

tiscali:

# 9M2009 Results Presentation

November 2009

- 1** 9M2009 financial results
- 2** Financial Structure
- 3** Strategy - Highlights

## Key Group's results

- **Tiscali Group\***
  - **9M09**
    - Revenue at €221.6 million, - 10% YoY, in line with FY business plan target
    - Growth of EBITDA + 15% YoY (gross of bad debt) at €70 million. EBITDA run rate better than 2009 FY targets
    - EBIT positive at €5.3 ml, including €9.9 ml non recurrent debt restructuring charges
  - **Net result** negative for €418.4 ml, including €344.5 ml loss for the disposal of Tiscali UK and interest charges of €49.6 related to the debt pre-restructuring
  - **Net debt** at €413.5 ml, before effect of capital increase and debt write-off
  - **Operating Free Cash Flow** positive at €3.8 million
  - **Pro-forma net equity of the holding Tiscali SpA** after capital increase estimated at €130.4 ml. Considering the pro-forma equity capital after capital increase estimated at €334.6 ml, EGM called pursuant to Art 2446 of the Italian civil code

(\*) Tiscali UK and Tinet as discontinued operations

## Italy key results

- **Tiscali Italy**

- **9M09**

- Revenue at €218.4 million, - 7% YoY, due to Google UK contract disposed of, media and other non core revenues decline
- Growth of EBITDA + 49% YoY (gross of bad debt) at €69.1 million (due to reduction in indirect costs)
- EBIT positive at €17.1 million
- Net result positive at €10.5 million

- **Total DSL customers in Italy over 552K:**

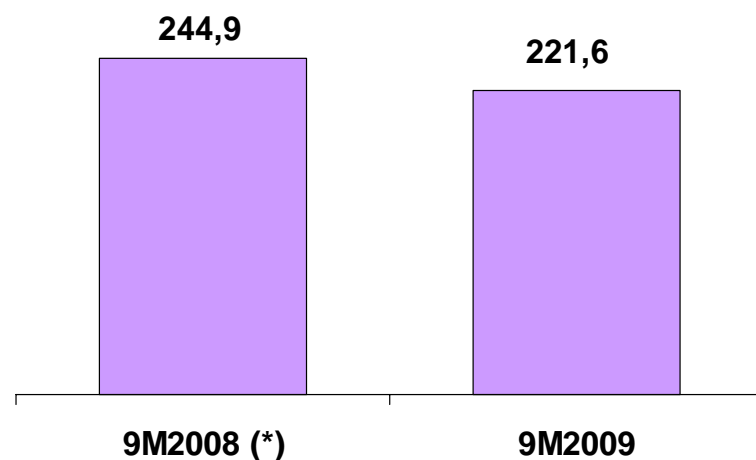
- 271K dual play customers (+26K YoY)
- 387K LLU customers (+15K YoY)

- **Capex at €14.8 million**

- **Operating Cash flow positive at ca €12 million**, in spite of extraordinary WC absorption

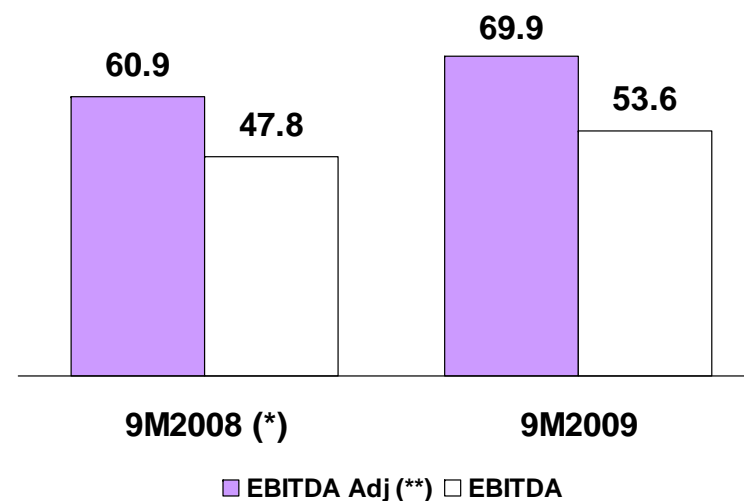
## 9M 2009 Group Results: Sales and Ebitda

