

**Tiscali: beginning of the rights issue period the offer to shareholders of Shares with free Warrants arising from the capital increase.**

**The Company announces the Business Plan 2009 - 2013**

- **Beginning of the offer period in relation to the ca EUR 180 million rights issue. Roadshow starts in the main European financial centres;**
- **Offer to shareholders of 1,799,830,945 ordinary shares at a price of EUR 0.10 with an equal number of free warrants; ratio of 643 new shares for every 22 shares held;**
- **The option period runs from October 12<sup>th</sup> to 30<sup>th</sup> October 2009 included; the period of trading on the Stock Exchange of the option rights runs from October 12<sup>th</sup> to 23<sup>rd</sup> October 2009 included;**
- **The Business Plan 2009 - 2013 aims at consolidating the position of the Tiscali Group on the Italian market mainly through ADSL and voice products, also leveraging on the ongoing convergence with mobile services;**
- **The main targets of the Business Plan 2009-2013 include:**
  - o **Revenues for 2009 at ca EUR 300 million, reaching ca EUR 370 million in 2013;**
  - o **Gross Operating Result (adjusted EBITDA) in 2009 at ca EUR 70 million, reaching ca in EUR 90 million in 2013;**
  - o **Ca 1 million customers in 2013;**
  - o **Cash generation from 2010;**
  - o **Cumulated 2009-2013 CAPEX at approximately EUR 150 million.**
- **Tiscali clarifies its position regarding statements by Carphone Warehouse as reported by the press**

Cagliari, 12 October 2009

The option rights period for shareholders of shares with related Warrants arising from the capital increase commences today. In this context the Company also announces the Business Plan 2009-2013..

## ■ **Business Plan 2009 – 2013**

Within the scope of the capital and financial restructuring process undertaken by the Tiscali Group, the disposal of Tiscali UK, on July 3<sup>rd</sup> 2009, resulted in a significant reduction in the scope of operations of the Group, which are currently largely attributable to the operations carried out in Italy.

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The Business Plan 2009-2013 (the "Business Plan"), reflects this new scope of operations and was also subject of a separate statement as provided by art. 67 paragraph 3, letter d), the Royal Decree of March 16, 1942 No 217, by an independent expert on 1<sup>st</sup> July 2009.

The forecasts and targets referred to in this press release and the report of Reconta Ernst & Young SpA with regard to i) the reasonableness of the underlying assumptions and ii) the accounting principles used in their preparation, are contained in the Prospectus published on 9 October 2009 and to which reference is made . The Prospectus, to which we refer for more information, is available at the headquarter of Tiscali SpA (Cagliari, Località Sa Illetta, SS 195 km. 2300), and at the Italian Stock Exchange (Milan, Piazza degli Affari, 6), on the website of the Company, [www.tiscali.com](http://www.tiscali.com), and on the website of the Italian Stock Exchange, [www.borsaitaliana.it](http://www.borsaitaliana.it).

The main forecasts of the Business Plan, are summarized as follows:

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- (i) revenues at ca EUR 300 million in 2009, with a Compounded Annual Growth forecast of 4% reaching ca EUR 370 million in 2013;
- (ii) Adjusted gross operating results (adjusted EBITDA) at approximately EUR 70 million in 2009 (ca 23% on revenues), with growth in subsequent years estimated at 6% annually to reach approximately EUR 90 million in 2013 (ca 25% on revenues);
- (iii) 600 thousand broadband and voice customers in 2009 with a forecast to reach about one million customers in 2013, including about 200 thousands MVNO customers;
- (iv) free cash flow from operations (before finance charges and tax) forecast negative for ca EUR 11 million in 2009 and positive for EUR 40 million in 2013;
- (v) net profit of around EUR 16 million in 2013 and net debt estimated at around EUR 180 million , with a multiple of ca two times the adjusted EBITDA.

The forecasts of the Tiscali Group are based on assumptions regarding future events and are therefore subject to the uncertainty which is typical for the macroeconomic scenario, and to the ability of the Directors and the Group's management to implement the actions envisaged in the Business Plan.

