

tiscali.

Tiscali

Strategic Plan 2008-2012

Milan 27th November, 2007

SAFE HARBOUR

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Achievements of 2007: delivering strategy and results

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Strategic guidelines 2008-12: reinforcing positioning

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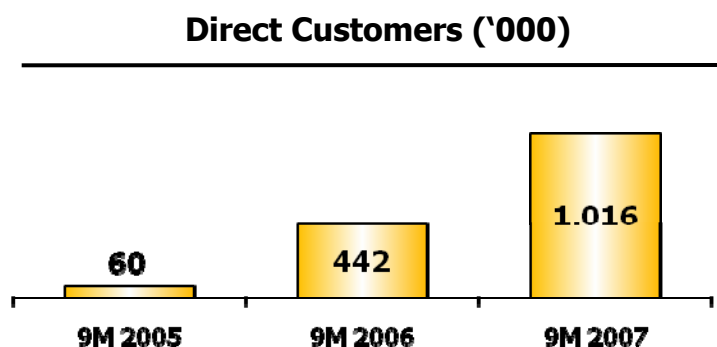
Business plan 2008-12: balancing growth and profitability

4

Conclusions and Q&A

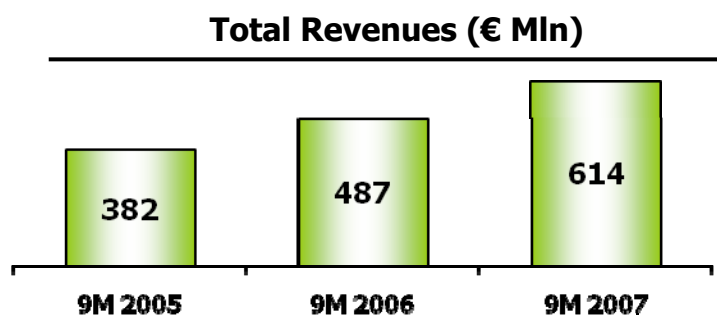
Tiscali is coming from two years of continuous growth in customers, revenues and profitability

Direct Customers



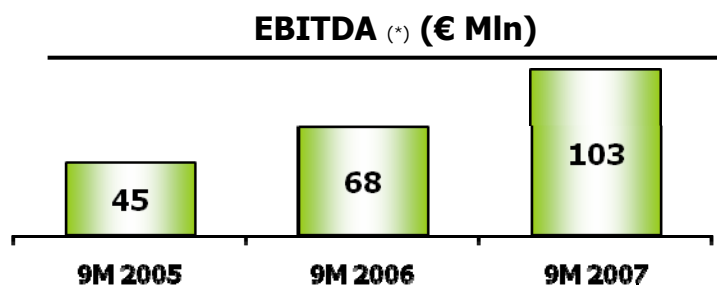
Direct customers grown more than **15 times in two years**

Revenues



Revenues +61% in two years

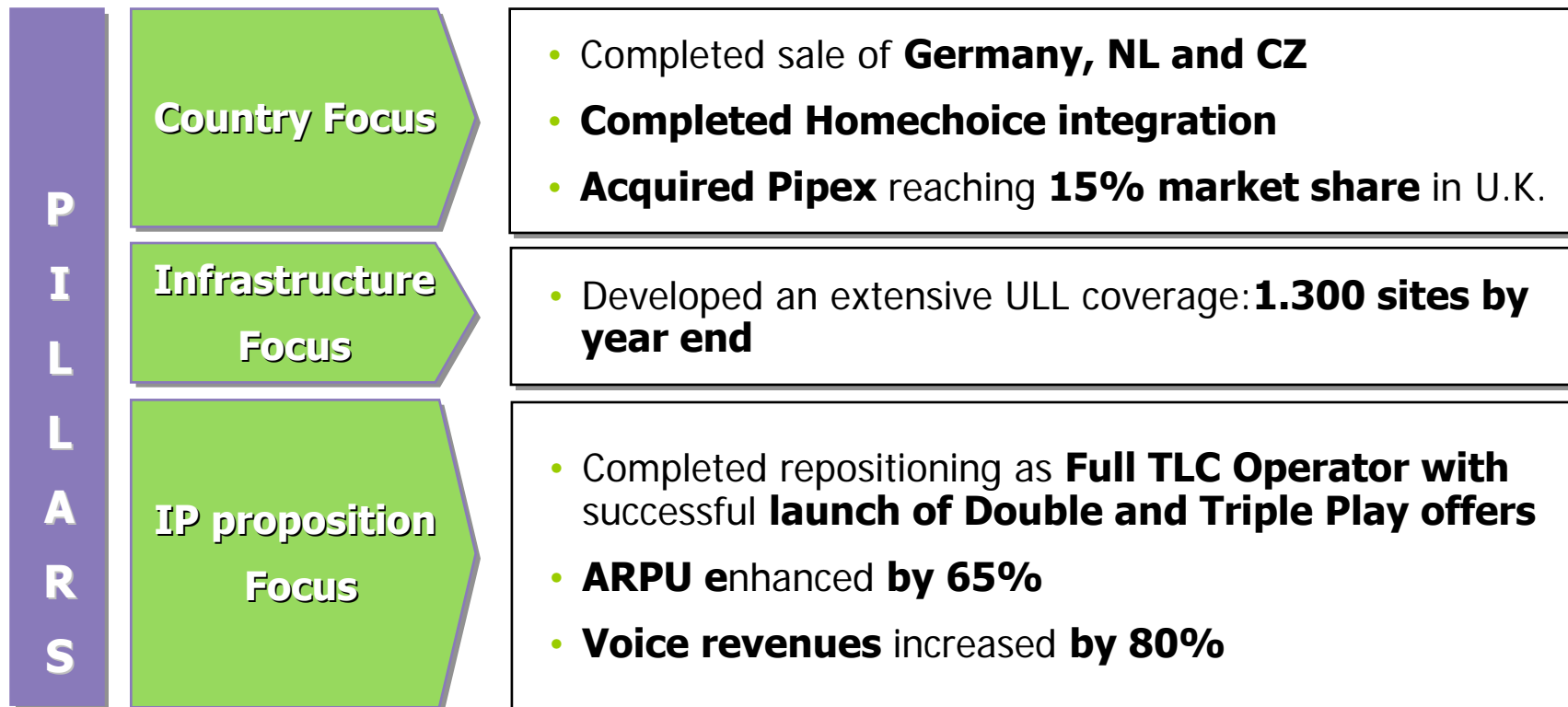
EBITDA



EBITDA more than doubled in two years

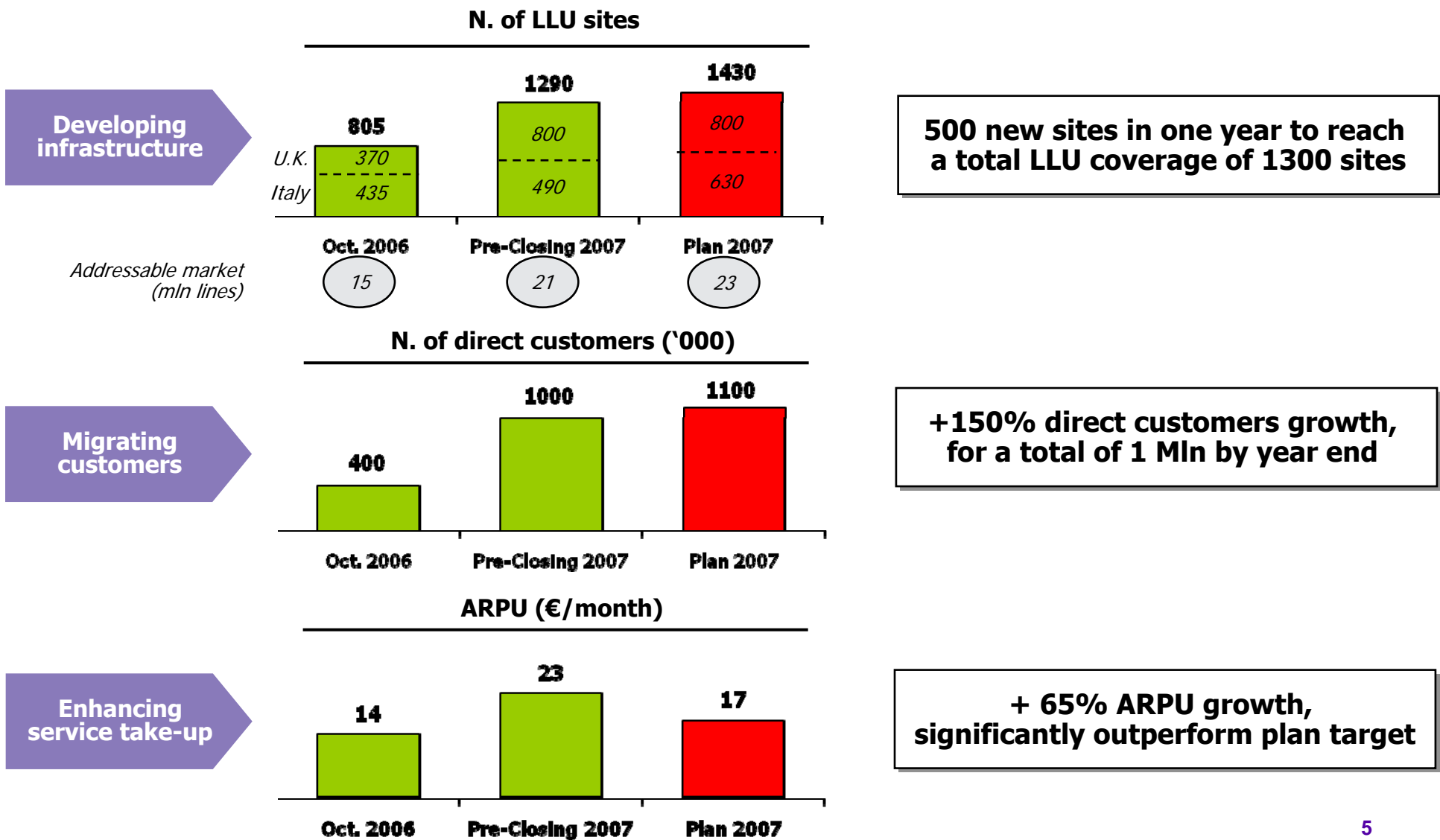
(*) Note: EBITDA (Gross Operating Result) before deduction of bad debt, restructuring costs, other provisions & write downs

In 2007 Tiscali has delivered on all strategic pillars presented in last year plan



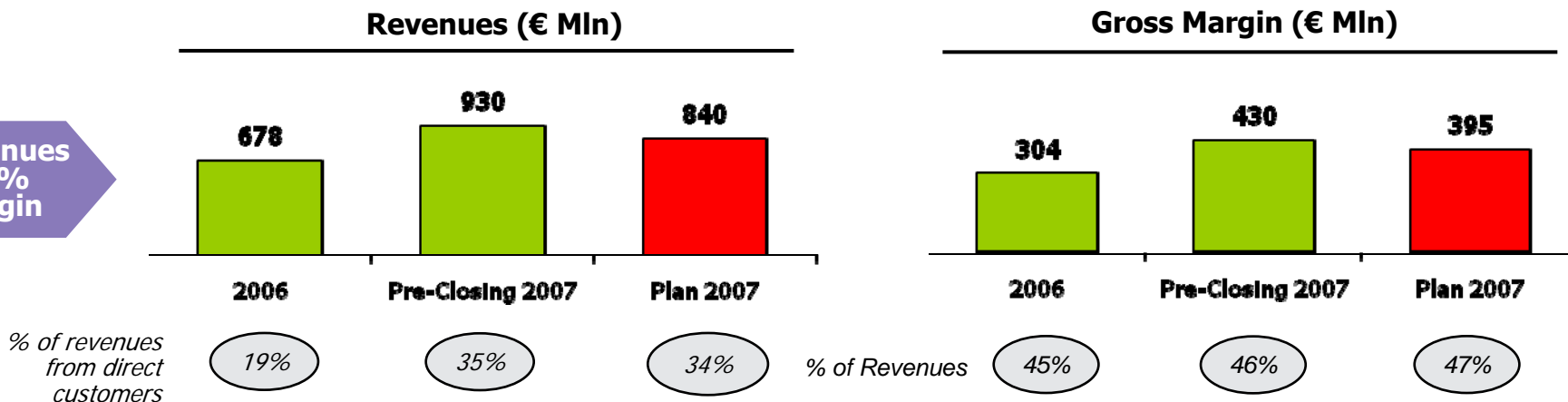
All this with a radical change of financial structure, that has given Tiscali a safer financial position and resource availability to sustain further growth

