FY2011 Results Presentation

April, 2nd 2012

2011 FY Results

- **Revenues** at EUR 267,6 million, down 3,8% compared to 2010;
- **Gross Operating Result** at EUR 71,7 million, up 1,8% compared to 2010; **EBITDA** (net of bad debt) at EUR 36 million, ca 25% down due to higher bad debt provision for old aged receivables;
- **Increased Gross Margin** in 4Q11 at 50% up versus 3Q11 (49%), as a result of improved customer quality and network rationalization effect;
- **EBIT** negative at EUR 21,3 million (negative at EUR 1,8 million in FY2010);
- **Net result** negative for ca EUR 38,1 million vs a negative net result of EUR 24,3 million in the FY2010;
- **Net debt*** at EUR 200 million vs EUR 204,3 million as of 31st December 2010;
- **Free cash flow** positive for EUR 18 million, vs EUR 2,3 m in 2010;
- **Capex** at ca EUR 28,3 million, 22% down vs 2010;
- **ADSL active customers** at 494K. Dual play customers at 349K. Mobile Customers at 140K (+65% YoY); Average broadband ARPU in 2011 up 7,3% compared to 2010

Market environment and main factors affecting performance

tiscali:

- **Fixed line broadband access and voice market heavily affected by:**
  - Increase in regulated access tariffs (up 20% compared to 2008);
  - Stagnating scenario for new customers' acquisition in a market that has reached maturity;
  - Increasingly competitive scenario with ARPU downward pressure due to promotions;
  - Mobile only customers increasingly taking pace;
  - Adverse macroeconomic enviroment ;
  - Overall customers credit rating deteriorating over time;
- **Advertising market showing continuous shift from traditional media to digital, but still lacking scale compared to main western countries (Italy 11,4% compared to 28,7% in UK) *;**
  - Massive additional perspective in target addressable market;
  - Tiscali ADV overperforming Italian market: over 29% growth compared to about 12% market growth **;
- **Tiscali on-going effort on innovation on Over The Top services and products. 700K Indoona downloads of which about 400K outside Italy.**

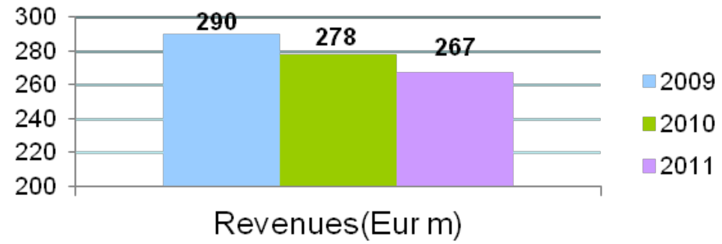
** Source lab Europe 2010, last available data*
*** 2011 Advertising Revenues Report*

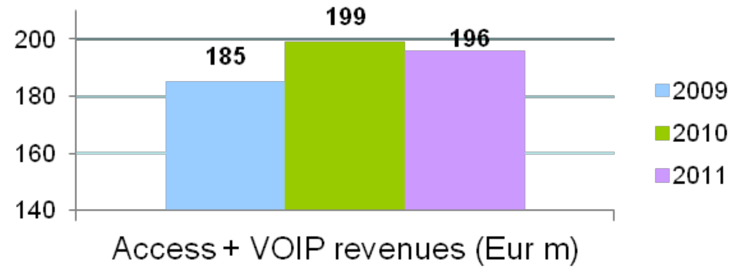
Addressing the challenges

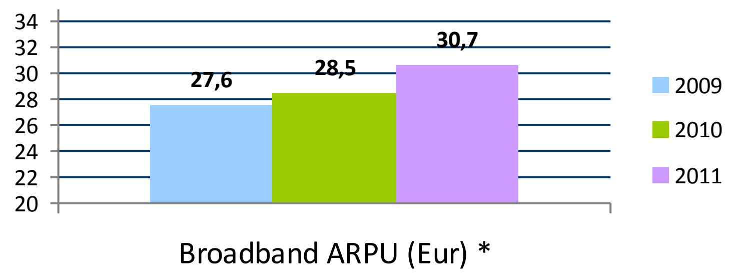
tiscali:

