

The Board of Directors of Tiscali S.p.A. approves the business plan 2008-2012.

- Tiscali has achieved the results of the industrial plan presented in October 2006 and has completed the transition from an Internet Service Provider to a provider of integrated telecommunication services, delivering the announced financial targets
- This strategic plan updates the previous one and aims at strengthening the strategic positioning of the Group, at maximizing value creation in the short/medium term by investing in infrastructure and new services which will allow to compete in more complex competitive arenas
- The plan is supported by a sound financial structure achieved through the financing activities in 2007
- The key data of the industrial plan 2008-2012 are as follows:
  - Growth of direct customers: from 1 million in 2007 to 3 million in 2012, with a 26% yearly growth
  - Growth of revenues: over EUR 2 billion in 2012 (EUR 1.3 billion in 2008), of which 70% from direct access (+17% per annum)
  - Increase of gross operating margin growing from 17% of revenues in 2007 (22% in 2008) to 30% in 2012
  - Net profit and cash generation expected from 2008, with over EUR 850 million cash flow generated in the business plan horizon
- Net debt below two times gross operating result in 2008\*

*\*Assuming the execution of a capital increase amounting to EUR 150 million*

Cagliari, 26<sup>th</sup> November 2007

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### **Background**

Tiscali has fully achieved the goals of the industrial plan announced to the market in October 2006. The Group has in fact completed its transition from an ISP to an integrated telecommunication provider with an extensive network infrastructure based

#### **Investor Relations**

Chiara Dorigotti / Lisa Nanu  
+390230901 253/209  
ir@tiscali.com

**Press Office** Image Building  
Mara Baldessari, Simona Vecchies  
+39 0289011300 Email: tlc@imagebuilding.it

Tiscali S.p.A.  
Sa Illetta  
09122 Cagliari  
Italy

www.tiscali.com

on IP technology and is therefore in a position to offer its customers the whole range of telecommunication services.

In particular, from an operating standpoint the Group:

- has completed the refocusing of its activities in Italy and in the United Kingdom and the disposal of the Dutch and German operations;
- has completed the integration of Video Networks in the UK, successfully launching the IPTV offer also to its customers, and has acquired in September 2007 the voice and broadband division of Pipex Communications plc. ("Pipex");
- has developed a proprietary network of 1.300 full IP unbundling sites, covering over 21 million lines;
- has launched both in Italy and in the UK multiplay product offers which have allowed to reach, in one year, over 500 thousands customers with a growth of ARPU of over 60% and of voice revenues of over 80%.

Thanks to the above mentioned achievements, it is expected that in 2007 the Group will report significant results as compared to the previous financial year: 35% revenue growth and 60% gross operating result growth.

From the financial viewpoint the Tiscali Group:

- has been granted a long-term credit line amounting to EUR 650 million by Intesa San Paolo and JP Morgan, EUR 600 million of which have been utilized for the acquisition of Pipex in the United Kingdom and to replace the bank debt of the Group;
- has signed on 17<sup>th</sup> November 2007 an agreement with Management&Capitali for the subscription of a bond convertible into Tiscali shares for the amount of EUR 60 million which is expected to be issued within the current financial year;
- has approved a rights issue of up to EUR 150 million which it is expected to be executed by the first months of 2008, to partially refinance the existing debt;
- is expecting to further refinance the debt facility with a EUR 400 million bond issuance in 2008, subject to market conditions.

Thanks to the above actions, the Group has structurally rebalanced its financial structure, by increasing the maturity of its debt and has obtained the necessary resources to fund the business plan.

■ **Industrial plan 2008-2012: guidelines**

The guidelines at the basis of the industrial plan 2008-2012 foresee to strengthen the competitive positioning in Italy and in the UK targeting, primarily in 2008, the acceleration of the integration process of Pipex in the UK and a commercial boost in Italy.

The product positioning will be maintained on the double play offers (voice and data) with high capacity and at competitive prices, with an offer also covering IPTV services,

already available in the UK and which are being launched in Italy and mobile telephony services as well (through MVNO agreements).