2007 key strategic performance indicators have been outstanding, confirming sustainability of strategy and ability to deliver

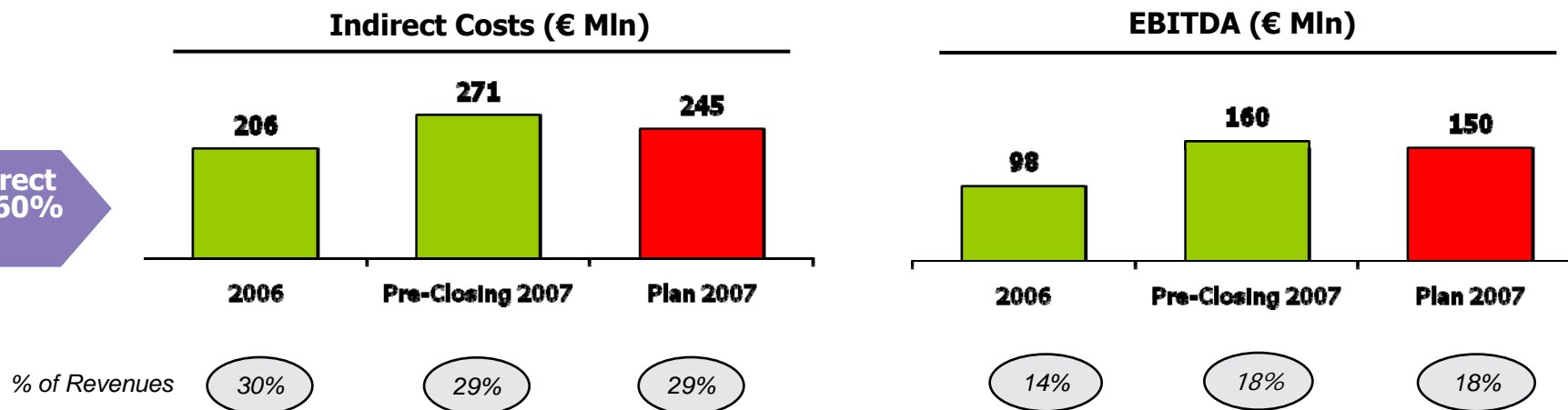


Economic performance in 2007 has shown a highly profitable growth

+35% Revenues
and + 40%
Gross Margin



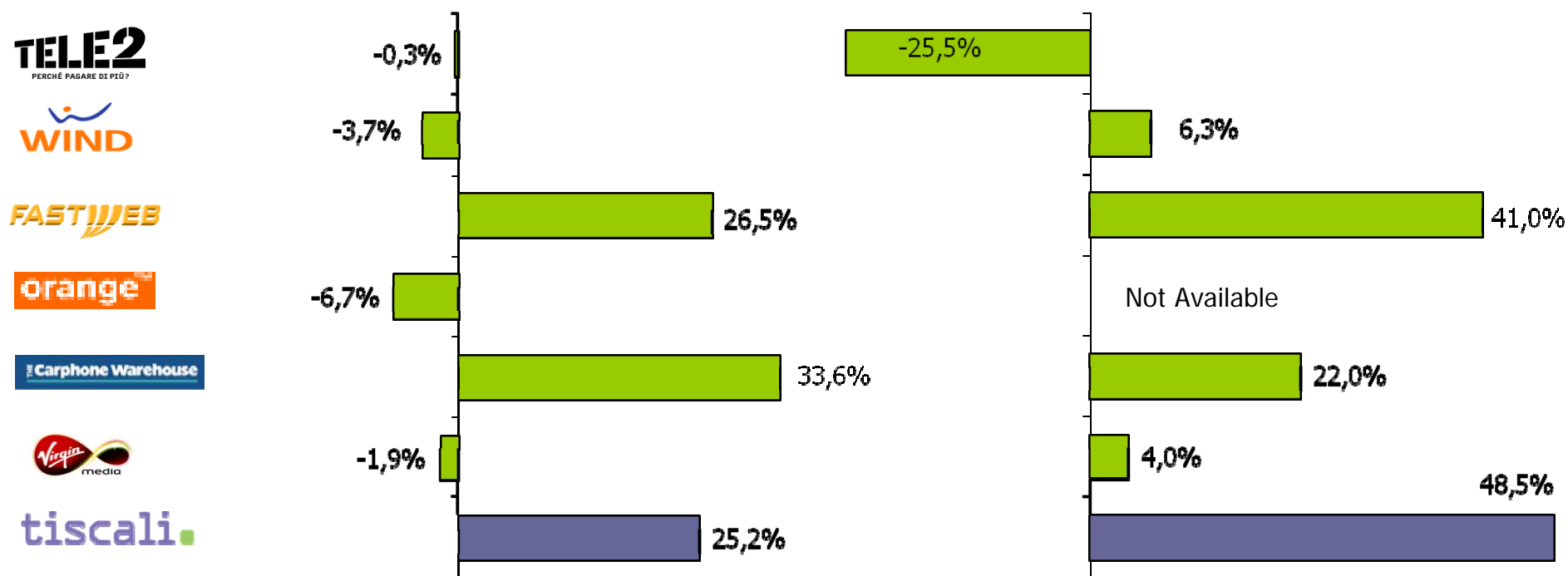
+ 20% Indirect
Costs and +60%
EBITDA



Last two years results: Tiscali among top performers in the market

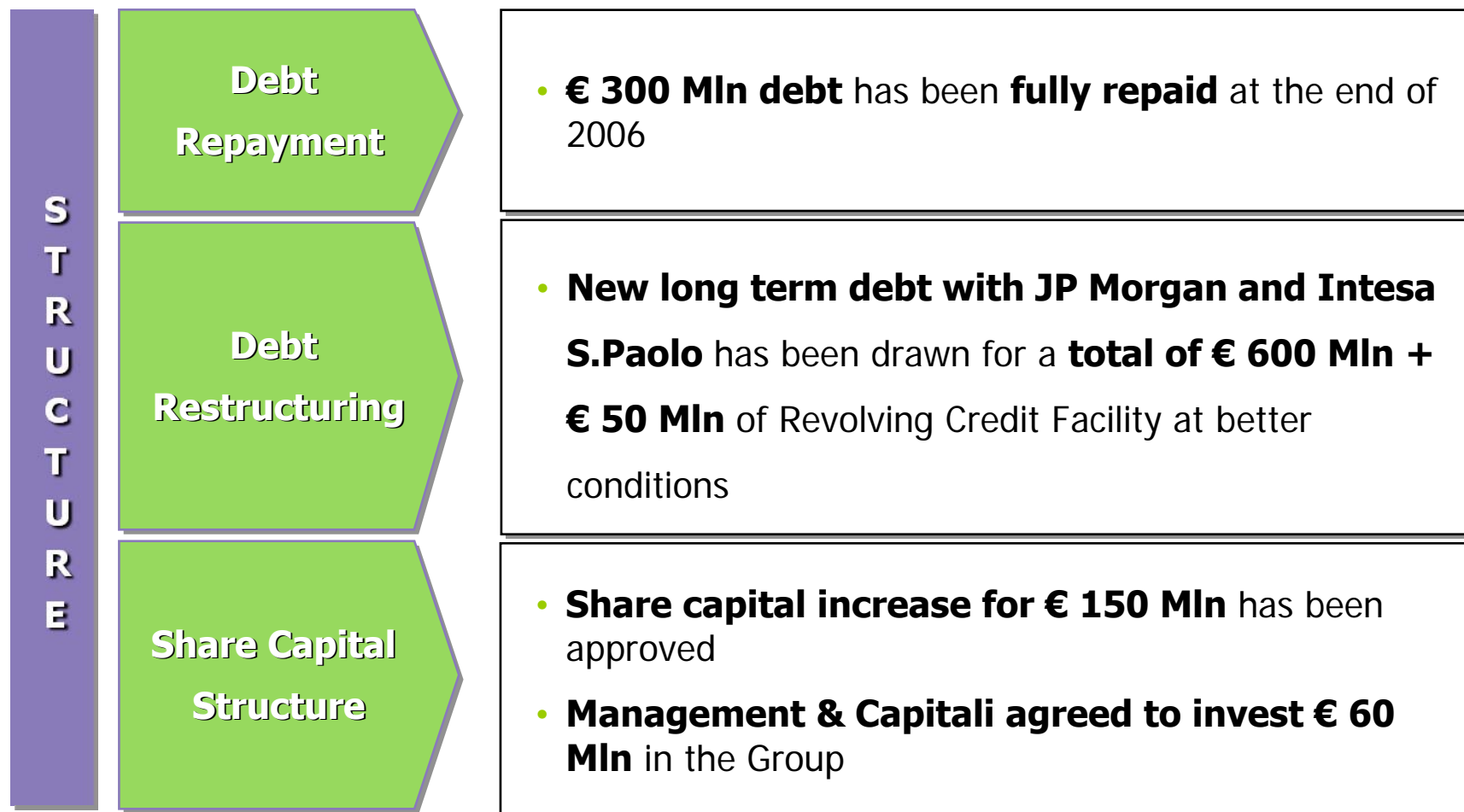
Revenues growth 2005-2007* (CAGR %)

EBITDA growth 2005-2007* (CAGR %)



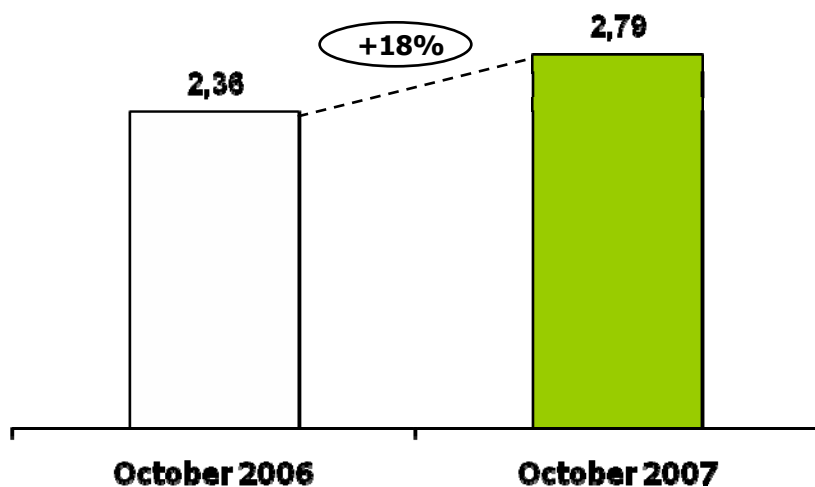
* Data related on organic growth: 2007 projections based on most recent presentation on actual data (1H 2007 or 3Q 2007)

Capital and financial structure of Tiscali has been completely redefined

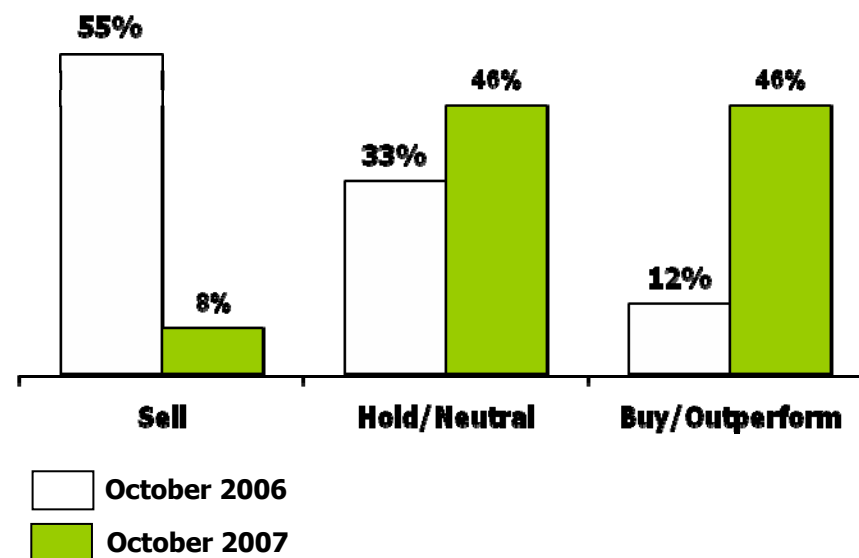


Financial market valuation: a radical change in analyst view achieved in one year: target price has grown from 2,36 € to 2,79 € and almost 50% rate Tiscali as buy or outperform (vs. 12% of October '06)