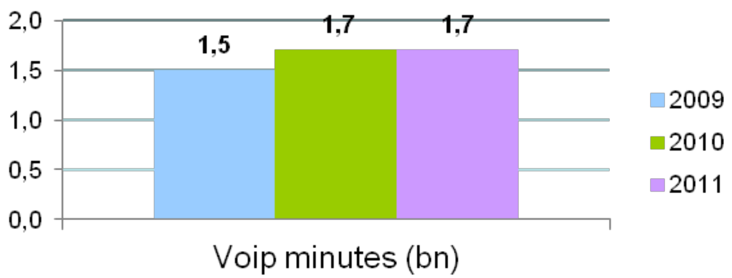
Challenge	Reaction	Result
Pressure on ARPU and margins	• Network savings • Labour cost reduction • Customer care rationalization and insourcing • Increased price to 380K customers following ULL cost increase	• 13 EUR m p.a. on network costs • 5,3 EUR m p.a. on labour costs • 45 % reduction in customer care costs since 2009
Increased customer acquisition costs	• Focus on ULL areas • Tactical focus on pull channels • Reduced traditional media spending	• 80% of current acquisitions on ULL areas • 70% of customers registered on pull, low-cost channels (on-line,inbound, stores) • Average ADSL customer acquisition cost down 22% from 2009 to 2011
Worsening credit rating for consumers	• Incentives for direct debit payments • Bad debt prevention upon customer sign in • Integrated dunning procedures and automated self care • Rapid disconnection of silent and non paying customers	• current % of new registered direct debit customers at 90% vs 59% in 2009 • 90% of current invoices collected within 80 days • Sharp margin recovery
Media opportunity	• Increased social tools and interaction on tiscali.it portal • Enlarged and focussed sales force • Enlarged network	• Substantial growth in metrics, revenues and performance

Addressing market challenges with operational efficiency









** Yearly average*

- Total revenues decline: 23 EUR m of which:
  - Narrowband : 11,4 EUR m;
  - Analogue voice: 2,8 EUR m;
  - Ex UK revenues: 11,5 EUR m;
  - Lower per minute incoming revenues: 7,5 EUR m

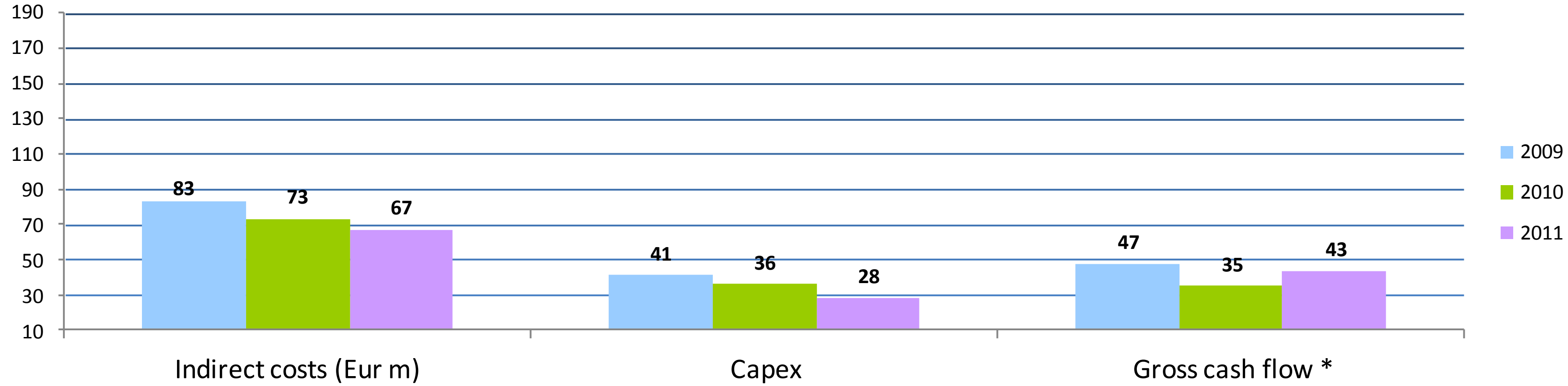
Revenue decline partially offset by the increase in media revenues and higher VOIP revenues

- Despite adverse market trend, the company has been able to keep stable revenues on the core access and voice business

- Broadband ARPU good performance over time, remarkable result in an highly competitive market with increasing promotion effect and higher churn

- Average traffic per customer increased as a result of higher dual play customer share

