

## Tiscali: presentation of 2005-2007 business plan

- The available resources allow the Tiscali Group to accelerate growth in the four main countries - Italy, United Kingdom, Netherlands and Germany
- Sales expected to grow 30% per annum\*, to more than EUR 1.4 billion in 2007
- EBITDA expected to grow 70% per annum\*, achieving a margin of 24% of revenues in 2007
- More than 3,800,000 ADSL users in 2007, with over 40% receiving unbundled services
- Net profit from 2005

*\*Based on pro-forma figures for 2004*

Cagliari, 13 April 2005

Tiscali presents its 2005-2007 business plan which, while confirming the key strategic objectives on the one presented in February 2004, accelerates growth in the four key countries – Italy, United Kingdom, Netherlands and Germany.

### ■ **Background**

Tiscali is a leading European internet provider, with more than 7.4 million active subscribers, of whom over 1.6 million were ADSL subscribers at end-December 2004. This is before Tiscali, implemented its plan to sell off its assets in certain countries in 2004 and early 2005

Furthermore, the sale of French subsidiary Liberty Surf Group was agreed in April 2005. The value of the transaction, based on 100% of Liberty Surf Group's share capital, was around EUR 280 million. The price agreed, based stake held by Tiscali, was approximately EUR 266 million, of which approximately 90% will be cashed in at closing. In 2004, Liberty Surf reported revenues of EUR 224.6 million, with EBITDA around the breakeven mark and more than a million active users. Completion of the transaction is on the approval of the French competition regulator, which is expected in six-eight weeks.

Other assets are to be sold in the first half of 2005, notably the Spanish subsidiary and TiNet.

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The financial resources obtained so far allow Tiscali to accelerate growth in Italy, UK, The Netherlands, and Germany. By summer Tiscali will decide whether to maintain its presence in Czech Republic.

We expect that the European ADSL internet market will continue to grow strongly in the next two years. Thanks to its key strengths, Tiscali is now among the five biggest players in each market where it has decided to keep its presence.

■ **2005-2007 business plan**

The 2005-2007 business plan focuses on four European markets—Italy, UK, The Netherlands, and Germany—in which the Group intends to develop further unbundled network infrastructure over different timescales.

Each European country in which Tiscali has a leading position it has been decided to focus its activities based on a differentiation in terms of competitive situation and level of broadband penetration. The business plan, which goal is to improve market position and profitability, has been designed to take into account the key variables in each individual country—degree of penetration, growth rate, available/adopted technologies, market structure and competition—and the financial resources available for infrastructure and marketing investments.

Revenues are forecasted to rise at a CAGR of 30% in 2005-2007, to over EUR 1.4 billion in 2007.

It is also expected that by 2007 more than 40% of ADSL clients will receive unbundled services, and about 30% will receive services in bitstream mode. Total ADSL clients are expected to number more than 3.8 million, and European market share to exceed 10%.

The 2005-2007 plan envisages a constant improvement in profitability and the optimisation of financial resources. EBITDA is expected to increase to 24% of revenues in 2007, with a CAGR of 70% in 2005-2007. In 2005, EBITDA is expected to be more than 13% of revenues, and net profit is expected to be positive for the year, confirming last year's target. Moreover the plan forecasts significant sales and marketing expenses to accelerate ADSL growth.

The Group plans to invest over EUR 300 million in 2005-2007, most of which will be spent on developing and completing unbundled network infrastructure. In 2005, investment is expected to be about 12% of sales, and will mainly be in Italy, the Netherlands, and the UK. In Italy, where development is to be speeded up, the Group plans to invest around EUR 35 million, which will allow ADSL coverage of 50%, with a target of connecting around 650,000 active ADSL users by 2007, achieving a market share of 8%. In the Netherlands, where unbundled services are already available and ADSL coverage is 60%, the company plans to increase coverage from present levels to

more than 80% and improve the quality of service offered. The UK is an extremely attractive market, offering substantial growth opportunities which Tiscali plans to seize through significant investments, spending around EUR 90 million over the next three years, on developing its selective unbundled network.

■ **2005 targets**

Tiscali has set the following targets for 2005:

- Sales of more than EUR 800 million, an increase of more than 20% (like-for-like), mainly in broadband access and business services
- EBITDA of over EUR 100 million
- More than 1.8 million ADSL users, 30% of which receiving unbundled services
- Investment at 12% of revenues

■ **Business prospects**

The substantial growth of broadband services has led the Tiscali Group to focus its business model on providing these services. In view of the current realistic market opportunities, the use of financial resources to invest and acquire customers has become more and more important. The rapid increase in investments will cause cash flow to be negative in 2005, the initial phase of the business plan. The plan projects positive net cash flow from 2006.

The disposal of non core assets, the capital increase in December 2004 and the sale of the French subsidiary Liberty Surf Group gives Tiscali the necessary resources to redeem the bonds due in July 2005 and to finance the projected growth and investments in 2005.

Given the level of investment needed to continue and to sustain the growth in the ADSL segment, Tiscali intends to refinance, wholly or in part, the equity-linked bonds due in 2006. This refinancing could be carried out via medium-term bank credit lines or bond issuance, also convertible. This would help to improve the Group's financial structure, which will lead to a significant reduction of the level of indebtedness.

*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.*