Average Analyst Target Oct 2007 vs. Oct 2006 (€/share)



Evaluation mix (%)



Source: Analyst report

Coverage 2006: Akros, Merrill Lynch, Leonardo, Chevreux, Intermonte, Mediobanca, Rasbank

Coverage 2007: Akros, Merrill Lynch, Leonardo, Chevreux, Intermonte, Mediobanca, Rasbank, CentroSIM, Cazenove, IMI, UBM, UBS, Goldman Sachs

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2 Strategic guidelines 2008-12: reinforcing positioning

a Industry overview and Group targets

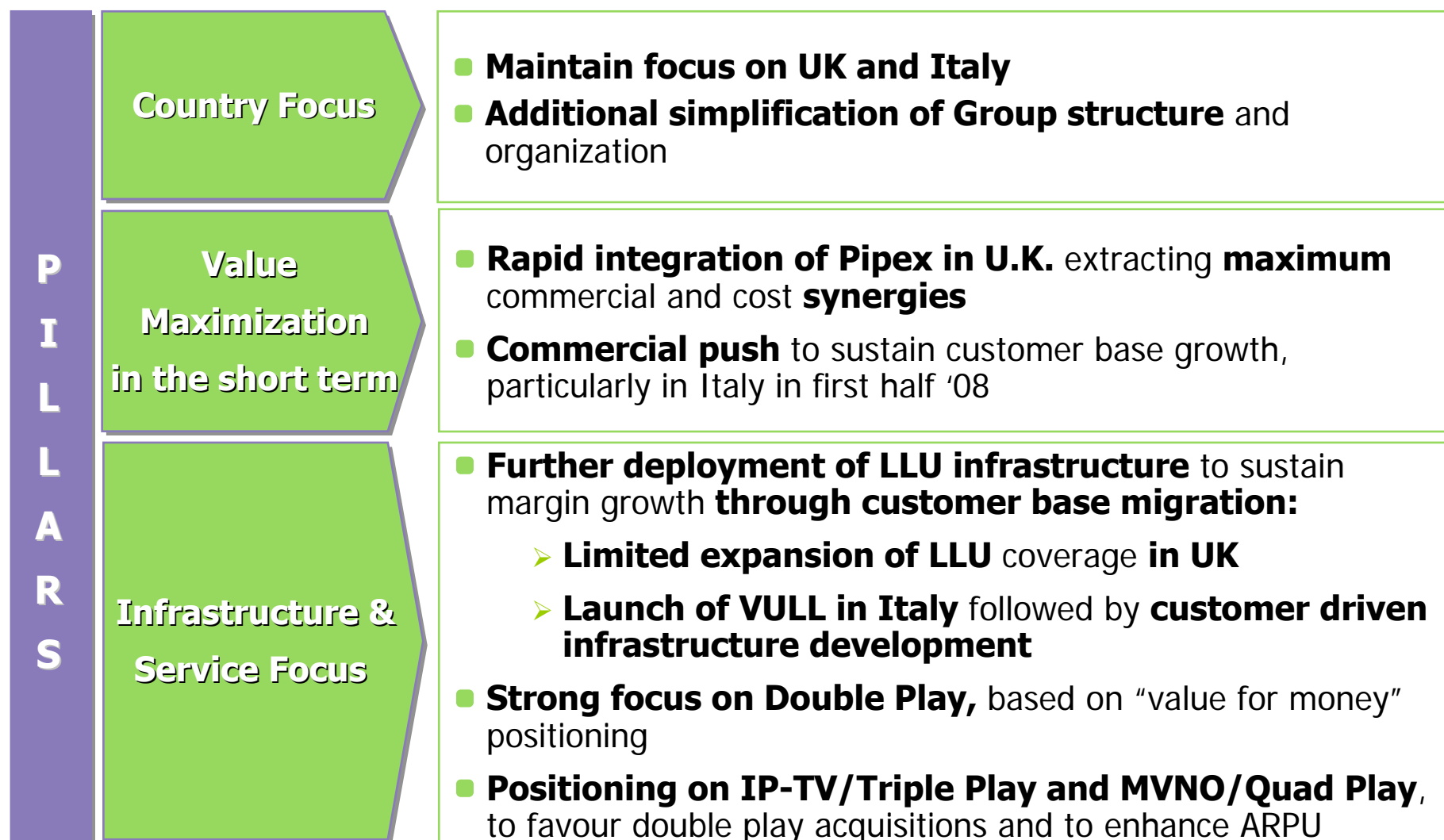
b Focus on UK strategy and objectives

c Focus on Italy strategy and objectives

3 Business plan 2008-12: balancing growth and profitability

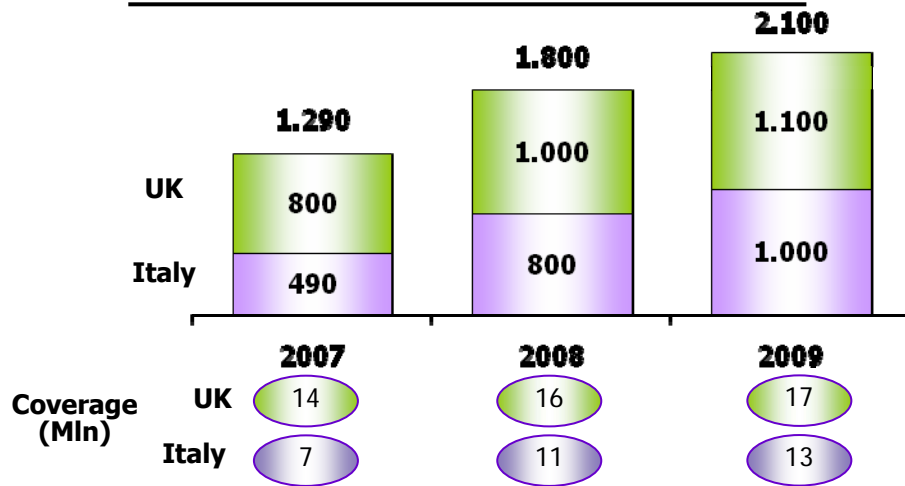
4 Conclusions and Q&A

In such a context Tiscali strategy will be focused on maximizing value creation and on strengthening market position

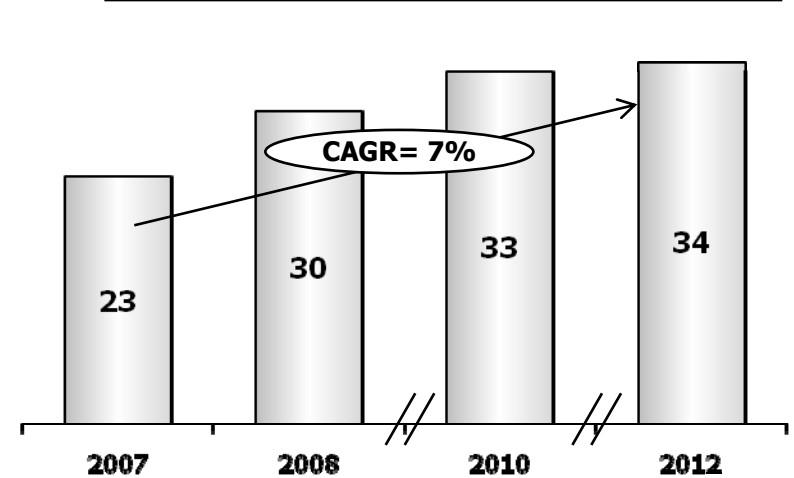


Main Group operational targets

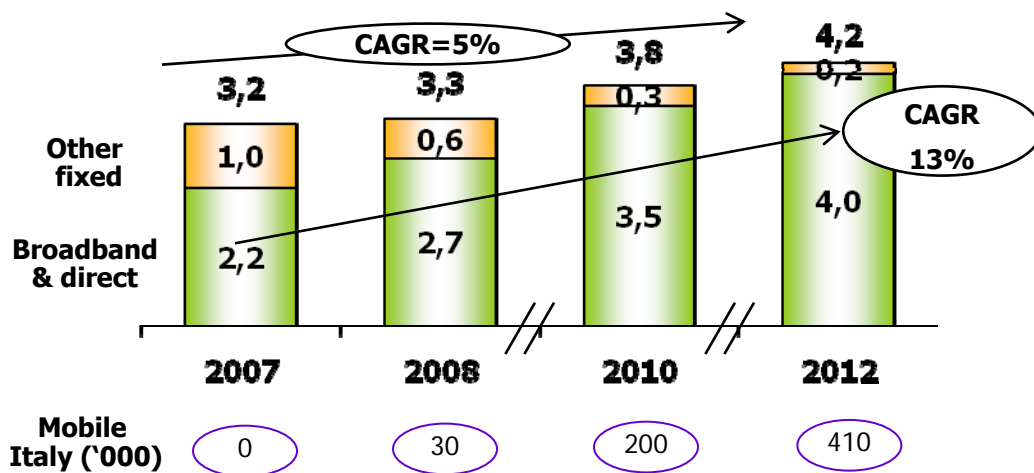
N. of LLU sites



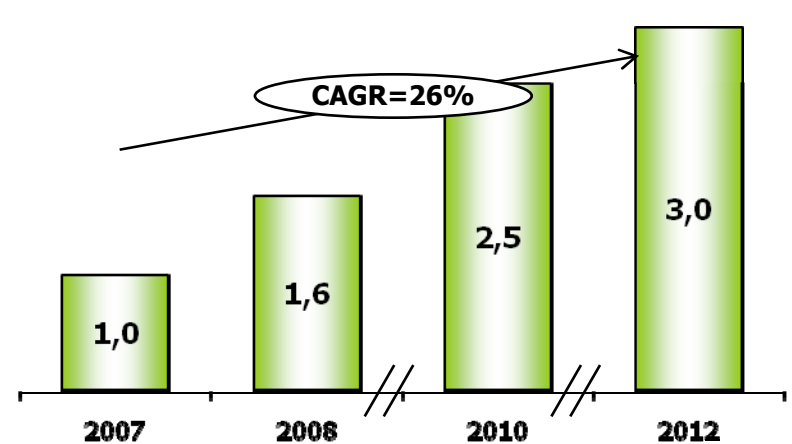
ARPU (€/month)



Total fixed retail customers (Mln)



Direct Customers (Mln)



