

The Board of Directors of Tiscali:

- **Approves the Framework Agreement for the debt restructuring**
- **Calls the Shareholders' meeting to approve the capital increases in relation to the restructuring agreement**

Cagliari, 29th May 2009

■ **Framework Agreement for the debt restructuring**

The Board of Directors of Tiscali SpA, which met yesterday, has approved the Framework Agreement in relation to the Group's debt restructuring.

The Framework Agreement signed yesterday concerns:

- ca EUR 500 million of Senior Debt, as well as additional accrued interests, covered by the standstill agreement;
- ca EUR 100 million of debt in relation to the minority shareholders of Tiscali UK (VNIL);
- ca EUR 30 million of debt towards Andalus, a company held by the shareholder Renato Soru.

In particular, the Framework Agreement entails:

1. The repayment of part of the Senior Debt and of the debt towards the minority shareholders of Tiscali UK for ca. EUR 200 million and ca. EUR 8 million, respectively, using funds arising from the sale of Tiscali UK Ltd.. The net amount expected from the sale of Tiscali UK is currently around GBP 236 million (approximately EUR 260 million), of which about GBP 36 million (approximately EUR 40 million) will be held in escrow to cover certain contractual guarantees;
2. The confirmation of following debt facilities, totalling EUR 165 million, according to new terms and conditions, in particular:
 - a. **Tranche A:** EUR 100 million, with a with a 5-year maturity;
 - b. **Tranche B:** EUR 45 million, with a 6-year maturity;
 - c. **Tranche C:** EUR 20 million, with a 7-year maturity, to be repaid either with funds arising from the release of the escrow account related to the disposal of Tiscali UK or also through the capital increase described below (Capital Increase 3).

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3. A capital increase of Tiscali S.p.A, to be offered in option to all shareholders, broken down as follows:

a. Capital Increase 1: share capital increase for a maximum amount of EUR 190 million, with free warrants. The subscription of the capital increase would be guaranteed:

- i. for ca EUR 32 million by Andalus, a company owned by the shareholder Renato Soru;
- ii. for ca EUR 11 million by the minority shareholders of Tiscali UK, whose debt would be therefore written off for about 80%; and
- iii. for the residual part by the senior lenders.

Simultaneously, it is foreseen an increase in the share capital for the exercise of the warrants for a maximum of 5% of the share capital after the increase.

b. Capital Increase 2: share capital increase for a maximum amount of EUR 46.5 million, subsequent to the completion of the Capital Increase 1 as the amount of Capital Increase 2 will be determined depending on the level of subscription of Capital Increase 1. In particular, for each Euro in cash subscribed for by the market in relation to Capital Increase 1, the senior lenders would write off ca EUR 0.32 of senior debt up to a maximum of EUR 46.5 million. For example, if the market subscribes EUR 147 million of Capital Increase 1, the Senior Debt will be cancelled for EUR 46.5 million and Capital Increase 2 would not be launched. Conversely, if the market does not subscribe Capital Increase 1 at all, then Capital Increase 2 would be launched in full and offered in option to the market, being fully underwritten by the senior lenders;

c. Capital Increase 3: share capital increase for a maximum amount of EUR 25 million, delegated to the Board of Directors, the guarantee of which would be also provided by the senior lenders. Capital Increase 3 would have to be executed within three years from the resolution, in one or more tranches, finalized to the repayment of Tranche C and the related capitalized interests, if not previously repaid with the release of funds in escrow as described above.

The amounts of capital increases to be subscribed for by the guarantors would be released with compensation, in whole or in part, of credits towards the Company.

The Framework Agreement is conditional upon, among other things, the resolution of the capital increases as described above, the certification of the industrial plan by an independent expert and the completion of the sale of Tiscali UK to the Carphone Warehouse Group plc, for which application for regulatory approval has been already filed. Within the Framework Agreement, the shareholder, Mr. Renato Soru, has committed to support all the necessary resolutions to implement the restructuring plan.

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- **Extraordinary Shareholders' Meeting**

The Board of Directors of Tiscali has also resolved upon the calling of the Extraordinary Shareholders' Meeting on 28th, 29th and 30th June 2009 (first, second and third call) to deliberate upon:

1. the proposed elimination of the nominal value of the ordinary shares outstanding and consequent amendment of the Articles of Association and possible restatement of the number of shares also by means of their regrouping;
2. the examining the quarterly balance sheet at 31 March 2009 and the proposal for full coverage of the loss as at 31st December 2008, and of the ones cumulated in the current financial year, pursuant to art. 2446 of the Italian Civil Code;
3. the capital increase proposal pursuant to art. 2441 paragraph 1 of the Italian Civil Code for up to a maximum of EUR 190,000,000.00, including share premium, if any, by issuing ordinary shares without nominal value, together with free warrants, and the simultaneous capital increase up to 5% of the existing share capital after the increase referred to in this point 3 to the service of the warrants and application for the admission to listing of the warrants;
4. the proposed capital increase pursuant to art. 2441 paragraph 1 of the Italian Civil Code for up to EUR 46,500,000.00, including share premium, if any, by issuing ordinary shares without nominal value;
5. the proposal to delegate to the Board of Directors in accordance with art. 2443 paragraph 2 of the Italian Civil Code, to increase the share capital in accordance with art. 2441 paragraph 1 of the Italian Civil Code, in one or more tranches, within three years from the resolution for up to EUR 25,000,000.00, including share premium, if any, through the issuance of ordinary shares without nominal value.

- **Timetable for the capital increases and the presentation of the Industrial Plan to the market**

It is expected that capital increases which are not subject to delegation will be offered to the market and subscribed for by the end of the current financial year.

The new Business Plan will be presented to the market consistently with timing expected for capital increases and before their execution.

"The Framework Agreement, achieved within the expected timeline, designs for the Tiscali Group a sustainable financial structure, also for the development of its activities in Italy. The

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path thus identified, when completed, together with the already started process of rationalization and optimization of activities and improving market conditions, will strengthen the positioning of Tiscali in Italy, laying the foundations for its new equity story' said Mario Rosso, Chairman and CEO of Tiscali SpA commenting the operation.

This press release contains some statements of an anticipatory nature founded on the current expectations or on projections about future events. The aforementioned anticipatory statements depends on known and unknown risks, uncertainties and considered presuppositions. Furthermore, this press release contains some pro forma financial information not subject to audit review. Tiscali does not assume any commitment to publicly update or modify the anticipatory statements, either because of new information, or because of future events or otherwise. In light of the aforementioned risks, uncertainties and presuppositions, the anticipatory statements contained in this press release could be unconfirmed. Each statement relative to past occurrences or activities is not to be considered as a statement that these occurrences or activities will continue in the future.

Information about Tiscali

Tiscali S.p.A. (Italian Stock Market. Milan: TIS) is one of the principal alternative telecommunications companies in Europe. With one of the broadest and most interconnected networks based on IP technology in the world Tiscali furnishes its clients, privates and companies, with a wide array of services: dial-up and ADSL Internet access, voice, VoIP, media, value added services and other technologically advanced products.

At 31 March 2009, Tiscali registered in Italy and in the UK a total of about 2.7 million active users. Of these, over 2.2 million subscribe to ADSL.

Tiscali's website can be found at www.tiscali.com.

PRESS RELEASE

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