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FY2010 Results Presentation

28th March 2011

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Draft FY2010 financial statement, approved by the Board of Directors of Tiscali and subject to the approval of Tiscali's AGM scheduled on 28th April 2011

FY 2010 Financial Results

Draft FY2010 financial statement, approved by the Board of Directors of Tiscali and subject to the approval of Tiscali's AGM scheduled on 28h April 2011

Key FY2010 and 4Q2010 results

- **FY2010 results**

  - Revenues at EUR 278.1 million;
  - EBITDA gross of bad debt at EUR 70.4 million; EBITDA (net of bad debt) at EUR 47.8 million;
  - EBIT negative in FY2010 at EUR 1.8 million (positive at EUR 11.3 million in FY2009);
  - Net result negative for EUR 24.3 million (including EUR 8.6 million negative result from Tiscali UK Escrow release and TINET earn out for ca EUR 4.4 million) up 93.7% YoY (negative for EUR 384.8 million in FY09);
  - Net debt* at EUR 204.3 million vs EUR 224.4 million as of 31st December 2009;
  - Total ADSL active customers at 550K. Dual play customers at 369K. Mobile Customers at 84K.

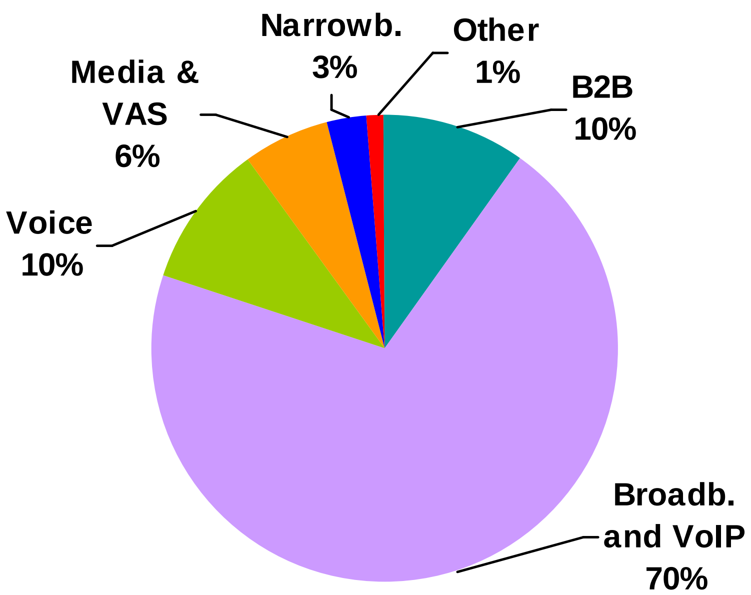
- **4Q2010 results**

  - Revenues up in 4Q2010 at EUR 71.2 million, +3.5% YoY and +7.2% QoQ;
  - 4Q2010 EBITDA (gross of bad debt) at ca EUR 20 million , +9.9% YoY and +40.8% vs 3Q2010;
  - Sequential growth in Gross margin in 4Q2010 compared to 3Q2010, up 20%.

* *Consob consolidated net financial debt*

FY 2010 Group Results: Operational breakdown

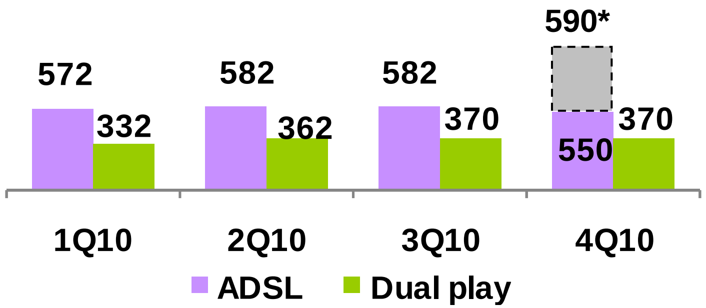
Business line breakdown on revenues – FY 2010



- **Broadband & Dual play (VoIP)**, core revenues, equal to EUR 196 million (70% of total revenues) up 4.5% vs FY2009;
- **Media & VAS** stable on full year basis (6% of revenues) and up QoQ (8% of revenues in 4Q10 against 3% in 4Q09).