Sales (€Mln)



Revenue decrease mostly attributable to decline of narrowband, media and “other” non core revenues

Ebitda (€Mln)



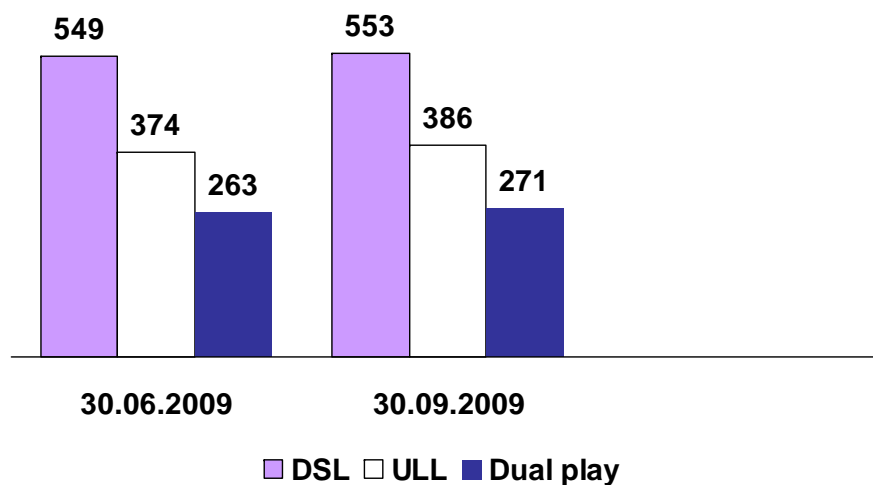
EBITDA benefits from reduction of direct and indirect costs

(\*) Restated

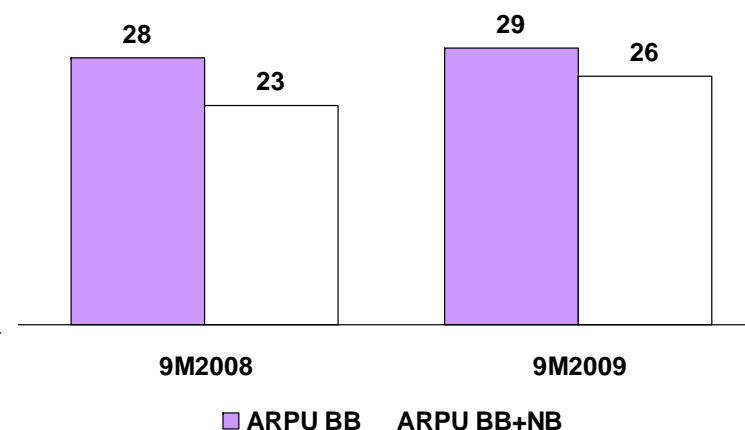
(\*\*) Gross of bad debt provision and stock options provision

## 9M 2009 Italian Key Indicators: DSL Users and ARPU

Italy DSL users (000s)



ARPU (€)



Dual Play increase mainly due to “Tiscali TuttoIncluso” offer  
17,000 gross adds in September, 19,000 in October, showing improving customer growth trend

