

## Tiscali and Video Networks: integration in the UK market

Cagliari, London, August 12th 2006,

Tiscali and Video Networks International Ltd announce today that they have reached an agreement whereby their respective UK market operations would be fully integrated.

Pursuant to this agreement, Video Networks International Ltd (VNIL) would contribute 100% of their UK operations - Video Networks Ltd (VNL) - into Tiscali UK Ltd, fully owned subsidiary of Tiscali SpA, in exchange for an interest in Tiscali UK. As a result, Tiscali SpA would control 88.5% of Tiscali UK, while VNIL would own 11.5%. The agreement is expected to become effective in August 2006, upon fulfillment of certain technical conditions. Furthermore, the shareholding of VNIL in Tiscali UK could be increased to up to 20% if certain performance targets are reached. Tax losses carried forward would also be contributed to Tiscali UK by VNIL at a discount and payable on a deferred basis and according to their expected utilisation in the future. Tiscali SpA has the right to acquire and VNIL to sell VNIL's stake in Tiscali UK starting from three years after closing or earlier upon certain trigger events.

Following this integration, Tiscali UK will immediately have more than 1.3 million DSL customers, of which 350,000 customers are taking voice and broadband, over 45,000 will be IPTV subscribers, and an unbundled local loop ("ULL") network covering over 300 BT exchanges with in excess of 220,000 ULL customers.

Video Networks currently provides TV and video services under its Homechoice brand, to its broadband subscriber base using its state of the art IPTV platform. Homechoice has 45,000 customers, mostly taking triple play (broadband, telephone and TV) which pay on average £500 a year. VNL has an annualised turnover of approximately £18 million.

Homechoice's premium offering includes content from all the major Hollywood studios delivering a library of over 1,000 movies, over 5,000 interactive music videos via the award-winning V:MX service as well as a full bouquet of pay TV channels.

Tiscali UK will market these IPTV services as part of a compelling product proposition including voice, data, television (IPTV) and other on-demand video services. Tiscali UK's strategy will also be to enhance its current wholesale DSL product by adding IPTV to the proposition and syndicating this on a 'white label' basis.

### Investor Relations

Ph. +39 02 309011 - Email: [ir@tiscali.com](mailto:ir@tiscali.com)

Press Office

### Image Building

Simona Vecchies

T. +39 335 12 45 190 Email: [info@imagebuilding.it](mailto:info@imagebuilding.it)

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

[www.tiscali.com](http://www.tiscali.com)

PRESS RELEASE

"This agreement represents a very important step for the Tiscali Group not only in the UK market, where Tiscali's position would be further strengthened, but also in the other markets, allowing Tiscali to position itself as a true Triple Play operator. The Triple Play offer in the UK will be launched by the end of the year and will be immediately followed by the launch of the service in Italy and then in the other markets." says Tommaso Pompei, CEO of the Tiscali Group.

Mary Turner, CEO of Tiscali UK says: "This agreement further underlines Tiscali's position as a leading investor and innovator in the UK market. This will put us in a strong position to offer our customers an exciting and compelling package of existing and next generation communication and entertainment services."

Roger Lynch, Chairman and CEO of VNL who will head the syndication business and join the board of directors of Tiscali UK following completion of the transaction, says: "This agreement will allow many more consumers nationally to experience VNL's market-leading IPTV offer as part of a compelling triple play bundle of services. It also gives significant additional capabilities to develop and promote the growing IPTV syndication business in the UK and abroad, which will be an important growth driver."

#### About Tiscali UK

Tiscali UK forms part of Tiscali SpA, headquartered in Cagliari, Italy. The UK company was launched in July 2001 following the acquisitions of Liberty Surf, World Online and LineOne. Tiscali UK also acquired Tiny and Gateway ISPs. Tiscali UK is positioned within the UK market as the 3rd largest DSL provider with 1.2 million broadband customers.

One of the most comprehensive sites on the web, Tiscali's portal [www.tiscali.co.uk](http://www.tiscali.co.uk) provides 22 channels and over 40,000 pages of constantly updated information, resources and entertainment content. The site receives over 6 million unique visitors a month and provides online services from shopping to sport and money to entertainment. The site also provides services such as legal music downloading from a catalogue of over 500,000 tracks, free Video Email and Netphone services and a Members Area with members only content and offers.

#### About Tiscali SpA

Tiscali S.p.A. (Borsa Italiana, Milan: TIS) is one of the main independent European telecommunication companies. With one of the largest and most interconnected IP networks in the world, Tiscali is able to supply its customers, residential and business, with a full range of services: Internet access, both dial-up and ADSL, voice, VoIP, media, value added services (VAS), and other technologically advanced products. As of 31 March 2006, Tiscali had 4.5 million active users in Italy, Germany, the Netherlands, the UK and the Czech Republic. More than 1.9 million were ADSL customers, of which more than 435,000 received unbundled services.

Tiscali's corporate website can be found at [www.tiscali.com](http://www.tiscali.com) <<http://www.tiscali.com/>>

About VNL

Video Networks Ltd provides video services under the Homechoice brand and is a leading provider of broadband entertainment and communications through its digital TV, video-on-demand (VOD), home phone and Internet services. The company is one of the most experienced LLU operators in the UK and has unbundled 141 exchanges covering in excess of 2.5 million homes across London.

Homechoice is the best all round digital TV, video-on-demand and broadband Internet package on the market, with over 95 of the best broadcast and on-demand entertainment channels including BAFTA award-winning interactive music channels, Emmy Award winning kids channel Scamp and more than 6,500 on-demand movies, music videos and TV programmes. Sky Sports and Sky Movies channels are available on the Homechoice platform under a retail distribution agreement with BSkyB.

Homechoice offers customers always-on, broadband Internet connections with speeds ranging from 2Mb to Max Speed (up to 8Mb). In addition, included in the monthly charge for TV & broadband services is a home phone service, offering free evening and weekend calls to local and national numbers, and low rates to UK mobiles and abroad. There is also the option to upgrade to the Homechoice Anytime talk plan from as little as £5 per month.

The Homechoice website can be found at [www.homechoice.co.uk](http://www.homechoice.co.uk)  
<<http://www.homechoice.co.uk/>>

For more information please contact:

Tiscali: Jody Haskayne, Director of PR & Communications, Tiscali UK Limited on 020 7087 2115 or 07710 726 443

Daljit Bhurji or Sarah Baldry at Hotwire PR on 020 7608 2500

*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.*

PRESS RELEASE