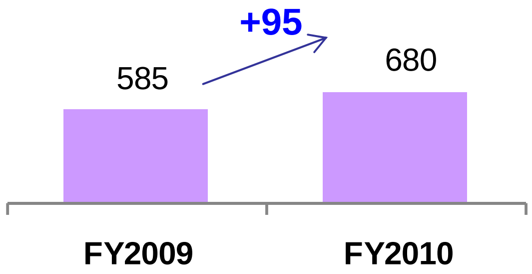
Trading Performance Key Items

ADSL Customers pro-forma (000s)

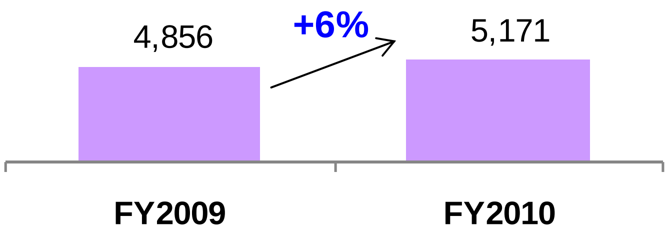


* Gross of 40,000 ADSL accounts cancelled

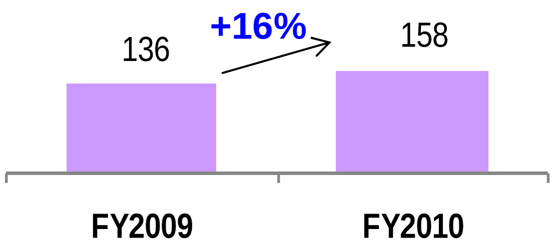
ULL sites (000s)



Page Views (million)



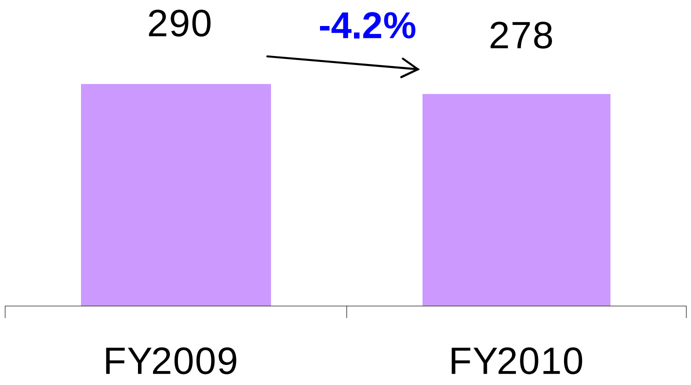
ADSL Registrations (000)



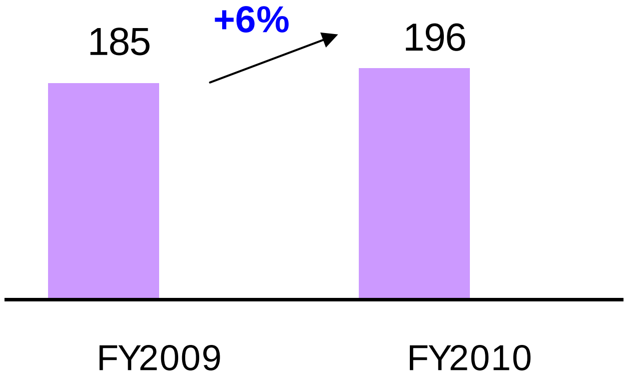
- Broadband customers gross of cancelled accounts +3.5% YoY; BB quarterly net adds of ca 8K (net of cancelled customers); Dual Play customers increase of ca 67K YoY (+22%);
- Network coverage: 680 LLU sites, +95 YoY, migration process on-going;
- Registrations increase of 16%, despite reduced media spending;
- Unique users in December 2010 at 18 million, increased audience driving media revenues growth.