The plan also envisages, particularly in the UK by leveraging on the client base acquired with Pipex, to further develop a positioning in the SMEs market, by offering a complete portfolio of integrated IP services with a competitive market positioning.

From an infrastructure standpoint, the plan contemplates a further expansion of the network to reach 1,800 unbundling (LLU) sites in 2008 and 2,100 by 2009, covering approximately 30 million lines. In particular, it is expected to reach 1,000 LLU sites in the UK in 2008 (740 of which IPTV enabled) and 1,100 sites in 2009 (covering 17 million lines). In Italy, thanks to a virtual unbundling agreement reached with Telecom Italia, the IPTV offer will be launched on 1,000 LLU sites already in 2008 (13 million lines), rolling out the network in 2H2008 to reach directly 800 LLU sites by 2008 and 1,000 in 2009, where economically viable.

The capital expenditure necessary to acquire the forecast customer base and to develop the network and the new services (IPTV and MVNO etc), amounts, over the business plan horizon, to ca EUR 1 billion, of which EUR 220 million in 2008.

In order to further simplify the Group structure and to achieve a better operating efficiency, the Board of Directors has also approved the merger of Tiscali Italia SpA with Tiscali Services - the company currently providing IT services to the Group - and a new consolidation perimeter including all Italian activities of the Group (Tiscali Italian SpA, Tiscali Services, Tiscali Network, MVNO).

■ **Targets**

On the basis of the business plan approved today the targets at consolidated level and in Italy and United Kingdom are:

- 2008 revenues at EUR 1.3 billion (+39% vs 2007) growing 17% per annum to reach over EUR 2 billion in 2012. In particular:
  - Italy: EUR 417 million revenues in 2008 and EUR 850 million in 2012 (+21% per annum), 70% from direct access
  - United Kingdom: approximately EUR 900 million of revenues in 2008 and approximately EUR 1.2 billion revenues in 2012, +14% per annum with about 70% from direct access
  
- Gross Operating Result at EUR 290 million in 2008 (22% of revenues) and over EUR 600 million in 2012 (30% of revenues), with a 30% growth per annum. In particular:
  - Italy: Gross Operating Result at EUR 90 million in 2008 (21% of revenues) and EUR 250 million in 2012 (29% of revenues)

- United Kingdom: Gross Operating Result at approximately EUR 220 million in 2008 (24% of revenues) and EUR 370 million in 2012 (30% of revenues)
- 3.3 million customers in 2008, of which 1.6 million direct customers and 1.1 million 'multiplay', reaching over 4 million customers in 2012 of which approximately 3 million direct customers (2.1 million as 'multiplay' customers, of which 650,000 IPTV). In particular:
  - In Italy 1.2 million customers in 2008 of which 600,000 direct customers and 400,000 multiplay customers, reaching 1.7 million customers in 2012, of which 700,000 multiplay;
  - In the UK 2.1 million customers in 2008, of which 1 million direct and 700,000 'multiplay', reaching 2.6 million broadband customers in 2012, of which 1.8 million direct and 1.4 million 'multiplay'.
- Net profit and cash flow from 2008. Within the plan time horizon, cumulated cash flow exceeding EUR 850 million
- Net debt at approximately EUR 500 million in 2008 (assuming the execution of EUR 150 million capital increase and its use for debt repayment), 1,7 times 2008 gross operating result; neutral financial position in 2012

Further details and information are included in the presentation of the industrial plan which will be available in the Investor Relations section of the Tiscali website [www.tiscali.com](http://www.tiscali.com), with the link to webcasting and to the audio-conference related to the presentation by the management to the financial community scheduled on 27 November at 14:30 CET.

*This press release contains certain forward-looking statements based on current expectations and projections in relation to future events. These forward-looking statements may be affected by known or unknown risks, uncertain events and cautious assumptions. This press release also contains unaudited pro forma data. Tiscali does not undertake to publish updates or modify any forward-looking statements, either to provide new information or in response to future events or other circumstances. In light of the aforementioned risks, uncertainties and assumptions, the forward-looking statements contained in this press release may not come to fruition. Any statement relating to past performance or activities should not be considered a guarantee of future performance or of such activities continuing in the future.*