Forecasts expressed in the Business Plan include hypothetical assumptions about future events and actions of directors and the Group's management which may not occur and on events and actions which directors and management may not or may only partially affect.

It is finally to note that delivery of the forecast data is subject to completion of the planned capital increase, the subject of this Prospectus, and the completion of the implementation of financial restructuring agreements entered into with financial institutions in the process of asset and financial restructuring of the Tiscali Group.

## ■ Strategic objectives to implement the Business Plan

The guidelines of the Business Plan aim to consolidate the Group's position in the Italian market. The positioning will be maintained primarily on dual play (voice and data) offers through a portfolio of products characterized by greater simplicity in the range and prices and a gradual integration with mobile services (through agreements for the provision of MVNO services).

The Business Plan also provides for the Group to position itself on the business market of small and medium sized companies, offering a full range of integrated IP services at competitive prices.

In order to achieve the objectives outlined above, Tiscali Group, in particular, intends to:

- 1) reposition Tiscali as an innovative brand, reinforcing the original mission of "first mover" in the Italian telecommunications market, including brand communication campaigns and products, both on traditional and internet media. It should be noted that in

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3

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September 2009, the convergent offer "Tiscali Unica", including the innovative wiPhone service, was launched;

- 2) the increase customer ARPU through the deployment of consumer fixed-mobile converged offerings that incorporate all the potential offered by the IP protocol to provide both Internet access services, mobile voice services with a low-cost and based on IP protocol, with effect of reducing the rate of user migration towards competition (the so-called churn rate) and of reducing the cost for the end user;
- 3) increase the performance of sales channels by improving the processes of registration and targeted communication campaigns for the product. Furthermore, in order to improve the penetration of the customers in selected areas, Tiscali will use telemarketing campaigns in order to optimize the penetration in certain geographic areas of particular interest. Notably, commercial agreements were concluded in October 2009, with the retailers CHL and Buffetti for distribution of Tiscali products in their network of shops in Italy.
- 4) strengthen the brand awareness of Tiscali in the business market segment, focusing particularly on SOHO, Small Business to Medium Business. To this customers target Tiscali offers integrated voice and Internet access at competitive prices, using the same technology infrastructure that is utilised for the consumer market. The full integration of mobile voice solutions, to be achieved through the integration of network, aims to increase market share in the business segment. To support the activity described above, Tiscali intends to strengthen its local presence through a targeted increase in direct and indirect sales force;
- 5) continue the rationalization and monitoring of operating costs, improving the processes of provisioning and billing;
- 6) continue network development also through network sharing agreements with other alternative operators and complete the integration of network and information systems to support the programs of fixed-mobile convergence.

## ■ Rights Issue: offer in option to shareholders of shares with free warrants

The Information Prospectus relating to the rights issue (the "Offer") and to the admission to listing on the MTA of the Italian Stock Exchange of N. 1,799,830,945 Tiscali ordinary shares with N. 1,799,830,945 "Warrants Tiscali S.p.A. 2009-2014" (the "Prospectus") has been published on 9<sup>th</sup> October.

The Offer, on the Italian market, involves Tiscali shares, without par value (the "Shares"), with characteristics identical and ranking pari passu with those already in circulation, deriving from a divisible capital increase, in cash, approved by the Extraordinary Shareholders' Meeting of Tiscali on 30<sup>th</sup> June 2009 and executed by the Board of Directors on September 21<sup>st</sup>, 2009 for a maximum of Euro 180 million (the "Capital Increase").

Equita SIM acts as advisor and placement agent in the Capital Increase.

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4

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The Shares are offered to existing shareholders in proportion to the stake held by each of them pursuant to Article 2441, first paragraph of the Italian Civil Code in the ratio of N. 643 Shares for every N. 22 ordinary shares held, at a price of Euro 0.1 per share.

Each of the Shares subscribed under the Offer will be combined with a free "Warrant Tiscali SpA 2009-2014". On October 5th 2009 Borsa Italiana has authorised the admission to listing (procedure N. 6450) of the Warrants.