FY 2010 Results: Highlights

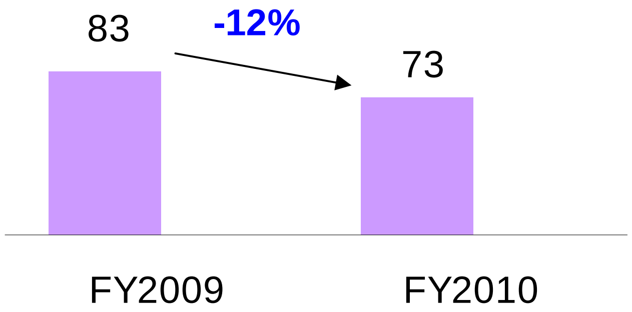
Sales (EUR Mln)



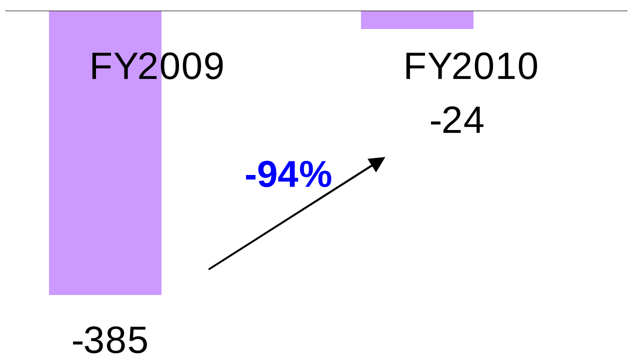
BB + VoIP revenues (EUR Mln)



Operating Costs (EUR Mln)



Net Result (EUR Mln)



FY10 vs FY09

EUR mln	FY/10	% of rev.	FY09	% of rev.	Delta 10/09
Revenues	**278.1**	***100%***	**290.4**	***100%***	***-4.2%***
Access	131.7	*47%*	135.8	*47%*	*-3.0%*
of which ADSL	123.4	*44%*	120.3	*41%*	*2.6%*
Voice	100.2	*36%*	94.3	*32%*	*6.3%*
of which dual play voice traffic	72.8	*26%*	64.6	*22%*	*12.7%*
B2B	24.7	*9%*	27.6	*10%*	*-10.5%*
Media and VAS	16.2	*6%*	17.6	*6%*	*-8.0%*
Other	5.4	*2%*	15.0	*5%*	*-64.0%*
Gross Margin	**133.9**	***48%***	**169.7**	***58%***	***-21.1%***
Operating costs	**72.7**	***26%***	**82.8**	***29%***	***-12.2%***
Sales & Marketing costs	10.4	*4%*	16.7	*6%*	*-37.7%*
Personnel costs	43.2	*16%*	39.2	*13%*	*10.2%*
G&A costs	19.1	*7%*	26.9	*9%*	*-29.0%*
Other (Income) / Expenses	(9.3)	*nm*	(1.2)	*nm*	*nm*
Gross Operating Result (adjusted EBITDA)	**70.4**	***25%***	**88.1**	***30%***	***-20.1%***
Bad debt and other provisions	22.6	***8%***	18.4	***6%***	***22.8%***
Gross Operating Result (EBITDA)	**47.8**	***17%***	**69.7**	***24%***	***-31.4%***
EBIT	**(1.8)**	***-1%***	**11.3**	***4%***	***-115.9%***
Net result from discont. Operations	**(4.2)**	***nm***	**(372.3)**	***nm***	***98.9%***
Net result of the Group	**(24.3)**	***nm***	**(384.8)**	***nm***	***93.7%***

- Full Year revenues and margins decline caused, *inter alia,* by impact of the disposal of Tiscali UK (Google and IT revenues) and non recurring one off-items in 2009, as well as decline in narrowband and analog voice;
- ADSL revenues up 2.6% in 2010 despite higher promotion impact, triggered by competition increase;
- 12.7% increase in VOIP revenues, despite declining incoming per minute rates;
- Higher personnel cost due to customer service internalisation and B2B sales force;
- Operating costs control, good contribution by customer services internalization process;
- Net result impacted by decline in interest charges and discontinued operations.