ARPU growth, due to increase of Dual Play offers

# Group 9M09 vs 9M08

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€ ml	9M09	% of rev.	9M08	% of rev.	Delta 09/08
<b>Revenues</b>	<b>221.6</b>	<b>100%</b>	<b>244.9</b>	<b>100%</b>	<b>-9.5%</b>
Access	103.2	47%	117.1	48%	-11.9%
of which ADSL	90.8	41%	92.1	38%	-1.4%
Voice	70.3	32%	69.3	28%	1.4%
of which dual play voice traffic	47.6	21%	37.4	15%	27.3%
B2B	20.2	9%	13.0	5%	55.4%
Media and VAS	15.5	7%	24.0	10%	-35.4%
Other	12.3	6%	21.4	9%	-42.5%
<b>Gross Margin</b>	<b>132.8</b>	<b>60%</b>	<b>145.7</b>	<b>59%</b>	<b>-8.9%</b>
<b>Operating costs</b>	<b>64.5</b>	<b>29%</b>	<b>97.5</b>	<b>40%</b>	<b>-33.8%</b>
Sales & Marketing costs	14.2	6%	34.0	14%	-58.2%
Personnel costs	30.5	14%	40.1	16%	-23.9%
G&A costs	19.8	9%	23.3	10%	-15.0%
Other Income & Expenses	(1.7)	nm	(12.7)	nm	nm
<b>Gross Operating Result (adjusted EBITDA)</b>	<b>69.9</b>	<b>32%</b>	<b>60.9</b>	<b>25%</b>	<b>14.8%</b>
Bad debt and other provisions	15.3	7%	13.1	5%	16.8%
<b>Gross Operating Result (EBITDA)</b>	<b>54.6</b>	<b>25%</b>	<b>47.8</b>	<b>20%</b>	<b>14.2%</b>
<b>EBIT</b>	<b>5.3</b>	<b>nm</b>	<b>7.5</b>	<b>nm</b>	<b>nm</b>
<b>Net result from cont. Operations</b>	<b>(56.1)</b>	<b>nm</b>	<b>(41.2)</b>	<b>nm</b>	<b>nm</b>
<b>Net result from discont. Operations</b>	<b>(365.4)</b>	<b>nm</b>	<b>(57.0)</b>	<b>nm</b>	<b>nm</b>
<b>Net result of the Group</b>	<b>(418.4)</b>	<b>nm</b>	<b>(98.2)</b>	<b>nm</b>	<b>nm</b>

# Tiscali Italy 9M09 vs 9M08

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ITALY						
€m		9M09	% of rev.	9M08	% of rev.	Delta
<b>Revenues</b>		<b>218.4</b>	<b>100%</b>	<b>235.0</b>	<b>100%</b>	<b>-7%</b>
	<i>of which ADSL</i>	90.8	42%	92.1	39%	-1%
	<i>of which Voice</i>	70.3	32%	69.4	30%	1%
<b>Gross Margin</b>		<b>128.6</b>	<b>59%</b>	<b>134.5</b>	<b>57%</b>	<b>-4%</b>
<b>Operating costs</b>		<b>56.4</b>	<b>26%</b>	<b>85.1</b>	<b>36%</b>	<b>-34%</b>
	<i>Sales &amp; Marketing costs</i>	14.2	7%	33.2	14%	-57%
	<i>Personnel costs</i>	26.2	12%	31.2	13%	-16%
	<i>G&amp;A costs</i>	16.0	7%	20.6	9%	-22%
<b>Gross Operating Result (adjusted EBITDA)*</b>		<b>69.1</b>	<b>32%</b>	<b>46.4</b>	<b>20%</b>	<b>49%</b>
	<i>Bad debt</i>	14.5	7%	10.4	4%	39%
<b>Gross Operating Result (EBITDA)**</b>		<b>54.5</b>	<b>25%</b>	<b>35.7</b>	<b>15%</b>	<b>53%</b>
<b>EBIT pre restructuring costs</b>		<b>17.1</b>	<b>8%</b>	<b>(3.3)</b>	<b>nm</b>	<b>nm</b>
	<i>Restructuring</i>	0.0	nm	(0.1)	nm	nm
<b>EBIT</b>		<b>17.1</b>	<b>8%</b>	<b>(3.4)</b>	<b>nm</b>	<b>nm</b>
<b>Net result</b>		<b>10.5</b>	<b>5%</b>	<b>(14.6)</b>	<b>nm</b>	<b>nm</b>