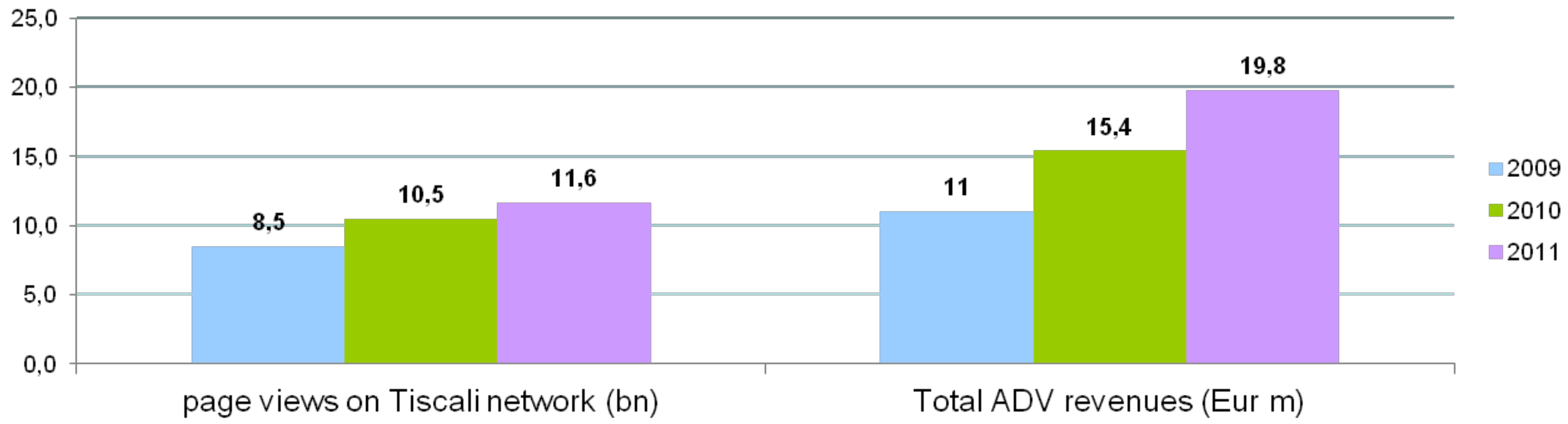
Addressing market challenges with operational efficiency (cont'd)



- **Gross margin drop due to external factors and market trends;**
  - Increased copper tariffs;
  - Decreased incoming revenues;
  - Tiscali UK sale
  - Competition driven downward price pressure
- **Tight control indirect costs;**
- **ULL deployment completed, limited capex need (maintenance and customer acquisition).**

** Gross Operating Result net of Capex*

Exploiting the media opportunity

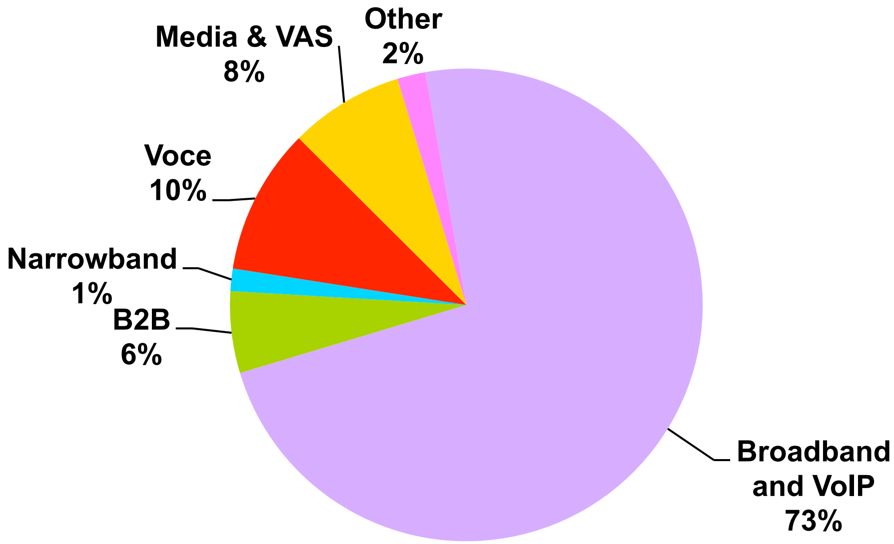


- Enlarged contents range and vertical products
- Increased social tools and interaction on tiscali.it portal;
- Established and focussed sales force;
- Enlarged network;
- Enhanced audience monetization.