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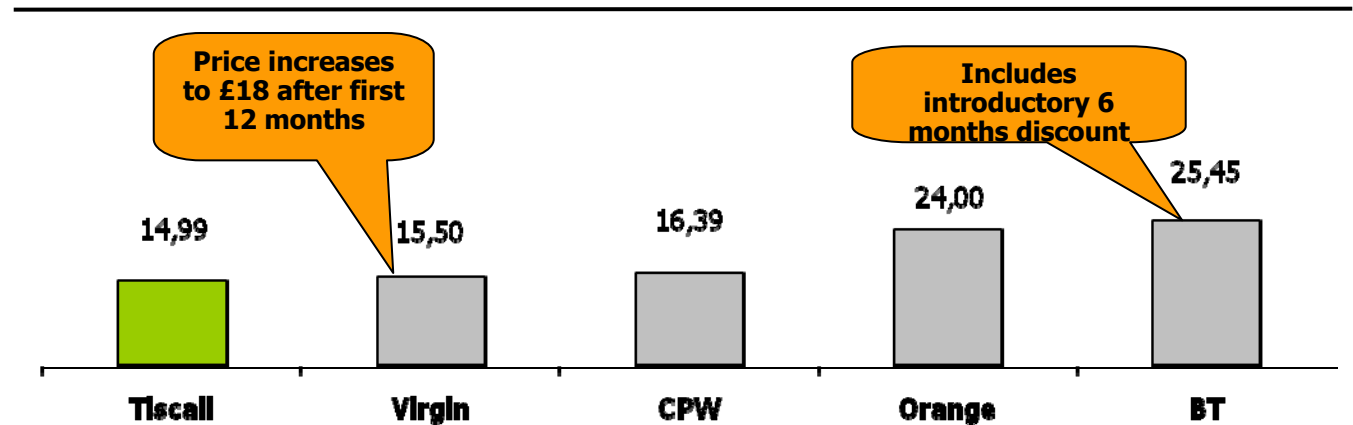
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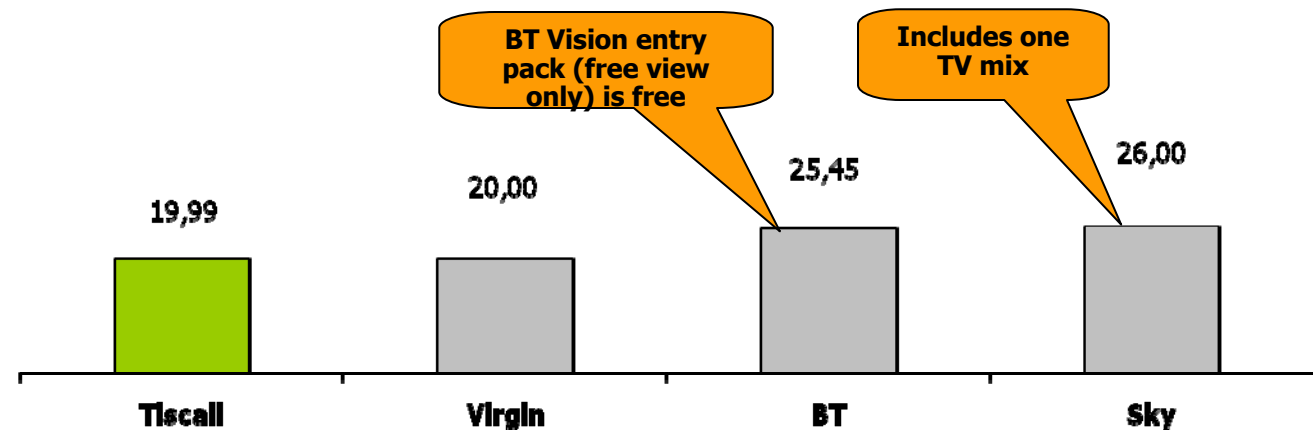
Current positioning of Tiscali in U.K. is already well established through a "value for money" claim focused on Double and Triple Play

Market offers' price (£/month, VAT included)

Double Play (DSL + Calls + Line Rental)

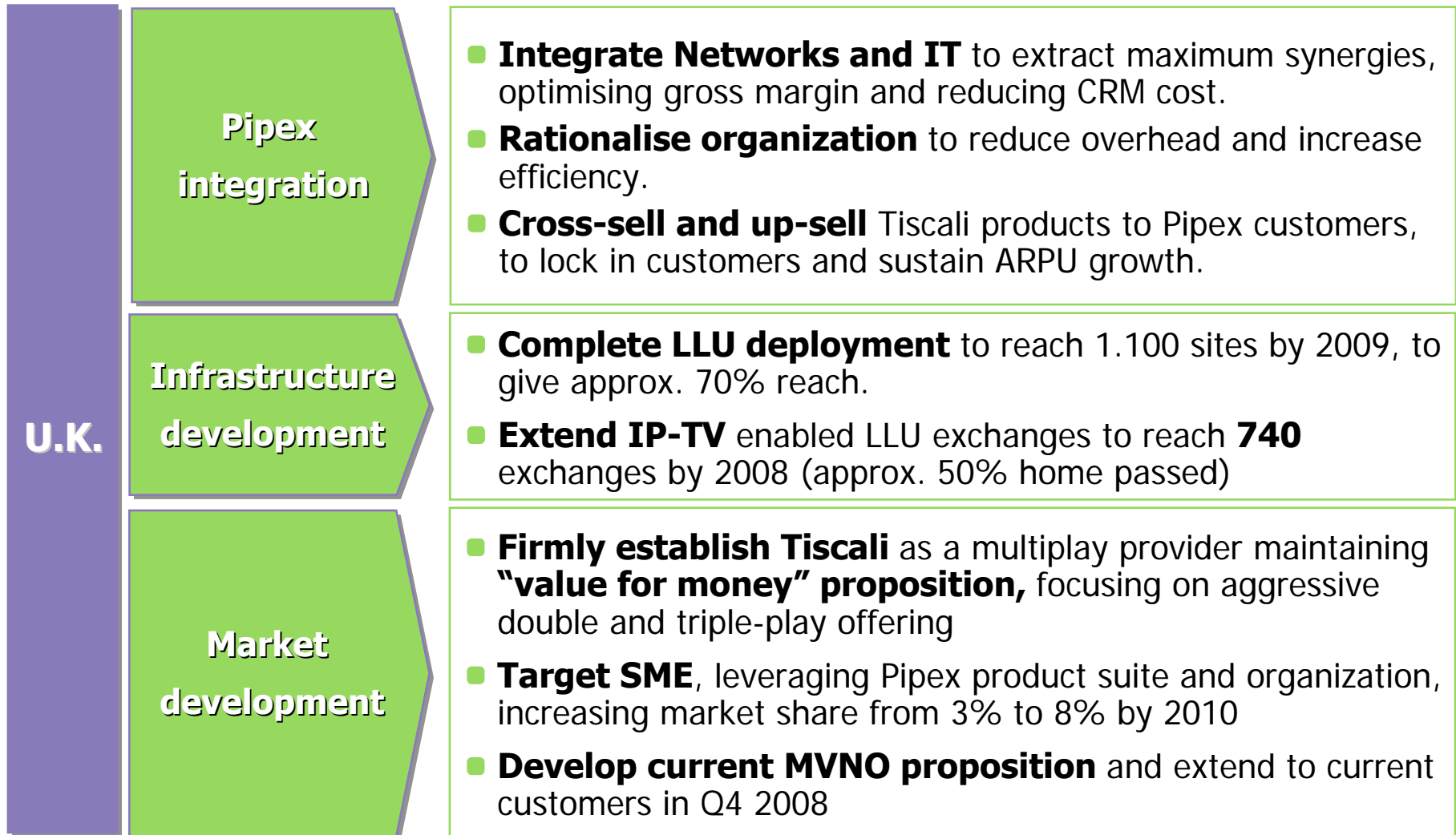


Triple Play (DSL + Calls + Line Rental + Entry TV)



Note (*): Add £5,00 - £7,95 for Any Time call packs across most providers

U.K. strategic focus will be on extracting synergies from Pipex integration and on aggressively developing triple-play positioning and service up-take



In U.K. Pipex integration will be key to enhance value: some results have already been achieved and 2008 targets have been clearly defined

Early Achievements

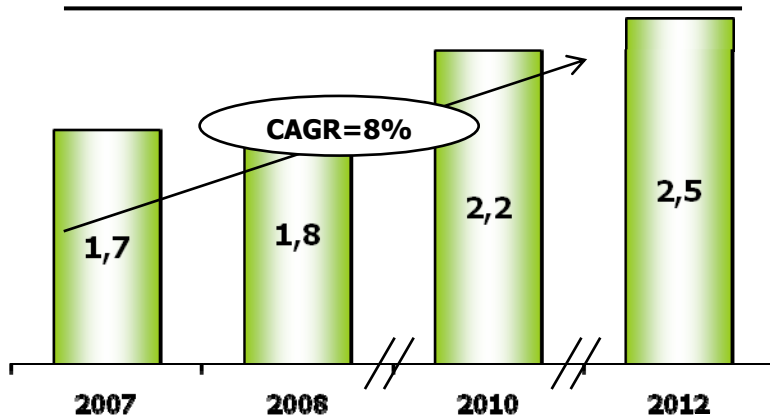
- **Network Integration completed** and migration of Pipex customers commenced, **2 months ahead** of plan
- **On track** to deliver phase 1 of **IT integration**, reducing customer management cost significantly
- **Commenced cross sell** of double play into voice only base to lock in customers
- **Organizational alignment commenced** and all employee consultation expected to **conclude by mid January '08**
- **Completed outsource** of customer care enabling transfer of circa 750 staff in December, **3 months ahead of plan**

Next Years Targets

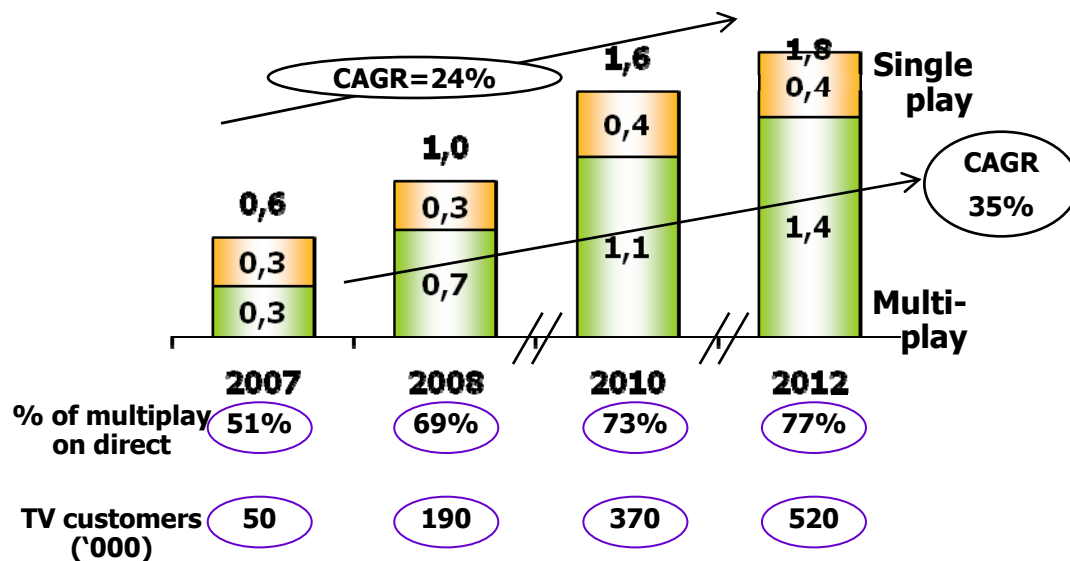
- **Complete** customer migration by Q3 '08 and expect to **increase migrations by 20%** compared to original plan
- **Full IT and Network integration** to be completed by 3Q '08 and decommission legacy platform and network saving cost
- Consolidation of product suite and branding redefinition by 1Q '08
- Organizational alignment completed by 2Q '08
- Synergies planned are € 30 Mln in 2008 and € 60 Mln in 2009

U.K. 2008-12 targets on key strategic indicators

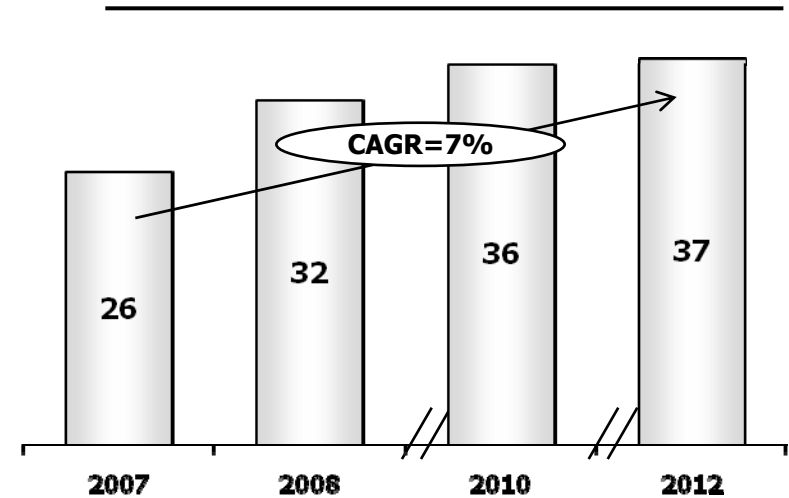
DSL Customers (Mln)