\* Gross Operating Results is after deduction of management fee

\*\* EBITDA is after bad debt and other provisions



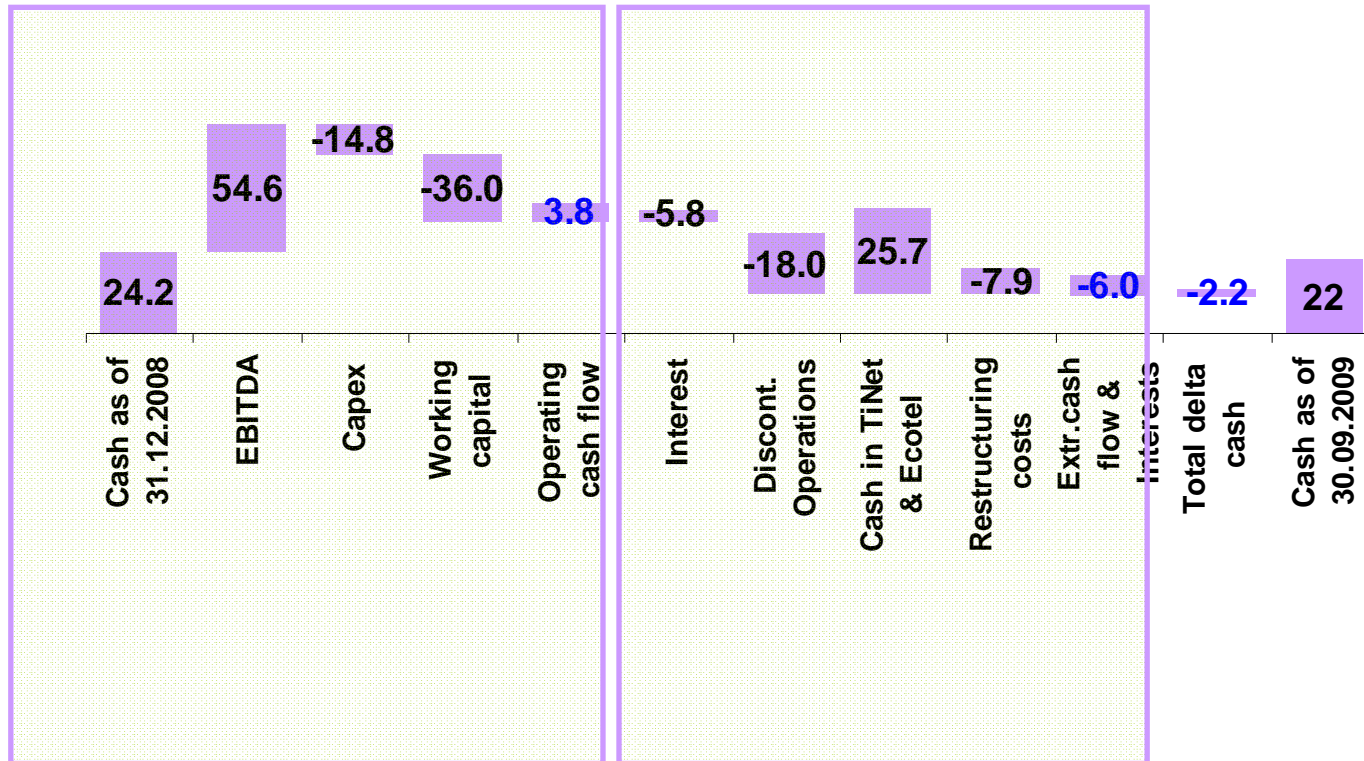
## Net financial position

€ml	30-set-09	31-dic-08
A. Cash	22,0	24,2
B. Other liquid assets	6,9	12,7
C. Securities	-	-
<b>D. Total cash and other financial assets (A) + (B) + (C)</b>	<b>28,9</b>	<b>36,9</b>
<b>E. Other current financial assets</b>	<b>5,2</b>	<b>5,3</b>
F. Non-Current financial payables	6,4	1,4
G. Current bank debt	190,0	510,0
H. Long term loans falling within one year	-	-
I. Other current financial debt (*)	44,2	21,4
<b>J. Current financial debt (G) + (H) + (I)</b>	<b>234,2</b>	<b>531,4</b>
<b>K. Net current financial debt (J) – (E) – (F) – (D)</b>	<b>193,7</b>	<b>487,7</b>
L. Non current bank loans	161,2	-
M. Bonds	-	-
N. Other non current debt (**)	58,7	113,4
<b>O. Non current financial debt (L) + (M) + (N)</b>	<b>219,9</b>	<b>113,4</b>
<b>P. Net financial debt (K) + (O)</b>	<b>413,5</b>	<b>601,1</b>

(\*) includes leasing debts and debt to shareholder

(\*\*) includes leasing debt

# Cash flow analysis (EUR ml)




- Operating FCF positive at EUR 3.8 ml