4Q10 vs 4Q09

EUR mln	4Q10	% of rev.	4Q09	% of rev.	Delta 4Q10/4Q09
Revenues	**71.2**	***100%***	**68.8**	***100%***	***3.5%***
Access	32.5	*46%*	32.6	*47%*	*-0.3%*
of which ADSL	30.7	*43%*	29.5	*43%*	*4.1%*
Voice	25.5	*36%*	23.9	*35%*	*6.7%*
of which dual play voice traffic	18.7	*26%*	17.0	*25%*	*10.0%*
B2B	6.2	*9%*	7.4	*11%*	*-16.2%*
Media and VAS	5.8	*8%*	2.0	*3%*	*190.0%*
Other	1.0	*nm*	2.7	*4%*	*nm*
Gross Margin	**34.3**	***48%***	**36.9**	***54%***	***-7.0%***
Operating costs	**17.4**	***24%***	**18.3**	***27%***	***-4.9%***
Sales & Marketing costs	2.4	*3%*	2.4	*3%*	*0.0%*
Personnel costs	9.4	*13%*	8.7	*13%*	*8.0%*
G&A costs	5.6	*8%*	7.1	*10%*	*-21.1%*
Other (Income) / Expenses	(3.0)	*nm*	0.4	*nm*	*nm*
Gross Operating Result (adjusted EBITDA)	**20.0**	***28%***	**18.2**	***26%***	***9.9%***
Bad debt and other provisions	7.4	***10%***	3.0	***4%***	***146.7%***
Gross Operating Result (EBITDA)	**12.6**	***18%***	**15.1**	***22%***	***-16.6%***
EBIT	**(2.5)**	***-4%***	**6.1**	***9%***	***-141.0%***
Net result of the Group	**(8.9)**	***nm***	**33.5**	***nm***	***nm***

- QoQ revenue growth mainly driven by VoIP and Media offsetting Narrowband and analogue voice decline;
- Gross margin percentage affected by declining of Narrowband and changed regulated rates of incoming traffic and copper lines;
- Cost cutting actions undertaken in 2H2010, affecting level of operating costs;
- Bad debt provision higher than expected, due to old aged receivables.

4Q10 vs 3Q10

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EUR mln	4Q10	% of rev.	3Q10	% of rev.	Delta 4Q10/3Q10
Revenues	**71.2**	***100%***	**66.4**	***100%***	***7.2%***
Access	32.5	*46%*	32.3	*49%*	*0.6%*
of which ADSL	30.7	*43%*	30.6	*46%*	*0.3%*
Voice	25.5	*36%*	24.4	*37%*	*4.5%*
of which dual play voice traffic	18.7	*26%*	17.5	*26%*	*6.9%*
B2B	6.2	*9%*	5.6	*8%*	*10.7%*
Media and VAS	5.8	*8%*	2.9	*4%*	*100.0%*
Other	1.0	*1%*	1.2	*2%*	*-16.7%*
Gross Margin	**34.3**	***48%***	**28.6**	***43%***	***19.9%***
Operating costs	**17.4**	***24%***	**17.6**	***27%***	***-1.1%***
Sales & Marketing costs	2.4	*3%*	2.3	*3%*	*4.3%*
Personnel costs	9.4	*13%*	10.4	*16%*	*-9.6%*
G&A costs	5.6	*8%*	4.9	*7%*	*14.3%*
Other (Income) / Expenses	(3.0)	*nm*	(3.2)	*nm*	*nm*
Gross Operating Result (adjusted EBITDA)	**20.0**	***28%***	**14.2**	***21%***	***40.8%***
Bad debt and other provisions	7.4	***10%***	5.2	***8%***	***42.3%***
Gross Operating Result (EBITDA)	**12.6**	***18%***	**9.0**	***14%***	***40.0%***
EBIT	**(2.5)**	***-4%***	**(3.6)**	***-5%***	***-30.6%***
Net result of the Group	**(8.9)**	***nm***	**(2.8)**	***nm***	***217.9%***

- Good revenue increase in 4Q against a seasonally weak quarter;
- Media and VoIP revenues driving the increase;
- Operating costs under strict control, further automation on customer services processes expected to bring additional benefits in 2011;
- EBIT improvement despite higher bad debt provision.