Holders of Warrants will be entitled to subscribe at any time (from the first trading day of the first month following the issuance of the Warrants and up to the date of 15 December 2014) ordinary shares of the Company by reason of N. 1 share (the "**Underlying Shares**") every N. 20 Warrants exercisable at a subscription price for each Underlying Share of Euro 0.8, including a surcharge of Euro 0.7.

Options rights must be exercised (or otherwise elapse), during the period 12 to 30 October 2009 included (the "**Offer Period**") at the depository intermediaries participating in the centralized management system of Monte Titoli S.p.A., in compliance with the instructions that Monte Titoli will divulge before the Offer and utilising the subscription forms available at each depository.

Options rights will be negotiated on the Italian Stock Exchange from 12<sup>th</sup> October to 23<sup>th</sup> October 2009 included.

Within the month following the end of the Offer Period, the option rights which will not have been exercised within the Offer Period will be offered by the Company on the Stock Exchange for at least five days in open market pursuant to Article 2441, third paragraph, of the Italian Civil Code (the "**Offer on the Stock Exchange**"). By the day prior to the commencement of the Offer on the Stock Exchange, if any, a notice will be published in the newspaper "IlSole24Ore" indicating the number of unexercised options rights to be offered on the stock exchange under Article. 2441, third paragraph, of the Italian Civil Code. and the dates of the Offer on the Stock Exchange.

In relation to the capital increase, the following subscription commitments for a total of approximately EUR 180 million have been undertaken:

- Renato Soru (holding directly and indirectly, a stake equal to 20.09% of the share capital of the Company), has committed to exercise his option rights in proportion to his direct and indirect participation in Tiscali, up to a total of EUR 30.8 million (equivalent to the nominal value of the credit held by Andalus towards the Tiscali Group as of July 3rd, 2009), plus interest.
- Video Networks International, a former shareholder of Tiscali UK, has guaranteed the Capital Increase for GBP 10 million UK (approximately EUR 11.7 million). In particular, the subscription of the capital increase, if any, will be performed in relation to any unsubscribed Shares through the settlement of the any residual credits held by Video Networks International towards the Company.
- The Senior Lenders have committed to underwrite the Capital Increase, after the Offer on the Stock Exchange, for an amount equal to Euro 132.8 million, plus interest. The subscription of the capital increase, if any, will be performed in relation to any unsubscribed Shares at the end of the Offer on the Stock Exchange through the settlement of any residual credits held by the Senior Lenders towards the Company.

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5

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The Capital Increase is therefore guaranteed up to the total credits - plus interests - held by Renato Soru, by Video Networks International and by the Senior Lenders under the terms set out above. The total of such credits, given the variable represented by accruing interests, can be calculated only at the time of the subscription, if applicable, made by the each creditor.

## ■ Clarification regarding Carphone Warehouse

With regard to what has been reported by the press concerning an alleged reduction in the number of customers of Tiscali UK with respect to those estimated at the time of the sale to the Carphone Warehouse Group, Tiscali clarifies that, at present, the final customer figure has not been determined with certainty, nor agreed with Tiscali. Furthermore, Tiscali would like to clarify that the review process of operational and financial parameters (such as customers, net debt and net working capital) foreseen by the agreement completed on July 3<sup>rd</sup> has only recently commenced. The variation of any of those parameters, with respect to those estimated as of the reference date for closing (i.e. June 30<sup>th</sup> 2009), could potentially lead to price adjustments - positive or negative - that it is deemed might not be, as a whole, material. It is also to be highlighted that, in any case, also as a guarantee for price adjustments, if any, an escrow account of GBP 36 million has been created.

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### **Information on Tiscali**

*Tiscali S.p.A. (Borsa Italiana. Milan: TIS)) is one of the leading alternative telecommunications companies in Italy. Tiscali supplies a wide range of services to its customers, both private individuals and companies, namely: internet access through dial-up and ADSL, as well as voice, VoIP, media, and added-value services and other technologically advanced products.*

*At 30 June 2009, Tiscali had 750 thousands customers in Italy, of which over 549 thousands using ADSL. The Tiscali website may be accessed at [www.tiscali.com](http://www.tiscali.com)*

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6

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