- Working capital variation for EUR 36 ml negative, reflecting reduction of commercial debt
- Interests reflect the cash interest charges in 9M2009

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## Success of the Debt Restructuring and Rights Issue


- **Debt restructuring process commenced in March 2009, successfully completed in November 2009**
  - Ca €680 million worth of debt restructuring (including fees), reducing financial debt to ca €200 million
    - Disposal of Tiscali UK: ca €220 million of cash in at closing
    - Equity increase: ca €180 million
    - Debt write off: ca €43 million
    - Debt write off of VNIL: ca €80 million
    - Confirmed LT debt facilities: € 158.5 million
- **Potential for further debt reduction**
  - Escrow release for up to €41 million by June 2010 (1/3) and by December 2010 (2/3)
  - Sale and Lease Back contract for HQ in Cagliari amounting to ca €58 million



**LONG TERM  
FINANCIAL  
EQUILIBRIUM**  
and  
**BACK TO  
CORE  
BUSINESS**

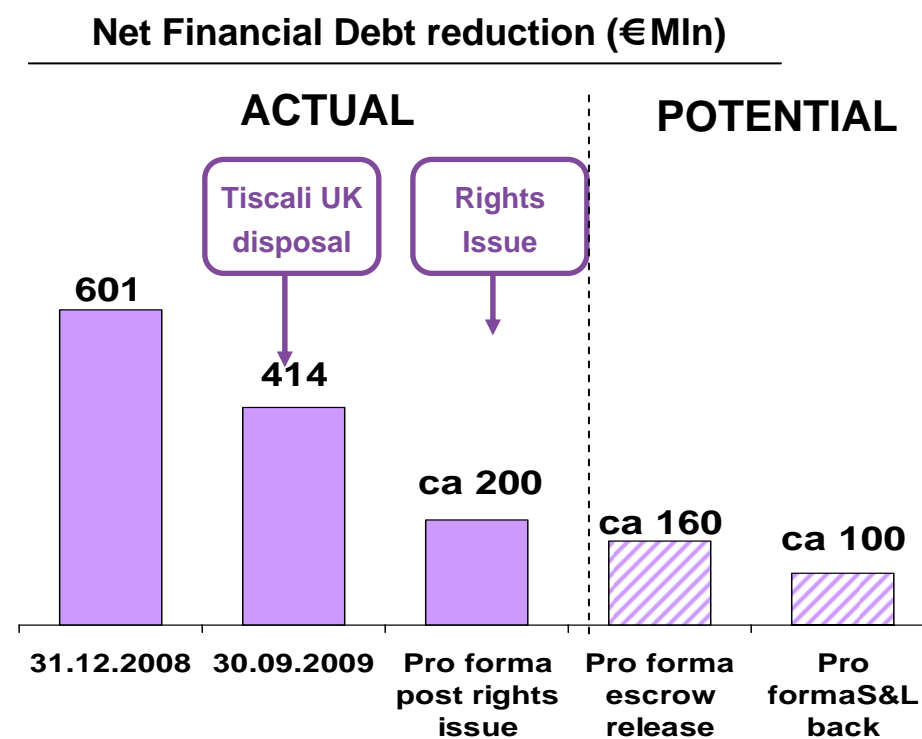
## Success of the Debt Restructuring and Rights Issue