- 37 % traffic growth on Tiscali ADV network;
- 35% growth in the number of active ADV clients since 2009;
- 80% 2009 – 2011 revenue ADV growth;
- average RPM increased 31% from 2009 to 2011;
- Increased Italian ADV display market share

FY2011 Group Results: Operational breakdown

Business line breakdown on revenues – FY2011

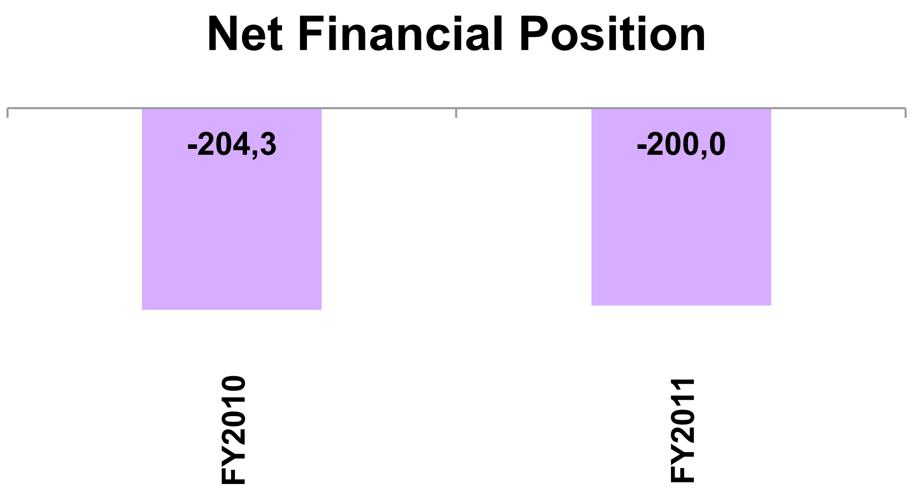


- **Broadband & Dual play (VoIP)**, core revenues, equal to EUR 196,2 million (73,3% of total revenues) down 1,2% vs FY2010;
- **Media & VAS** (7,8% of total revenues) growth of 28,9% YoY (5,8% of total revenues in FY2010.

- **Total telecommunication revenues still representing about 90% of total turnover**
- **Media and VAS rapidly approaching 10%**

Net Financial Position

- On-going process of debt reduction;
- Net Debt reduction respect to FY2010 despite 7,5 ml restructuring costs paid in FY2011.



** Consob consolidated net financial debt*

FY2011 vs FY2010

EUR mln	FY2011	% of rev.	FY2010	% of rev.	Delta 11/10
Revenues	**267,6**	***100%***	**278,2**	***100%***	***-3,8%***
Access	196,2	*73%*	198,7	*71%*	*-1,2%*
of which ADSL	116,0	*43%*	123,4	*44%*	*-6,0%*
of which VOIP	76,3	*29%*	72,8	*26%*	*4,9%*
Voice	26,8	*10%*	24,9	*9%*	*7,4%*
Narrowband	4,1	*2%*	8,3	*3%*	*-50,3%*
B2B	15,1	*6%*	24,7	*9%*	*-39,0%*
Media and VAS	20,9	*8%*	16,2	*6%*	*28,9%*
Other	4,5	*2%*	5,4	*2%*	*-15,6%*
Gross Margin	**127,3**	***48%***	**133,9**	***48%***	***-4,9%***
Operating costs	**67,0**	***25%***	**72,7**	***26%***	***-7,9%***
Sales & Marketing costs	12,4	*5%*	10,4	*4%*	*19,5%*
Personnel costs	38,0	*14%*	43,2	*16%*	*-12,0%*
G&A costs	16,5	*6%*	19,1	*7%*	*-13,6%*
Other (Income) / Expenses	(11,4)	*-4%*	(9,3)	*-3%*	*23,1%*
Gross Operating Result	**71,7**	***27%***	**70,5**	***25%***	***1,8%***
Bad debt and other provisions	35,8	*13%*	22,6	*8%*	*58,5%*
EBITDA net of Bad debt	**35,9**	***13%***	**47,8**	***17%***	***-24,8%***
D&A and Restructuring costs	**57,2**	***21%***	**49,6**	***18%***	***15,4%***
EBIT	**(21,3)**	***-8%***	**(1,8)**	***-1%***	***nm***
Net result of the Group	**(38,1)**	***-14%***	**(24,3)**	***-9%***	***57,1%***

FY2011 vs FY2010

- FY2011 revenues down vs FY2010 (-3,8%) due to:
  - Slight decrease in access segment "BB and VOIP" due to:
    - reduction in number of customers (mainly due to massive cancellations -38K);
    - higher promotions;
    - lower incoming revenues;
  - Decline in narrowband
  - Decline in BTB revenue mainly due to termination of the contract with the disposed UK branch;
  - Good performance of media business.
- 4,9% Gross margin decrease compared to FY2010, caused by:
  - Impact of declining revenues, mainly driven by external factors and drop in narrowband
  - Competitive scenario driving down margins on Access business;
  - Adverse effect of change in regulated tariffs.
- Gross Operating Result up 1,8%
- Continued effort on operating costs reduction, down 7,9% YoY, compensating gross margin drop. Further reduction envisaged in 2012 through network rationalization, labour costs cut (Contratto di Solidarietà);
- EBIT negative in 2011 at EUR 21,3 million vs negative in 2010 at EUR 1,8 million, mainly due to the strong impact of bad debt provision, rising from about EUR 22,6 million in FY2010 to EUR 35,8 million in FY2011.

