

Tiscali:

- **Completes the sale of Tiscali UK to the Carphone Group**
- **Finalises all contractual arrangements related to the debt restructuring process**

Cagliari, 6th July 2009

Tiscali announces the completion of the sale of 100% of Tiscali UK to the Carphone Warehouse Group for an Enterprise Value of approximately GBP 255 million, GBP 236 million, net of certain working capital debt.

The disposal of Tiscali's UK subsidiary has happened simultaneously with the restructuring of the outstanding debt of the Tiscali Group towards of certain senior lenders, the minority shareholders of Tiscali UK and the Shareholder, Mr Renato Soru.

"We have successfully completed in a short time frame a structured process that involved the closing of M&A transactions and the settlement of a number of creditors' positions of different nature. On the one hand, the disposals of Tiscali UK and TiNet have been closed also in view of ensuring those subsidiaries with an industrial future while laying the basis for the debt restructuring. On the other hand, all the creditors involved have shown the management of the Company the common desire to achieve the debt restructuring of the Group, being aware of the validity of the industrial project of Tiscali", said Mario Rosso, Chairman and CEO of Tiscali SpA

Below a summary of the key steps of the debt restructuring of the Tiscali Group .

- **The Framework Agreement**

As already announced to the market on 29th May 2009, the Framework Agreement which has been implemented related to:

- a) Ca EUR 500 million of senior debt, in addition to interest and costs of closure of the hedging contracts (the "Senior Debt"), for which a standstill period had been agreed and communicated to the market;
- b) Ca EUR 100 million of debt towards the minority shareholders of Tiscali UK (VNIL);
- c) Ca EUR 31 million of debt, plus interest, towards Andalus Ltd., a company held by the shareholder Renato Soru.

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Consob has confirmed that the restructuring of the Tiscali Group, according to its key features, meets the eligibility criteria set out in art. 49 paragraph 1, letter b) of the Issuers' Regulation.

Specifically, in accordance with the provisions in the Framework Agreement Tiscali has put in place the following operations.

■ **Completion of the disposal of Tiscali UK Ltd**

Through the utilisation of the proceeds arising from the sale for cash of 100% stake in Tiscali UK Carphone Warehouse Ltd Tiscali has already repaid a portion of senior debt for about EUR 200 million and to VNIL ca EUR 8 million. As stated above, the net proceeds from the sale of Tiscali UK has amounted to GBP 236 million, of which approximately GBP 36 million are held as a guarantee towards certain contractual obligation (the "**Escrow** ").

■ **Increases of Share Capital**

The reduction of the residual part of the Senior Debt maximum of about EUR 193.5 million - inclusive of interest and costs of closing the hedging contracts, of which about maximum EUR 147 million related to Tranche D1 (the "**Tranche D1**") and maximum around EUR 46.5 million related to Tranche D2 (the "**Tranche D2**") will take place through, respectively, and the Capital Increase 1 and, eventually, the Capital Increase 2 (as described below), as approved on 30 June 2009 and already communicated to the market, to be offered as an option to shareholders and, for the unsubscribed rights, if any secured, inter alia, by the Senior Lenders pursuant to the terms and conditions set out in the undertaking of guarantee described briefly below.

Under the Restructuring Plan, in accordance with a decision by the Shareholders' Meeting on 30 June 2009, the following capital increases are expected to be executed:

- a) a capital increase, to be offered as an option to the shareholders of the Company in accordance with art. 2441, of the Italian Civil Code for up to 190 million Euro (the amount of which will be determined close to the offer period taking into account the actual size of Tranche D1) (the "**Capital Increase 1**") at a price of EUR 0.01 (or EUR 0.1 after the reverse stock split) per share, together with free warrants to subscribe for newly issued shares of the Company, up to a maximum of 5% of the number of shares actually underwritten within Capital Increase 1 (the "**Warrants**").
- b) A capital increase, to be offered as an option to the shareholders of the Company in accordance with art. 2441 of the Italian Civil Code up to EUR 46.5 million conditional upon the underwriting of shares by the Senior Lenders in Capital Increase 1, according to the mechanics described below (the "**Capital**

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Increase 2") at a price of EUR 0.01 (or EUR 0.1 after the reverse stock split) per share . The need to launch Capital Increase 2 and the final amount will be determined only after the completion of Capital Increase 1, in accordance with the residual amount of Tranche D2 following the write off of EUR 0.3123 per each Euro subscription for Cash, as better specified below with respect to commitments for subscription of the Senior Lenders (the "**Write Off**"). Indeed, the Capital Increase is 2 is aimed to the repayment and / or the conversion of the remaining Tranche D2, for up to EUR 46.5 million.