- **1<sup>st</sup> Rights Issue:**
  - € 180 Mln approx.
  - Large take up by the market: 93% after option period
  - All unsubscribed rights disposed of in the auction period
  - Tiscali remains a public company
- **2nd Rights Issue will not be launched thanks to the success of the first one**
- **3<sup>rd</sup> Rights Issue:**
  - Max 25 € ml
  - In the next 3 years, under certain conditions



**LONG TERM  
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## Group Results: Net Debt




**Senior Lenders' long term debt post restructuring (€Mln)**

	Amount	Maturity
Tranche A	€100	5 years
Tranche B	€38.5	6 years
Tranche C*	€20.0	7 years
<b>TOTAL</b>	<b>€158.5</b>	

(\*) Potentially reimbursed through release of escrow in UK or through Capital increase 3

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## Business Plan 2009 - 2013 Targets

<b>Customers</b>	<ul style="list-style-type: none"> <li>■ ca. 600k voice and broadband customers in 2009</li> <li>■ ca. 1 Mln customers in 2013 (of which ca. 200k MVNO)</li> </ul>	
<b>Revenues</b>	<ul style="list-style-type: none"> <li>■ ca. € 300 Mln in 2009</li> <li>■ CAGR 09-13: 4% (ca. € 370 Mln in 2013)</li> </ul>	
<b>Ebitda*</b>	<ul style="list-style-type: none"> <li>■ ca. € 70** Mln in 2009</li> <li>■ CAGR 09-13: 6% (ca. € 90 Mln in 2013)</li> <li>■ ca. € 11 Mln of FCF absorption in 2009 due to cash out in relation to restructuring costs</li> </ul>	
<b>Cash Flow***</b>	<ul style="list-style-type: none"> <li>■ Cash flow positive from 2010 and ca. € 40 Mln of FCF generation in 2013</li> </ul>	
<b>Capex</b>	<ul style="list-style-type: none"> <li>■ ca. € 150 Mln in the 2009-2013 period</li> </ul>	
<b>Net debt</b>	<ul style="list-style-type: none"> <li>■ &lt; 2x Ebitda in 2013</li> </ul>	
<b>Net result</b>	<ul style="list-style-type: none"> <li>■ Positive in Italy for 2009-2013</li> <li>■ Group positive from 2011, ca -€6 ml in 2010</li> </ul>	

**CONSERVATIVE  
TARGETS  
CONSISTENT  
WITH DEBT  
RESTRUCTURING**

(\*) Gross of bad debt provision and stock options provision

(\*\*) Includes ca. € 10 Mln of restructuring costs

(\*\*\*) Free Cash Flow from operations (before interests and taxes)



## Main achievements to date suggest potential upside on Business Plan

### Operational performance

- 9M 2009 Italian profitability above budget
- **Customers acquisition trend is accelerating with 17K gross adds in September, 19K in October**

### MVNO

- Launch of UNICA convergent product and WiPhone represent opportunity of fixed-mobile convergent strategy as acquisition and fidelization channel

### B2B

- Product portfolio rationalization
- B2B sales force back on the field

### Sales channels

- Sales channels enhancement
- Dealers' network widening (Buffetti and CHL)

### Media

- New management team in place
- Record of unique browsers in October at 15.5 million (Source Webtrends)

### Net debt

- Working capital improvement, with reduction of commercial debt
- Potential release of escrow account (June and December 2010) in relation to Tiscali UK disposal, procedure ongoing

Disclaimer

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