4Q2011 vs 4Q2010

EUR mln	4Q11	% of rev.	4Q10	% of rev.	Delta 4Q11/4Q10
Revenues	**64,7**	***100%***	**71,2**	***100%***	***-9,2%***
Access	45,9	*71%*	51,9	*73%*	*-11,5%*
of which ADSL	26,3	*41%*	30,7	*43%*	*-14,5%*
of which VOIP	18,6	*29%*	18,7	*26%*	*-0,7%*
Voice	5,8	*9%*	4,3	*6%*	*33,9%*
Narrowband	0,6	*1%*	1,8	*3%*	*-64,8%*
B2B	3,9	*6%*	6,3	*9%*	*-37,1%*
Media and VAS	6,8	*10%*	5,9	*8%*	*15,6%*
Other	1,6	*2%*	1,0	*1%*	*52,8%*
Gross Margin	**32,0**	***50%***	**34,3**	***48%***	***-6,7%***
Operating costs	**18,4**	***28%***	**17,4**	***24%***	***5,8%***
Sales & Marketing costs	4,2	*7%*	2,4	*3%*	*74,9%*
Personnel costs	9,7	*15%*	9,4	*13%*	*3,5%*
G&A costs	4,5	*7%*	5,6	*8%*	*-20,1%*
Other (Income) / Expenses	(3,7)	*-6%*	(3,0)	*-4%*	*23,8%*
Gross Operating Result	**17,4**	***27%***	**20,0**	***28%***	***-12,9%***
Bad debt and other provisions	11,3	*18%*	7,4	*10%*	*54,0%*
EBITDA net of Bad debt	**6,0**	***9%***	**12,6**	***18%***	***-51,9%***
D&A and Restructuring costs	**14,8**	***23%***	**15,1**	***21%***	***-1,7%***
EBIT	**(8,8)**	***-14%***	**(2,5)**	***-3%***	***nm***
Net result of the Group	**(13,0)**	***-20%***	**(8,9)**	***-12%***	***45,9%***

4Q2011 vs 4Q2010

tiscali:

- Revenues down 9,2% versus 4Q10 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 50% versus 48% in 4Q10, despite revenue decline. Positive contribution of customer base clean-up, increase in media revenues and network optimization;
- Gross operating result at Eur 17,4 million (27% of revenues, broadly stable vs 4Q10)
- Net income down vs 4Q10 which was however affected by positive contribution of discontinued operations for EUR 3,8 million.

Net Financial Position

EUR Mln	31 dicembre 2011	31 Dicembre 2010
A. Cash	6,6	10,3
B. Other liquid assets	0,1	0,4
C. Securities	-	-
D. Total cash and other financial assets (A) + (B) + (C)	**6,7**	**10,8**
E. Current financial receivables	**0,0**	**-**
F. Non-Current financial receivables	**6,3**	**6,3**
G. Current bank debt	13,8	12,8
H. Long term loans falling within one year	9,6	17,0
I. Other current financial debt (*)	0,6	1,5
J. Current financial debt (G) + (H) + (I)	**24,0**	**31,2**
K. Net current financial debt (J) – (E) – (F) – (D)	**11,0**	**14,2**
L. Non current bank loans	124,4	124,7
M. Bonds	-	-
N. Other non current debt (**)	58,1	58,7
O. Non current financial debt (L) + (M) + (N)	**182,5**	**183,4**
P. Net Financial Debt (K) + (O)	**193,5**	**197,6**
Other cash equivalents and non current financial receivables	6,4	6,7
Consob Net Financial Debt	**200,0**	**204,3**

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

Cash flow FY2011

- Operating Cash Flow at Eur 26,4 million versus Eur 7,6 million in 2010
- Free Cash Flow at Eur 18 million versus Eur 2,3 million in 2010
- Cash flow performance showing satisfactory results on operational optimization

2012 trading outlook

- Highly competitive market environment
- Need to further focus on operational efficiency
- Media opportunity pursued capitalizing traffic, know how and sales force
- Innovation on rich communication and web services
- 2012 revenues seen in line with 2011
- Gross operating result 10% up compared to 2011
- Growth in free cash flow
- Targeting FY net result