Direct Customers (Mln)



ARPU (€/month)



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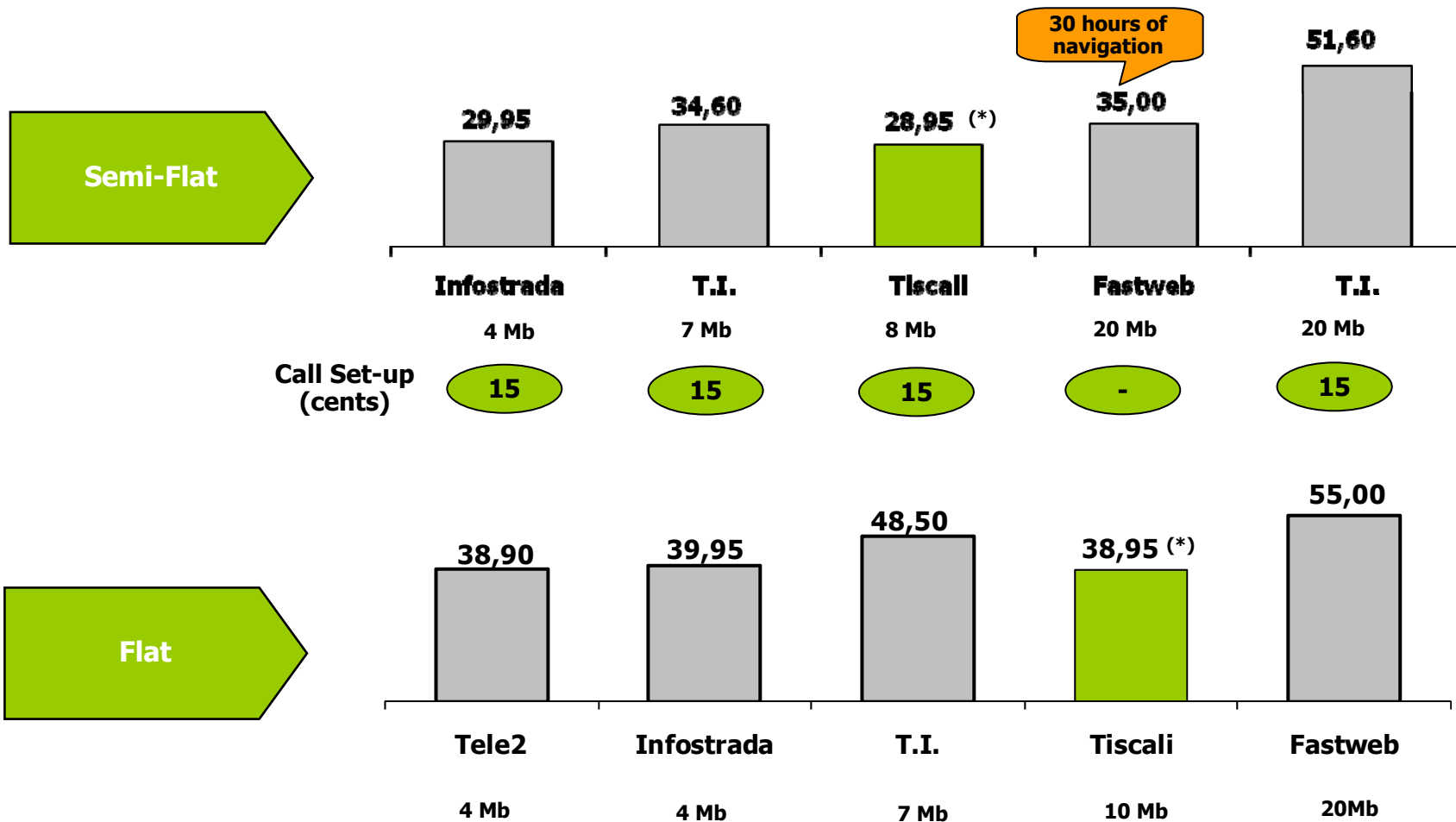
c Focus on Italy strategy and objectives

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Current positioning of Tiscali in Italy is based on a well perceived claim of "more bandwidth" at comparable prices, particularly on double play

Double Play Market Offers including Line rental (€/month, VAT included)



(*) Note: latest campaign

Italy focus will be on enhancing value proposition and investment in market facing activities to sustain growth and on targeting V-ULL with subsequent migration to ULL



IP-TV and MVNO launches will be key objectives of Tiscali Italy plan

IP-TV Objectives

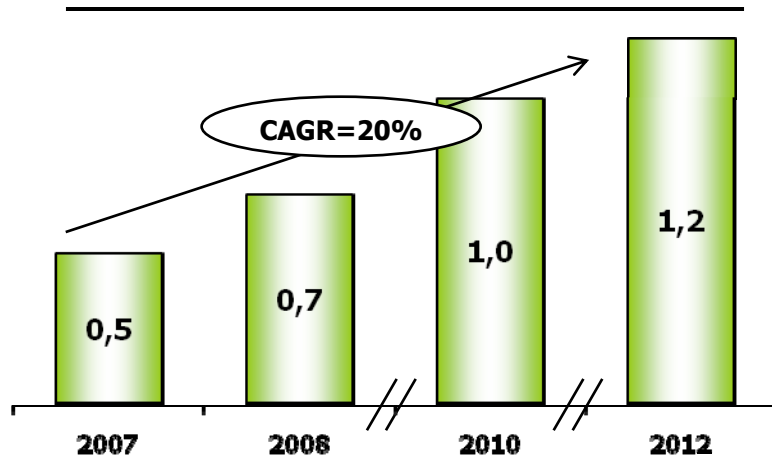
- **Target penetration : 11%** of direct customers from 2009
- Integration with DTT with main focus on VOD
- **13 €** incremental **ARPU** on dual-play
- **9 Mln lines** covered by IPTV infrastructure by end of 2008
- **Launch in December 2007 in 3 cities**, progressively extending to the rest of the network

MVNO Objectives

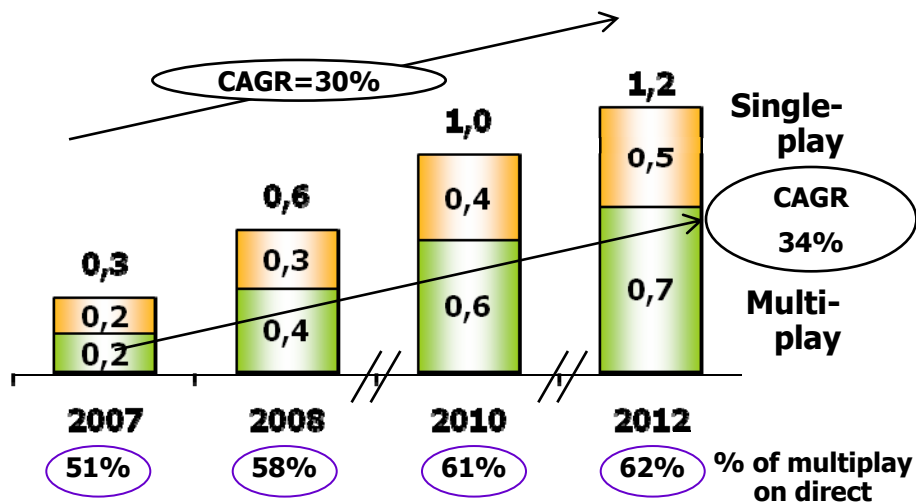
- **Target penetration: 15%** of total customers (excluding narrowband) from 2011
- Focus on **convergence and mobile internet**. No pure mobile position
- **19 €** forecasted **ARPU. 41% of revenues from data**
- **Launch in 2H 2008**

Italy 2008-12 targets on key strategic indicators

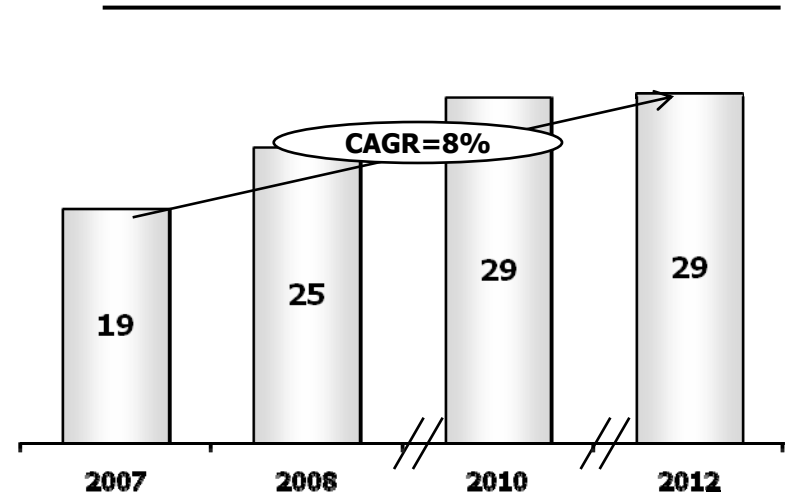
DSL Customers (Mln)



Direct Customers (Mln)



ARPU (€/month)



Group focus will be on further rationalization and simplification

- **Further simplification of organization and company structure** through:
 - Merge of Tiscali Services and Tiscali Italy
 - Organizational integration of Tiscali Italy and Tiscali Corporate
- **Additional streamlining** of indirect and fixed **cost** structure to enhance operating leverage
- **Possible disposal of other minor assets**