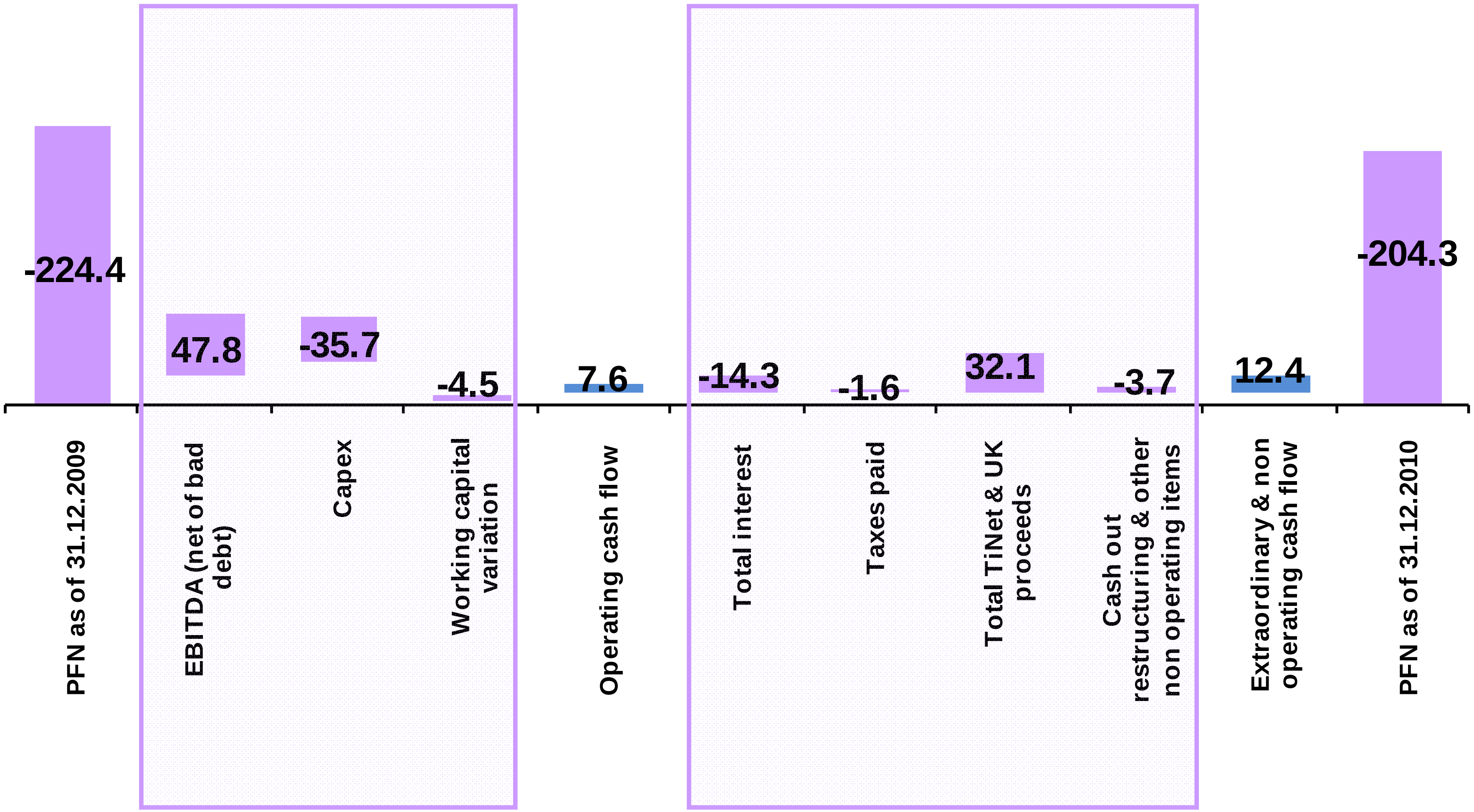
Net Financial Position

EUR Mln	31-Dec-10	31-Dec-09
A. Cash	10.3	16.2
B. Other liquid assets	0.4	0.6
C. Securities	-	-
D. Total cash and other financial assets (A) + (B) + (C)	**10.8**	**16.8**
E. Other current financial assets	**-**	**6.4**
F. Non-Current financial receivables	**6.3**	**12.7**
G. Current bank debt	12.8	13.6
H. Long term loans falling within one year	17	10.9
I. Other current financial debt (*)	1.5	10.8
J. Current financial debt (G) + (H) + (I)	**31.3**	**35.3**
K. Net current financial debt (J) – (E) – (F) – (D)	**14.2**	**-0.7**
L. Non current bank loans	124.7	152.9
M. Bonds		
N. Other non current debt (**)	58.7	59
O. Non current financial debt (L) + (M) + (N)	**183.4**	**211.8**
P. Net Financial Debt (K) + (O)	**197.6**	**211.2**
Other cash equivalents and non current financial receivables	6.7	13.2
Consob Net Financial Debt	**204.3**	**224.4**

(*) includes leasing debts

(**) includes leasing debts and debts to shareholders

Tiscali Group: FY2010 – Cash Flow Analysis (EUR ml)



2010 Highlights

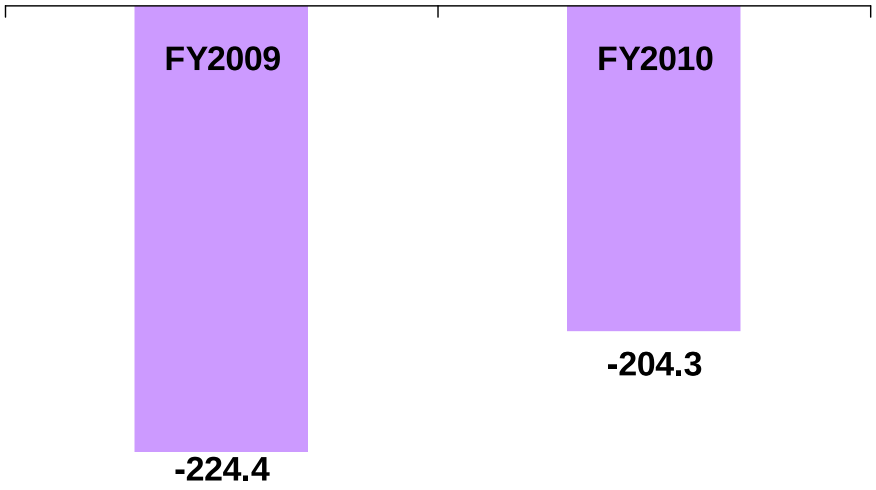
Operational Highlights

- ADSL registrations up despite increased competitive scenario, price promotions steady increase over the year;
- Growth opportunities capped by limited financial resources;
- Confirmed Tiscali position on dual play scenario as a quality brand, increasing speed to 20 MB per second;
- Increased efficiency on pull sales channels, especially web
- Internalization of customer service allowed a cost efficient approach set to display full results in 2011
