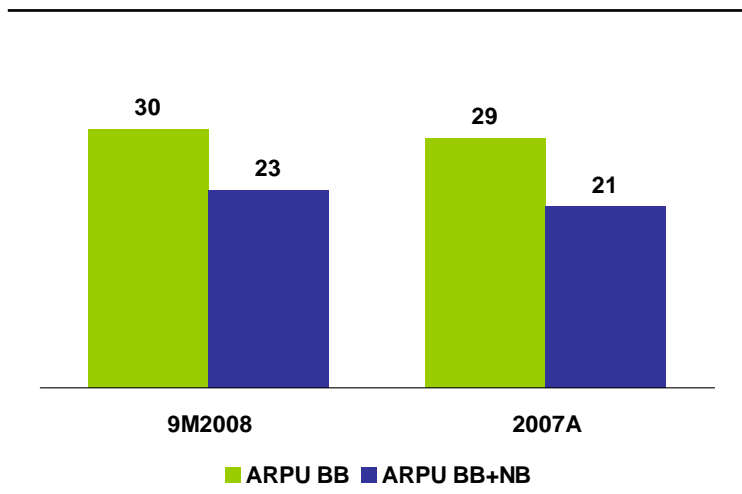
Group (€)



UK (€)



Italy (€)



■ ARPU stable, in spite of competitive pressure and FX effect

<i>Numbers in 000s</i>	30th September 2008	30th September 2007	Delta YoY
DSL customers	2,355	2,400	-45
Italy	581	518	+63
<i>Of which dual play</i>	244	133	+111
<i>Of which LLU</i>	372	310	+62
UK broadband	1,774	1,882	-108
<i>Of which dual play</i>	887	560	+327
<i>Of which LLU</i>	889	706	+183

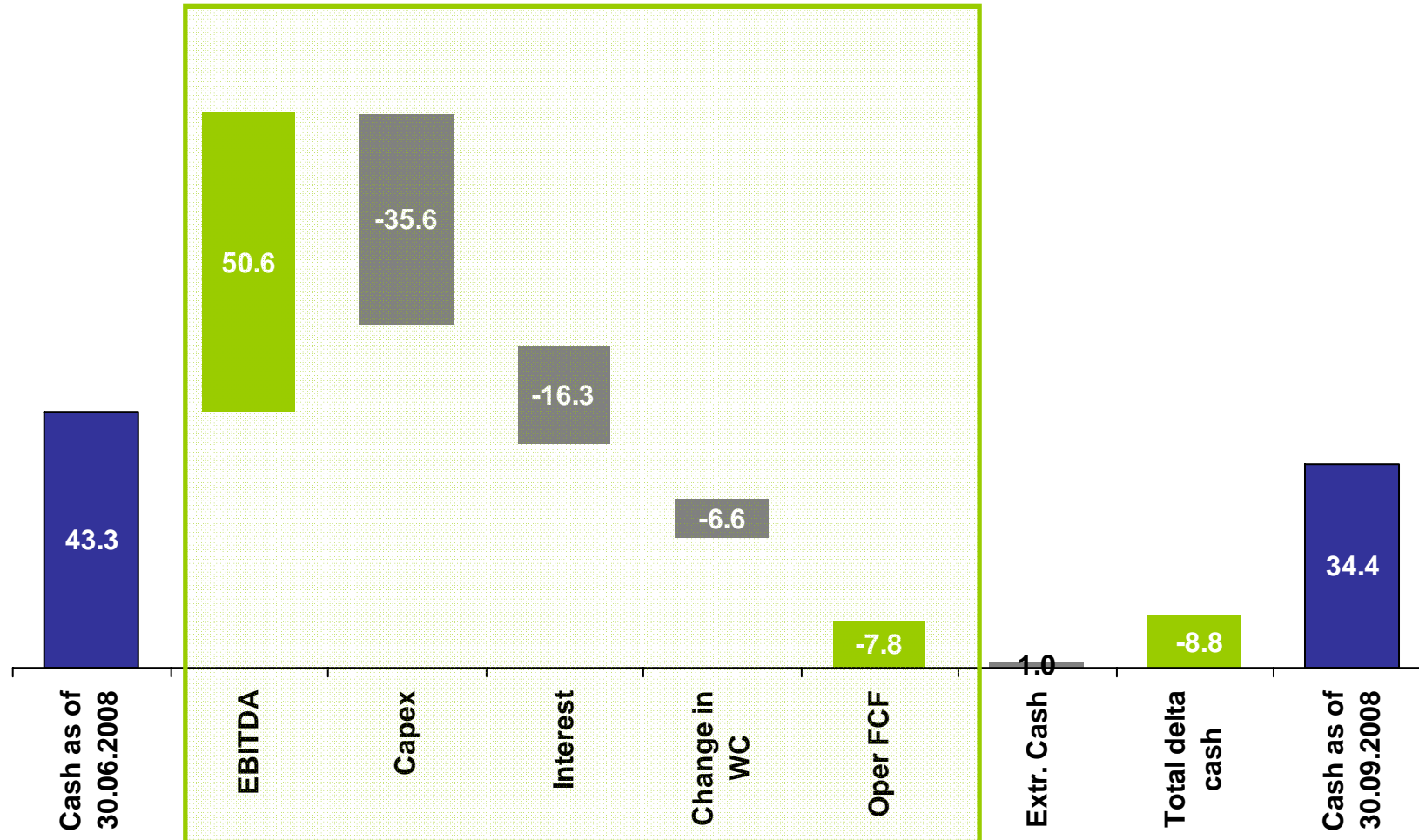
- Significant improvement of customer mix, both in Italy and the UK: increase of direct and multiplay customers
- Migration of CPS customers to double play packages

Net financial position

€ ml	30 Sept 08	30 Jun 08	31 Dec 07
A. Cash	34.4	43.3	134.2
B. Other liquid assets	14.8	15.7	16.3
C. Securities		-	-
D. Total cash and other financial assets (A) + (B) + (C)	49.2	58.9	150.5
E. Other current financial assets	8.1	7.9	12.1
F. Non-Current financial receivables	4.6	10.5	1.2
G. Current bank debt	52.4	25.9	176.2
H. Long term loans falling within one year	-	-	-
I. Other current financial debt (*)	22.6	30.4	19.5
J. Current financial debt (G) + (H) + (I)	75.1	56.3	195.7
K. Net current financial debt (J) – (E) – (F) – (D)	13.1	(21.1)	31.8
L. Non current bank loans	440.1	440.8	450.0
M. Bonds	-	53.9	43.8
N. Other non current debt (**)	103.5	105.3	109.6
O. Non current financial debt (L) + (M) + (N)	543.6	600.1	603.4
P. Net financial debt (K) + (O)	556.7	578.9	635.2

(*) includes debt for leasing

(**) includes debt for leasing and to shareholders



- Operating FCF (before interest charges) in 3Q at EUR 8.5 ml
- Extraordinary cash mainly related to Pipex restructuring costs (EUR 18 million) and utilisation of available revolving credit facilities for €25 million, including costs associated thereto

*WC includes non cash component of Capex

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