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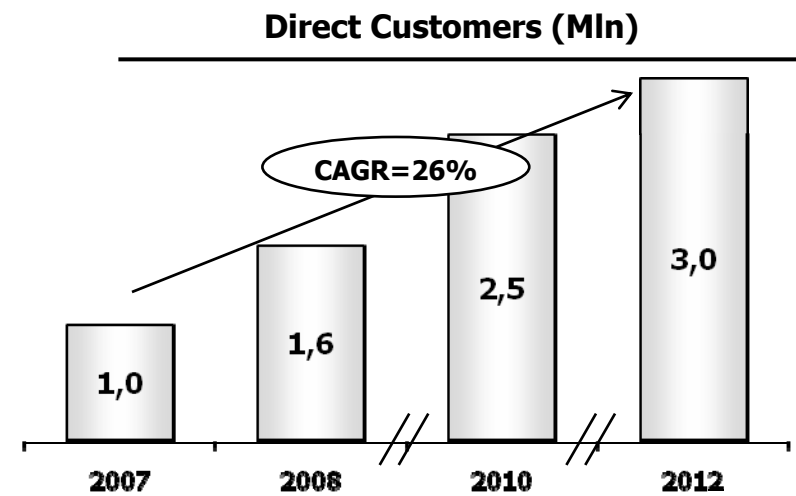
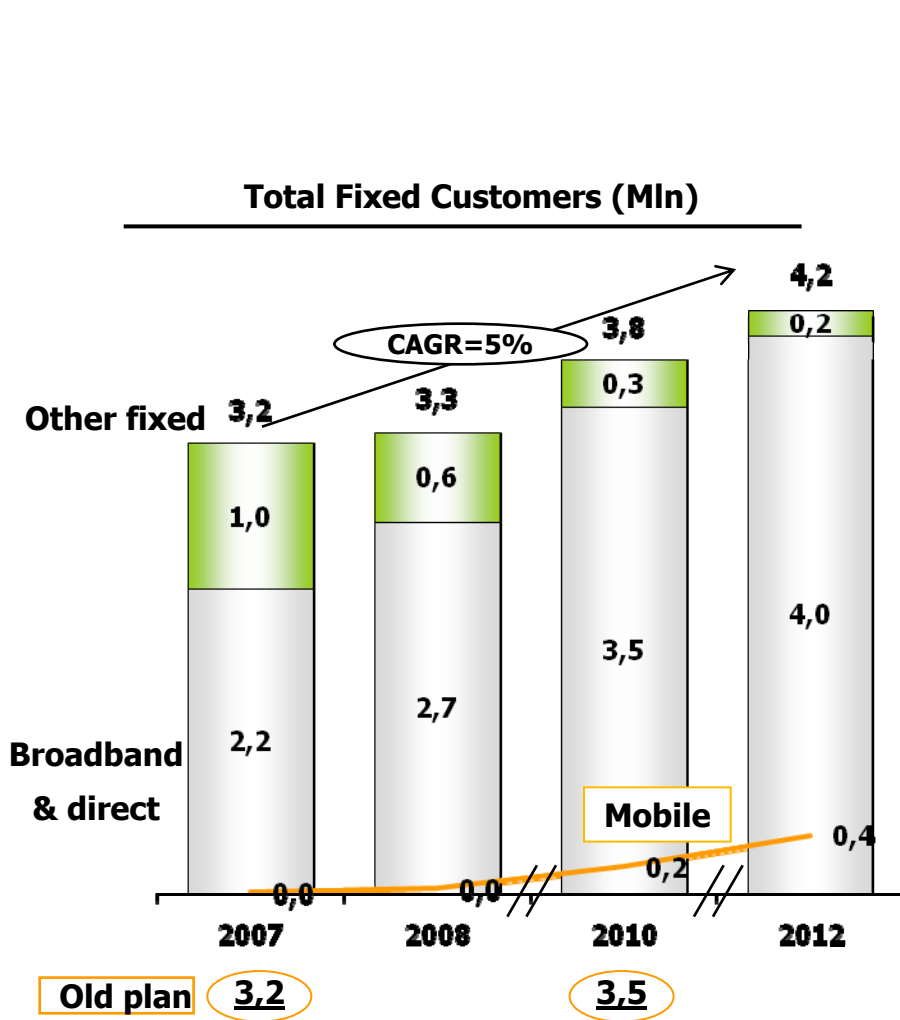
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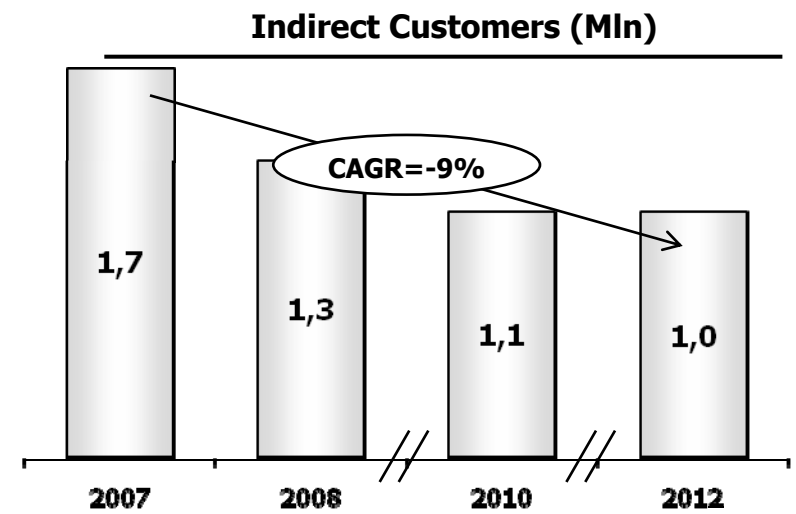
4 Conclusions and Q&A

Group plan: customer base



Old plan 1,1

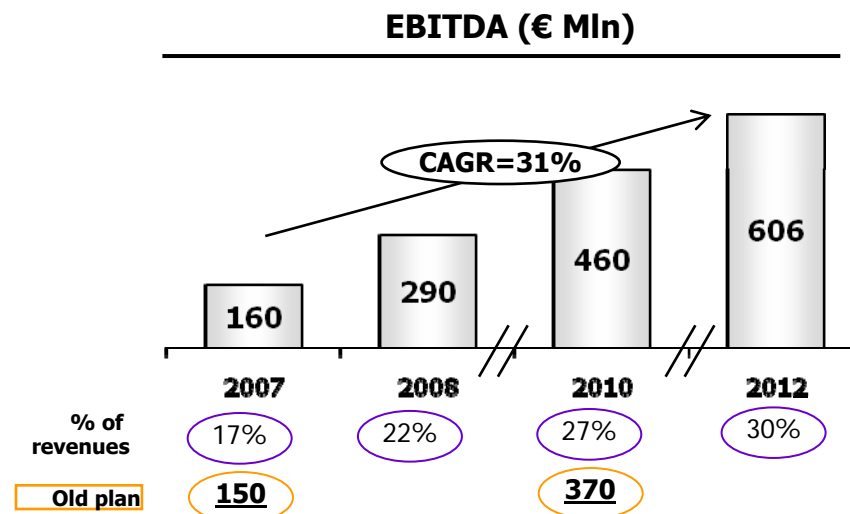
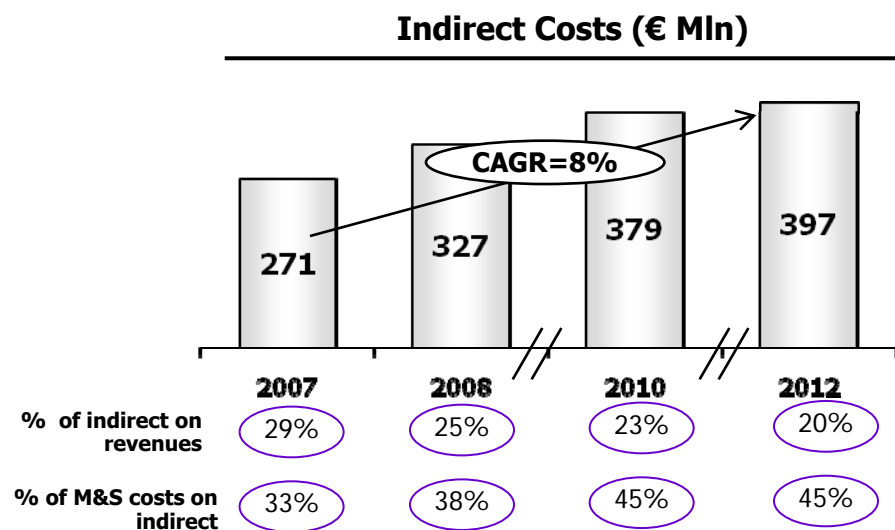
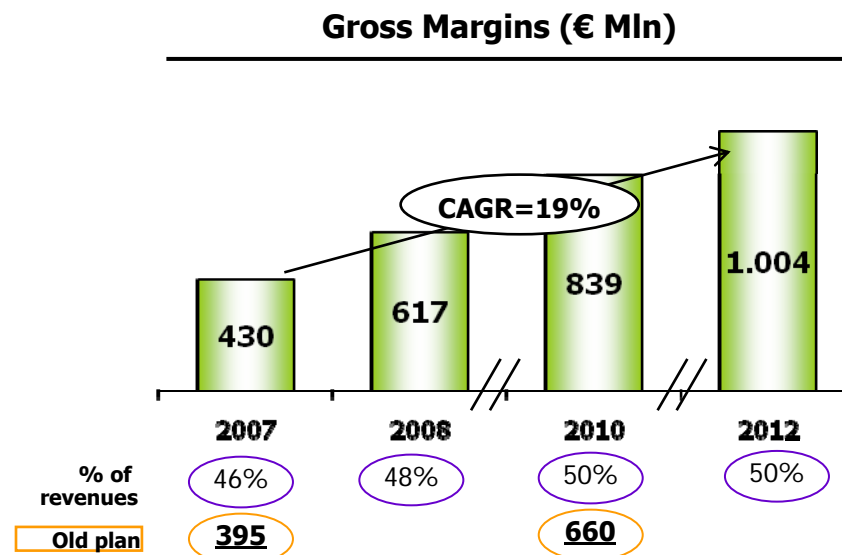
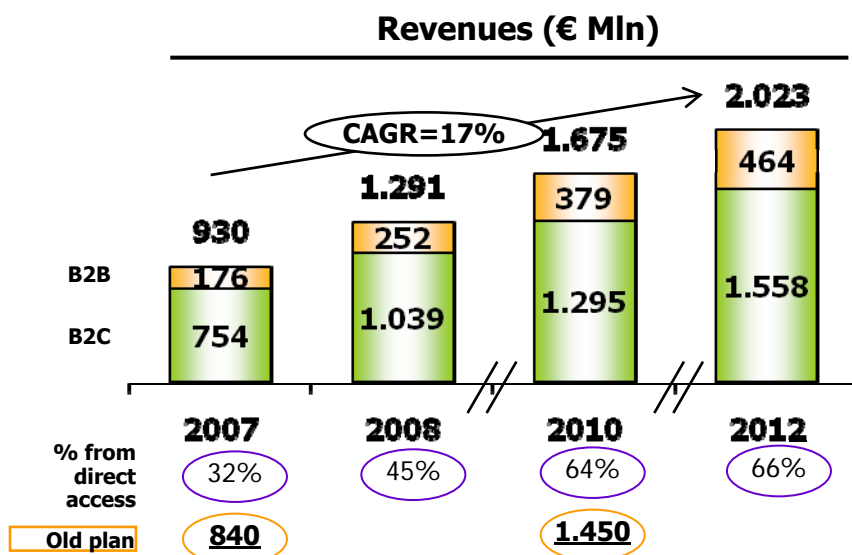
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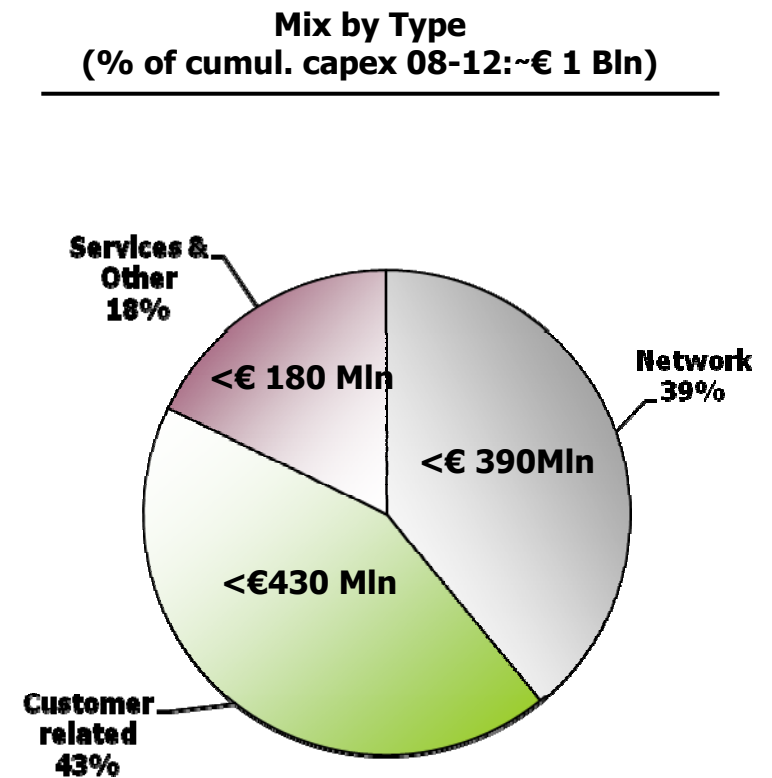
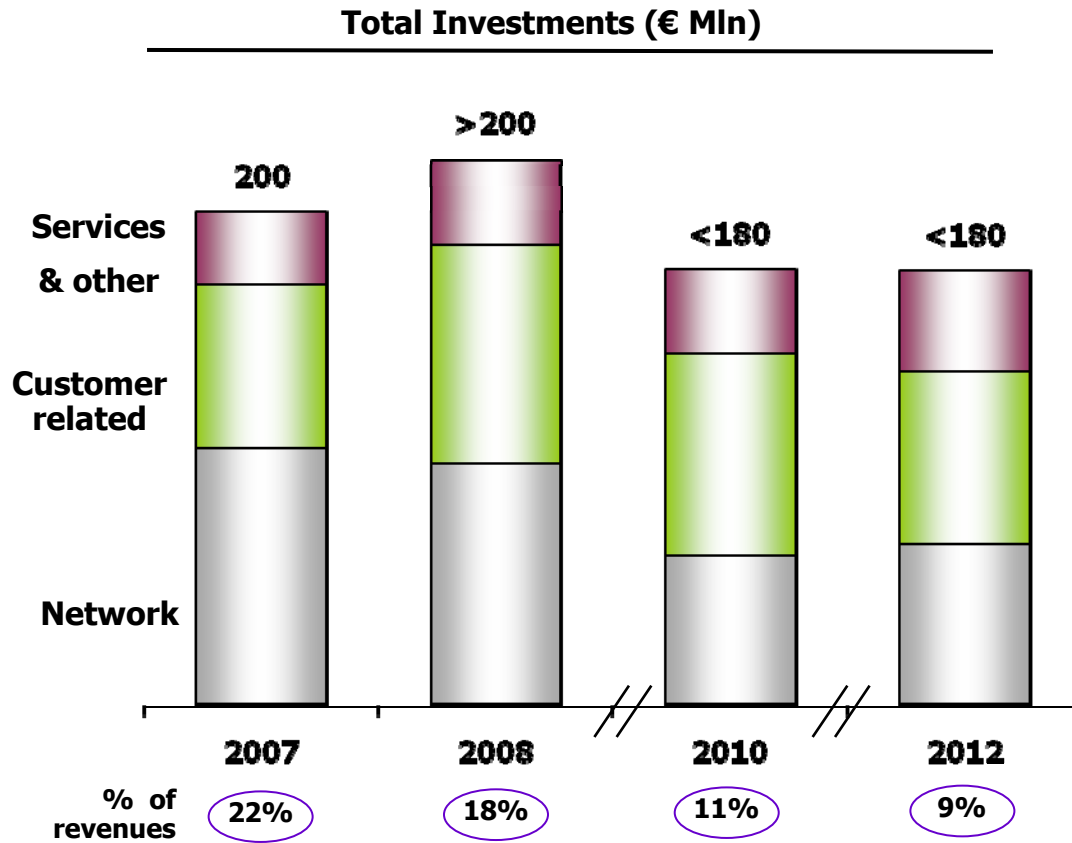
Old plan 2,1