- Launch of new credit collection procedure with massive adoption of online tools;
- Innovation: Launched FTTH project in Sardinia, Fixed mobile integration, portal new positioning
- Network roll out on LLU;
- Opened15 flagship stores;
- Successfully implemented re-launch of Media business:
  - Widened network
  - Enlarged sales force
  - Implemented new collaboration tools and products to boost traffic and stickiness

Net Debt Reduction

- On-going process of debt reduction
- Total net debt* reduction of ca 9% YoY

Net Financial Position (EUR Mln)



- Possible further reduction in 2011 from the envisaged HQ disposal

** Consob consolidated net financial debt*

Updated Business Plan – Trading Outlook

Trading Outlook

- Re-pricing actions on customer base, effective 1st February 2011;
- Cross and up-selling activities on customer base ongoing;
- Expanding on-the-shelf product portfolio for consumer and business:
    - TV box
    - Streaming services
    - Cloud services expanding business portfolio
- Further automation on processes leading to additional cost saving in 2011;
- Media growth path experienced in 2010 set to continue in 2011, taking advantage of network and partners;
- Fixed mobile integration: currently working to develop IMS platform aimed to enable fixed mobile handover, using wi-fi or femt technology;
- FTTH project on going.

Business Plan Update: 2011 Targets

Revenues	+ 8% on 2010 revenues
Ebitda*	+15% compared to current year
Net income	Positive
Free Cash Flow	Positive
Capex	EUR 35-40 million

(*) Gross of bad debt provision

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