- c) An increase in share capital delegated to the Board of Directors in accordance with art. 2443 of the Italian Civil Code, to be offered as an option to the shareholders of the Company, to be executed within three years, in one or more tranches for up to EUR 25 million and aims at the repayment of the Tranche C and its capitalized interest for the exercise of the early repayment option by the Company (the "**Capital Increase 3**").

It is expected that Capital Increase 1 and Capital Increase 2 will be executed, respectively, by the end of 2009 and by the first quarter of 2010.

The new Business Plan will be presented to market in line with the timetable for the capital increases and before the execution thereof.

Herein below we provide further details about the underwriting commitments in relation to capital increases. The subscription of shares pursuant to the existing commitments would be guaranteed through the mechanism of compensation of credits towards the Tiscali Group.

■ Underwriting commitment of the Senior Lenders

On 3 July 2009 the Senior Lenders have confirmed their commitment to subscribe shares for up to EUR 147 million through settlement of any residual credits arising from the portion of the Tranche D1, if any, that will have not been repaid with the proceeds of subscriptions made in cash by the market, and thus after the exclusion of Andalus and VNIL Shareholders (the "**Cash Subscriptions**") in relation to Capital Increase 1. The Senior Lenders have also agreed to write off a portion of their credits relating to Tranche D2, for an amount of EUR 0.3123 for each Euro of Cash Subscriptions, up to a maximum of EUR 46.5 million.

■ Underwriting commitment by the shareholder Renato Soru

The shareholder, Mr Renato Soru, in addition to giving his support to the resolutions necessary to implement the Plan of Restructuring, has also renewed his commitment to the Company, to underwrite Capital Increase 1 for part of his entitlements in rights,

directly or indirectly, and up to a maximum amount EUR 32 million. Such underwriting commitment was formalized on July 2 2009 and will be delivered through the compensation of credits held by Andalus Ltd, a company belonging to Mr. Renato Soru, towards the Tiscali Group.

■ **Underwriting commitment of the UK minority shareholders (VNIL)**

On 3 July 2009, the VNIL shareholders have entered into a restructuring and settlement agreement which entailed the write off of ca EUR 80 million of credits against a payment from proceeds of the sale of Tiscali UK and the possibility of repayment of thw outstanding credit through the Cash Subscriptions remaining after the full repayment of the Tranche D1, and to subscribe for shares of the Company in Capital Increase 1 through compensation of any residual portion of the credit that will have not been reimbursed.

■ **Sustainable debt**

Tiscali and the Senior Lenders have also renegotiated the terms and conditions of sustainable debt, confirming financings for a total of ca EUR 160 million, as follows:

- a) **Tranche A** amounting to EUR 100 million, with a maturity of 5 years;
- b) **Tranche B** amounting to EUR 40 million, with a maturity of 6 years;
- c) **Tranche C** amounting to EUR 20 million, with a maturity of 7 years, to be early reimbursed in by utilisation of the cash that will be eventually released from the Escrow.

The agreements above contain, as customary in similar operations, the Company's commitments for the protection of the positions of creditors including, inter alia: (i) information requirements relating to financial data, (ii) constraints in relation to asset disposals, (iii) constraints on the implementation of extraordinary operations, (iv) constraints relating to the establishment of new guarantees in favour of third parties, (v) financial covenants, (vi) constraints in relation to the carrying out of operations that, in materially changing the characteristics of the Company and the Group, may affect the reasons for credit for the Senior Lenders and (vii) commitments relating to the Business and Financial Plans.

Following the execution of the capital increases described above and, in general, after the implementation of the actions under the restructuring plan, the financial indebtedness of the Tiscali Group towards the Senior Lenders will be reduced to ca Euro 140 million, which was considered, also by an independent expert, reasonable for

the Tiscali Group in light of expected cash flows and of the cost and amortising plan of the restructured debt and of the other financial debt held by the Group.

This press release contains certain statements of a forecast based on current expectations and projections about future events, revisionali Such statements are dependent on known and unknown risks, uncertainties and assumptions considered, In addition, this press release contains certain pro forma financial data are not subject audited, Tiscali does not undertake any obligation to publicly update or edit statements, whether as a result of new information, both in case of future events or otherwise, the light of these risks, uncertainties and assumptions, the statements contained in this press release could not be confirmed, each statement on past trends or activities should not be regarded as a statement that such trends or activities will continue in the future.

About Tiscali

Tiscali SpA (Borsa Italiana. Milan: TIS) is a leading alternative telecommunications company in Europe. With one of the most extensive and interconnected networks based on IP technology in the world, Tiscali offers its clients, private companies, a wide range of services: access to the Internet in ways both dial-up, or ADSL, Voice, VoIP, media , value-added services and other technologically advanced products.

At 31 March 2009, Tiscali has been in Italy and the UK a total of approximately 2.7 million active users. Of these, over 2.2 million were ADSL subscribers.

The web site is located at Tiscali www.tiscali.com.

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