1,6

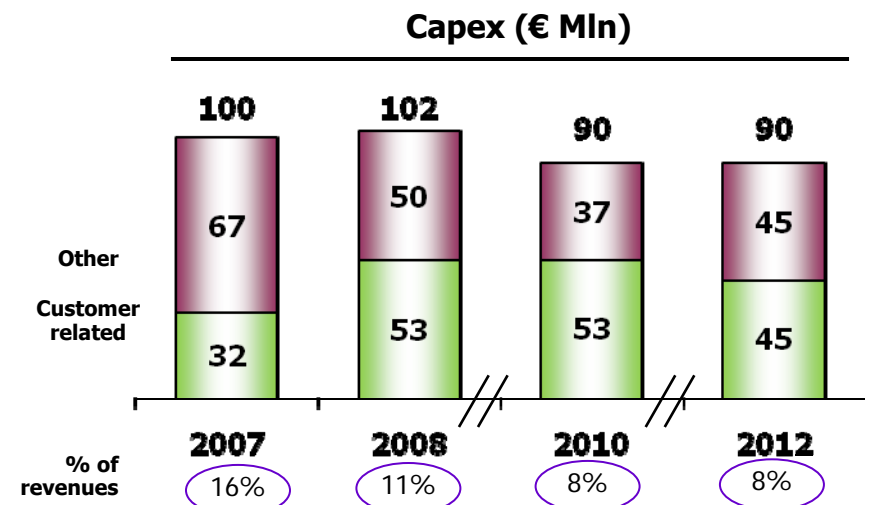
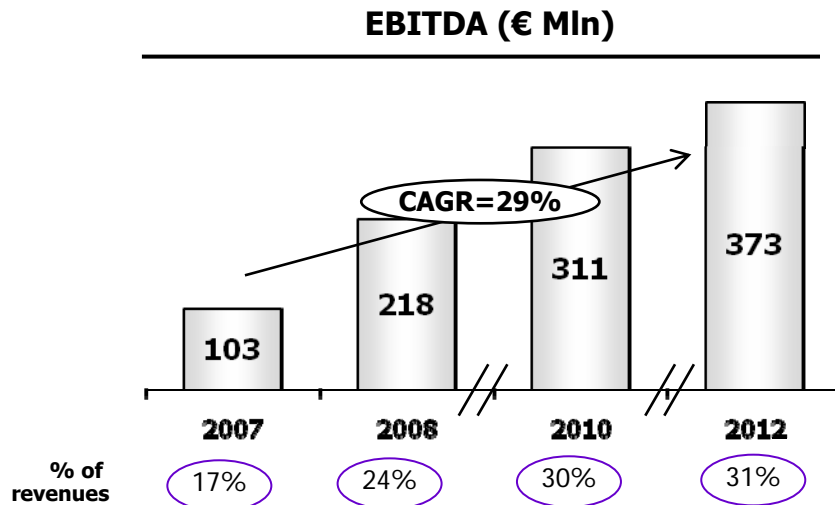
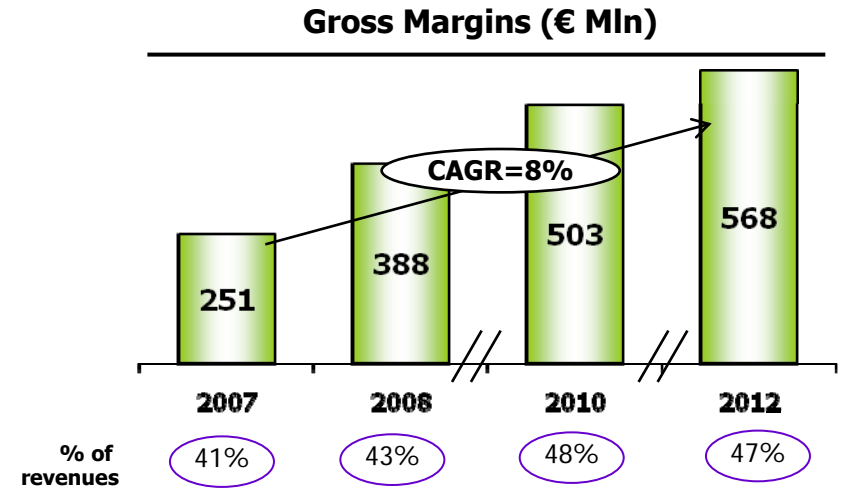
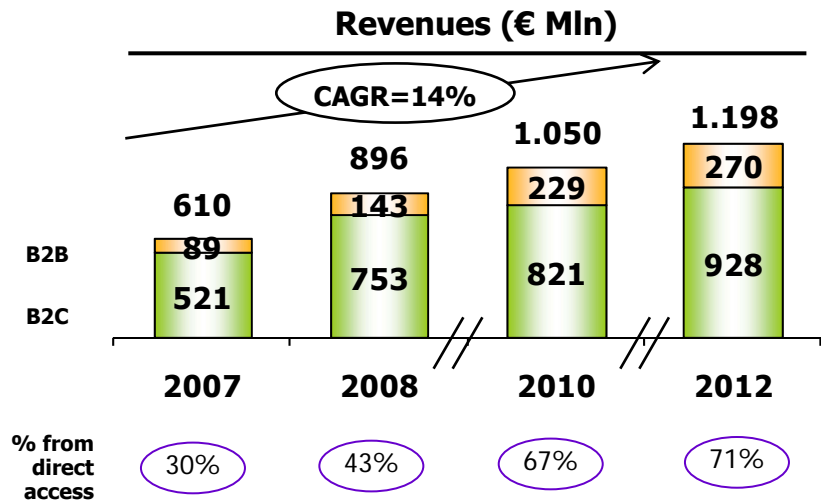
Group plan: revenues and margins



Group capital expenditures



U.K. focus: revenues, margins and CAPEX



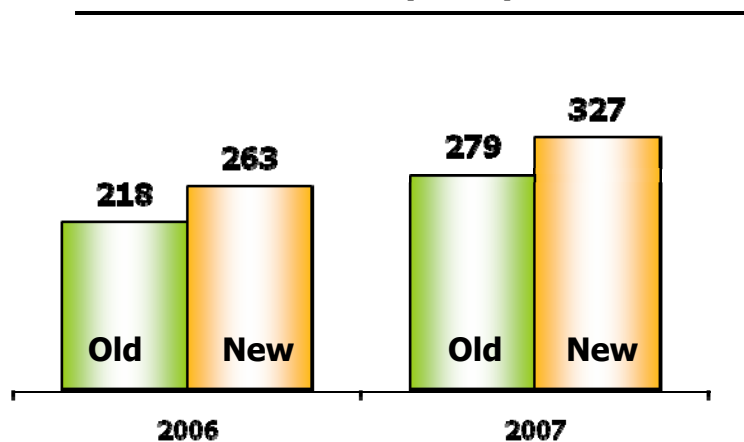
New perimeter of the Italian Operations:

Description

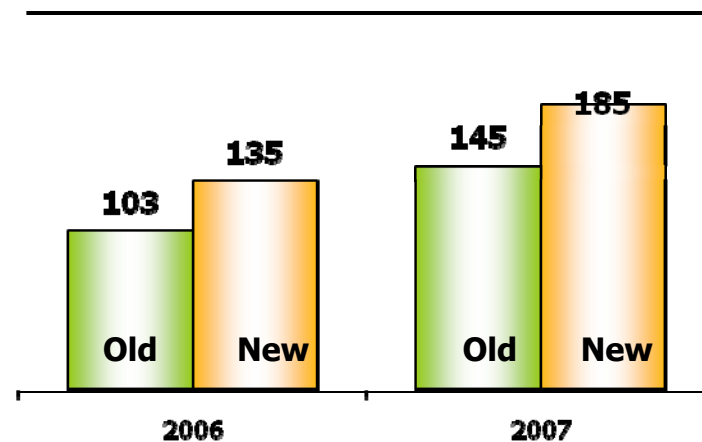
- With the aim of **achieving higher efficiency** and of **further simplifying the Group structure**, from this plan we will present a **new entity representing the results of the Italian operations**
- The **new Italian perimeter** will include:
 - **Tiscali Italy** (old perimeter)
 - **Tiscali Services**: IT services intragroup (>90%) and external (<10%)
 - **Tiscali Network**: International IP carrier services intragroup (<20%) and external (>80%)
 - **MVNO Italy**
- The new Italian perimeter includes therefore revenues and margins for Tiscali Services and Tiscali network from external customers and from the U.K. (IT and Tinet)

Italy: new perimeter vs. old

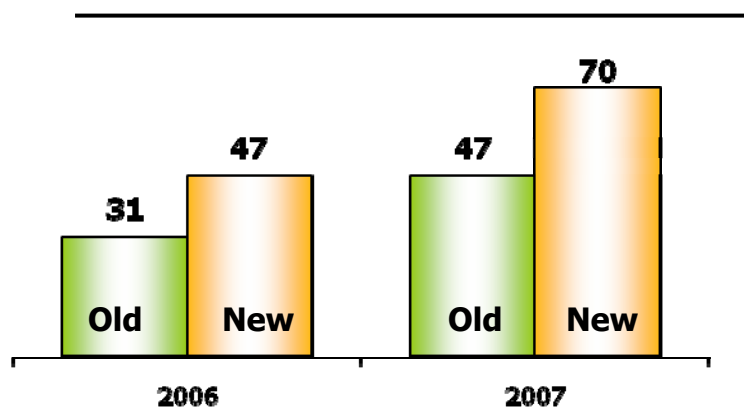
Revenues (€ Mln)



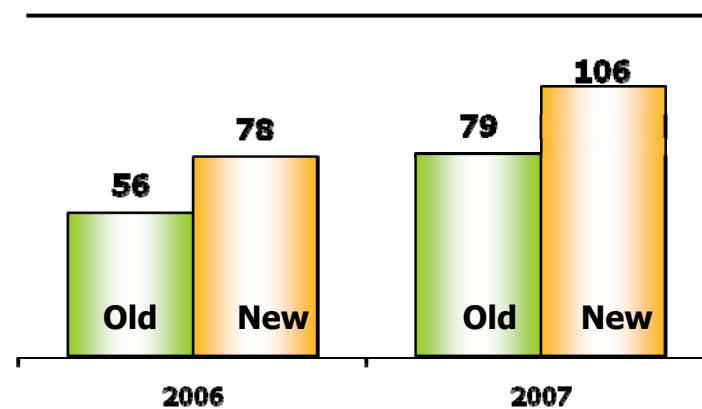
Gross Margins (€ Mln)



