

Tiscali's Board of Directors approves the 2007-2010 business plan

- Concentration of the core business in Italy and in the United Kingdom, where the Group's overall customer base currently exceeds 3 million users, of which approximately 50% ADSL subscribers
- New positioning, from Isp to full-service provider, delivering telecommunication and media integrated services to the end customer (with the relevant expansion on the physical access, voice and Iptv markets), through a full network and service IP model combining product innovation and marketing aggressiveness;
- Annual revenue growth of 20%; over EUR 1.4 billion in 2010
- Increase of EBITDA margin from 14% to 26% within the plan time-span
- ULL customers: from the current 400,000 to approximately 2 millions in 2010, of which about 500,000 triple play
- Net profit and cash flow from 2008
- Fully financed plan through asset disposal, with a further decrease of debt in excess of EUR 150 million in the next 12 months

Cagliari, 11 October 2006

The Board of Directors of Tiscali S.p.A has approved the new three-year plan 2007-2010.

■ *Reference background*

Positioned among the major European players providing Internet access services, Tiscali has shown in these last quarters a consistent positive trend both in growth and operating performance improvement.

On September 26 the company has repaid the EUR 209.5 million Equity-Linked bond, thus closing the refinancing process of all bonds issued from 2000, totalling over EUR 600 million.

On August 12, 2006, Tiscali has moreover announced the acquisition of Video Networks Ltd, a provider of IPTV services in UK with the Homechoice brand, while on September 15 the Group has signed an agreement for the transfer of its Dutch

operations to KPN against an enterprise value equal to EUR 255 million, with an estimated net capital gain of approximately EUR 180 million on the basis of the book value

■ **Industrial plan 2007-2010**

Tiscali already operates in the broadband business, the only market segment showing high growth rates and bringing in nearly all the revenues. The Group has thus identified as the goals of the 2007-2010 business plan the consolidation and strengthening of its position as infrastructured provider of IP based services.

The new positioning therefore involves the transition from a pure ISP model to an infrastructured provider model.

Tiscali will thus be in a position to develop a product proposition combining marketing aggressiveness and innovation through the full transfer of both traditional and innovative services on the new networks.

According to the new strategy the plan involves focusing on the two countries – Italy and United Kingdom – where the Group is already relying on the points of strength outlined below:

- large existing customer base: over 3 millions customers, of which 1.6 million ADSL subscribers;
- high growth rate of the broadband market;
- deep knowledge of the brand;
- strong position of portals with over 10 billions of e-mails exchanged every year and more than 800 millions of web-pages visited;
- a “full-IP” proprietary network, with ULL coverage of over 30% of households in both countries (a market of approximately 15 million lines to conquer);
- a regulatory framework granting new opportunities to infrastructured operators.

A further point of strength is the acquisition of Homechoice, a leading British company for IPTV services, through which the Group has won one among the best currently operating platforms together with a consolidated know how in the negotiation and packaging of television content, thus decisively decreasing the time to market in such segment.

Tiscali is also working on the new opportunities stemming from the fixed-mobile convergence process, both from a technologic viewpoint (testing of Wi-Max networks, single mobile terminals and integrated Wi-fi/GSM set-up-boxes), and on the basis of the new perspectives offered by the opening and development of the MVNO market.

The total amount of capital expenditure stated in the industrial plan and required to complete the *unbundling* network infrastructure and to develop the new IP service offer is approximately EUR 740 million.

The disposal plan will enable the full financing of the industrial plan as well as a decrease of approximately EUR 150 million of the current debt in the next 12 months. Following such decrease Tiscali's exposure will decrease at the end of 2007 from 2.4 times the current EBITDA to 1.2 times the EBITDA.

■ Targets

On the basis of the new business plan, the targets set out for 2010 are as follows:

- Revenue growth of 20% totalling over EUR 1.4 billion in 2010
- Increase of the EBITDA margin from 14% to 26% within the plan time-span
- Over 3 million ADSL subscribers, of which approximately 2 millions ULL and about 500,000 triple play
- Net profit and cash flow generation from 2008

Further details and information on the industrial plan presentation are available online, in the Investor Relations section of the website Tiscali www.tiscali.com

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.