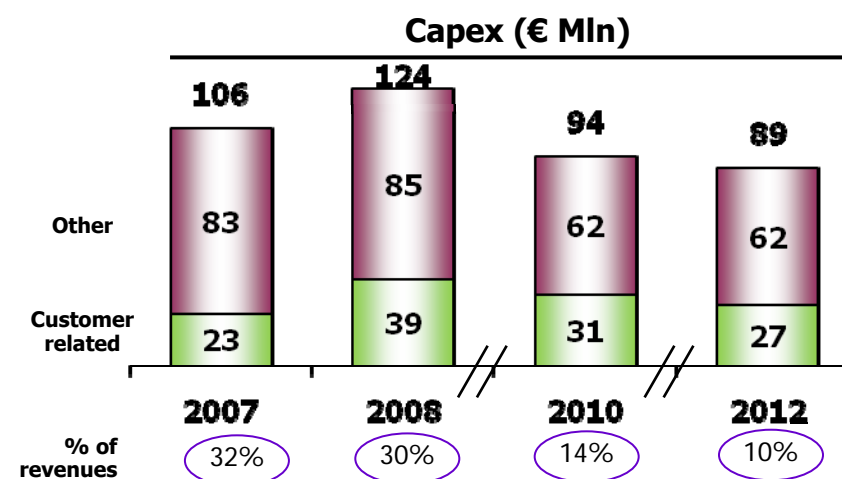
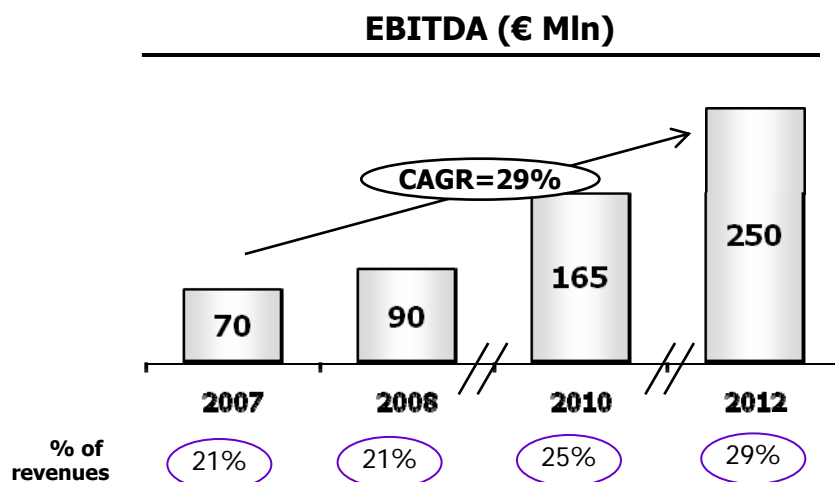
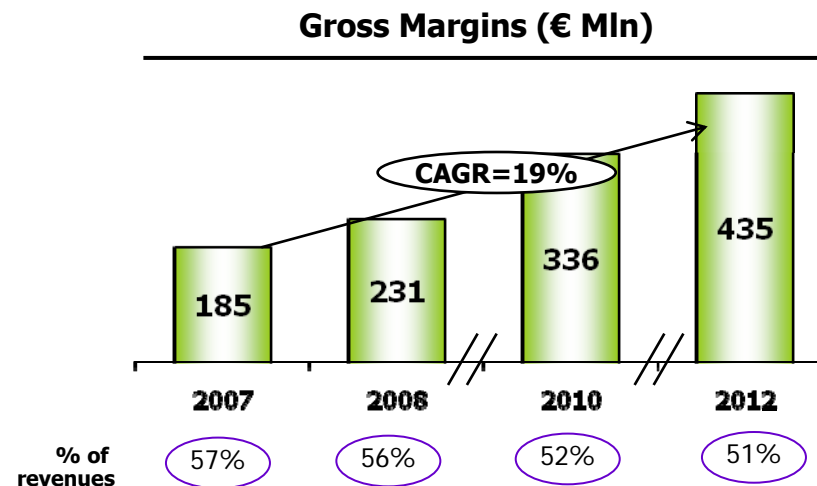
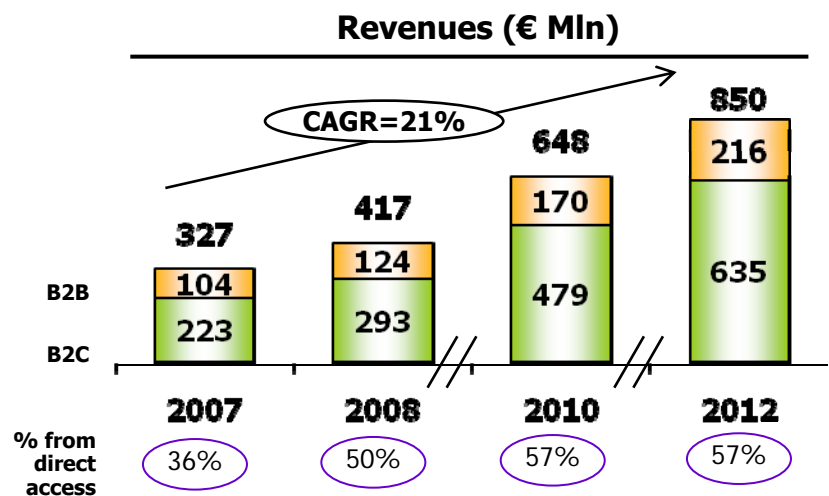
EBITDA (€ Mln)



Capex (€ Mln)

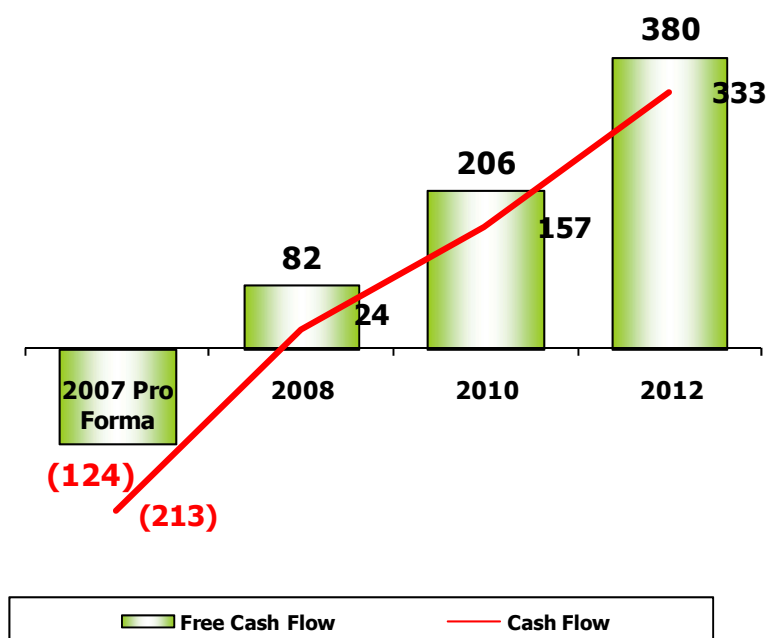


Italy focus: revenues, margins and CAPEX (new perimeter)

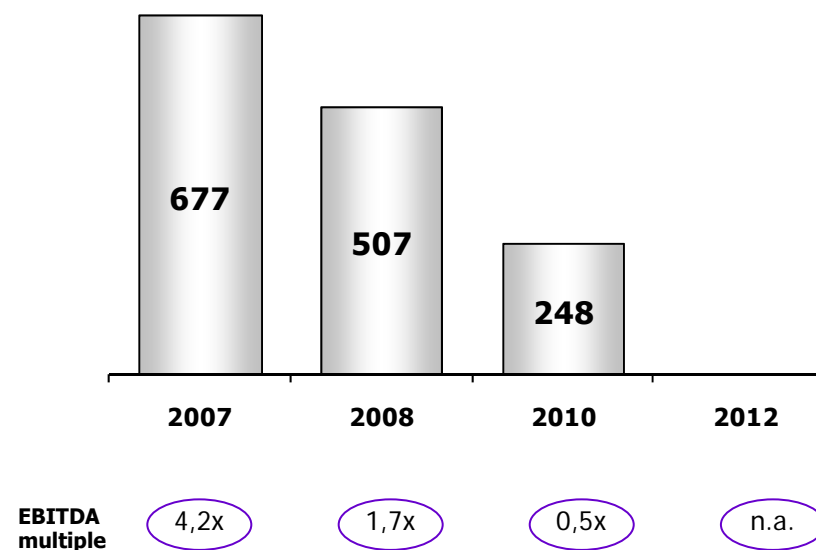


Cash Flow and Net Financial Debt

Free Cash Flow & Cash Flow (€ Mln) (*)



Net Financial Debt (€ Mln)



**Net Financial Debt evaluated under the simplified assumption of no dividend policy.
Repayment of existing debt after 2012**

(*) Note: "Free Cash Flow" excluding interests and taxes. "Cash Flow" reported after interests and taxes

Main economic and financial targets of the revised plan

Customers

- **3,3 Mln customers in 2008** of which **1,6 Mln direct**
- **4,0 Mln customers in 2010** of which **2,5 Mln direct**
- **4,6 Mln customers in 2012** of which **3 Mln direct**

Revenues

- **€ 1,3 Bln in 2008**
- **CAGR 08-12: 12%**

EBITDA Margin

- **22% of revenues in 2008**
- **27% of revenues in 2010**
- **30% of revenues in 2012**

Capex

- **Cumulated Capex 2008-12: around € 1 Bln**

Net Profit & Cash Flow

- **Cash Flow and Net Profit positive from 2008**
- **Cash Generation 08-12 : € 850+ Mln**

Most recent changes of financial structure: new long term debt

- **Total Financing Package EUR 650 ml made available by JPMorgan and Banca Intesa San Paolo** as Arrangers and Bookrunners to finance to Pipex acquisition and refinance the existing medium term bank indebtedness
- **Bridge to Floating Rate Note EUR 400 ml – FRN issue planned (early) 2008**
 - Maturity 7 years (expected)
 - Ranking: senior
 - Rated by leading agencies
- **Bridge to Rights Issuance EUR 150 ml – Share Capital Increase** (for debt reimbursement) **planned in early 2008**
 - Ranking: subordinated. **No further capital increase expected**
- **Credit Facility EUR 50 ml**
 - Maturity: amortizing, final term December 2011
 - Ranking: senior
- **Revolving Credit Facility EUR 50 ml**
 - Maturity: December 2011
 - Ranking: senior
 - Purpose: liquidity cushion

Most recent changes of financial structure: share capital increase and Management & Capitali Convertible

Share Capital Increase

- **Tiscali SpA equity issuance** with pre-emption rights
 - The Board of Directors has resolved, on November 16th, on a share capital increase for a maximum amount of EUR 150 ml (repayment of the Bridge to Right Issuance)
 - **Banca IMI and JPMorgan will act as lead managers** of the underwriting consortium
 - **Timing: first months of 2008** (already in advanced roll-out phase)

Management & Capitali

- **Subordinated Convertible bonds** in Tiscali SpA shares
- Amount: 60 ml EUR
- Terms:
 - **Conversion price 2,7 €/share** (equal to 22,22 ml shares underlying)
 - **Interest rate 6,75%** payable at maturity or conversion
- **Maturity: 5 years**
- **Equity Issuance** for potential conversion to be approved by the Tiscali SpA EGM on **Dec. 21st**

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Conclusions

- **Tiscali has delivered results in 2007 and has completed strategic transformation into Full Telco Operator**
- **Financial structure of Tiscali** has been completely **restructured**, with a safer financial position
- **Tiscali revised strategic plan has been focused** on reinforcing the business model **maximizing value creation in the short term** and is structured on **available financial resources to sustain growth**
- **Market and competitive situation in Italy & UK** is continuously **changing**, forcing operators **to review business models and gain scale**: this has determined a **first wave of consolidation**
- **Tiscali revised plan is aligned to react to possible market solicitations regarding opportunities for further consolidation/integration**