tiscali.

Tiscali

Acquisition of Pipex broadband and voice division to accelerate growth in the UK

Presentation to the press and the financial community

Milan. 17th July 2007

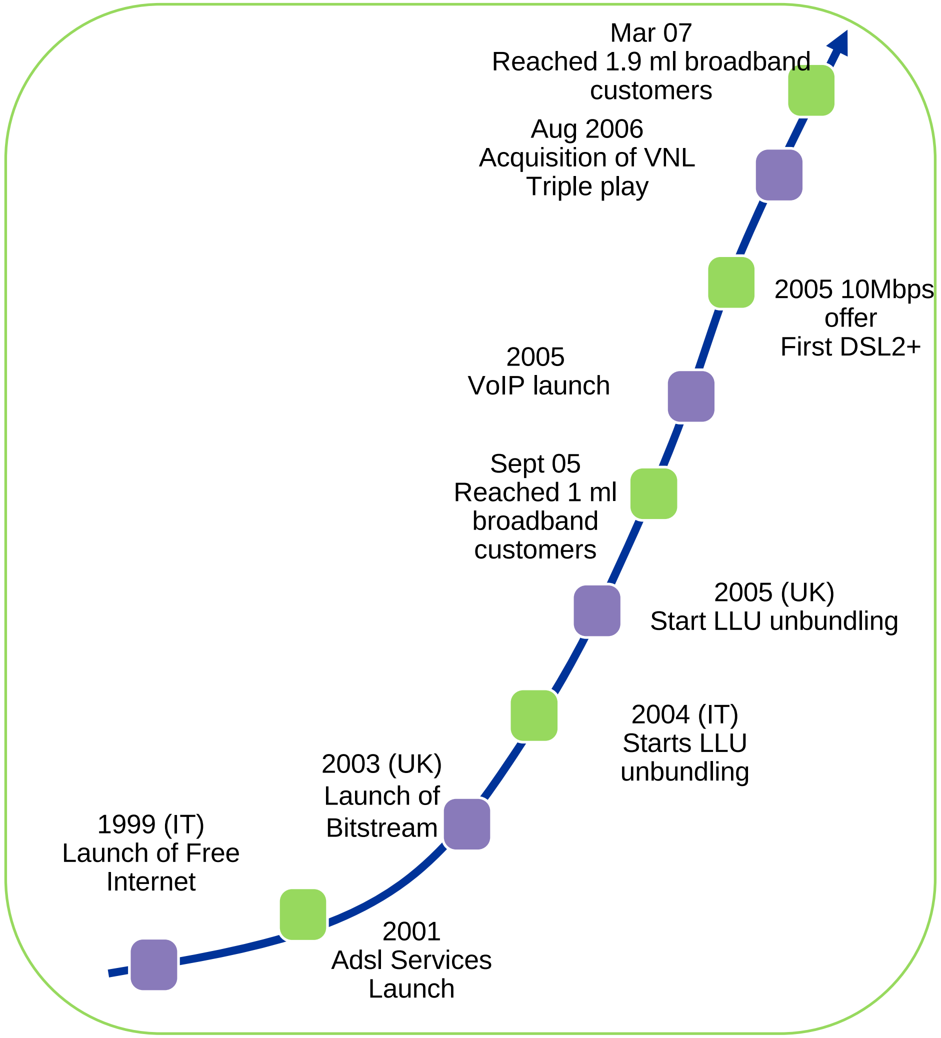
Tommaso Pompei

CEO Tiscali SpA

Tiscali Group: the scenario

- Listed on the Italian stock exchange (blue chips) with a market capitalisation of ca € 1 billion, 66% free float
- Integrated telco operator providing broadband, narrowband, telephone and TV services in Italy and in the UK to consumers
- Over 3.3 million active customers as of 30th June 2007, of which over 2 million broadband customers
- Turnover of €678 million Euro in 2006, 15% EBITDA margin
- Began investment in local loop unbundling (LLU) in 2004 in Italy (currently 500 exchanges, 35% coverage, with a target of 600+, 40% coverage) and in 2005 in the UK (currently 800 exchanges, 55% coverage with a target of 1000+ exchanges , 65% coverage)
- Full IP advanced access network (100% sites DSL2+ enabled, 100% POTS compatible sites). Advanced IP platform (voice and TV) already available
- Acquired Video Networks Limited in the UK, in August 2006 and launched new double and triple-play services in 2007

ACHIEVEMENTS



Tiscali Group: delivery of first phase of strategic plan

- In 2006 Tiscali presented a strategic plan. The rationalisation phase was based on three main pillars:
  - Rationalisation of the geographic footprint (Italy & UK), with disposal of non core countries
  - Redefinition of the business model, from “pure ISP” to “full telco provider” (access, voice, multimedia services)
  - Achievement of financial stability, through delivery of operational results, bond repayment and debt refinancing
- During 2006 and 1H2007 Tiscali substantially completed all the strategic actions defined in the plan
  - Delivered 2006 financial targets outlined in the plan and expected delivery of 2007FY targets
  - Disposal of Netherlands, Germany assets completed
  - Double play offers launched in UK and Italy; ULL deployment in line with YE07 targets
  - Triple play offering launched in UK in March; Italy planned for 4Q2007
  - Debt fully refinanced with Intesa SanPaolo

The development phase: scale to compete

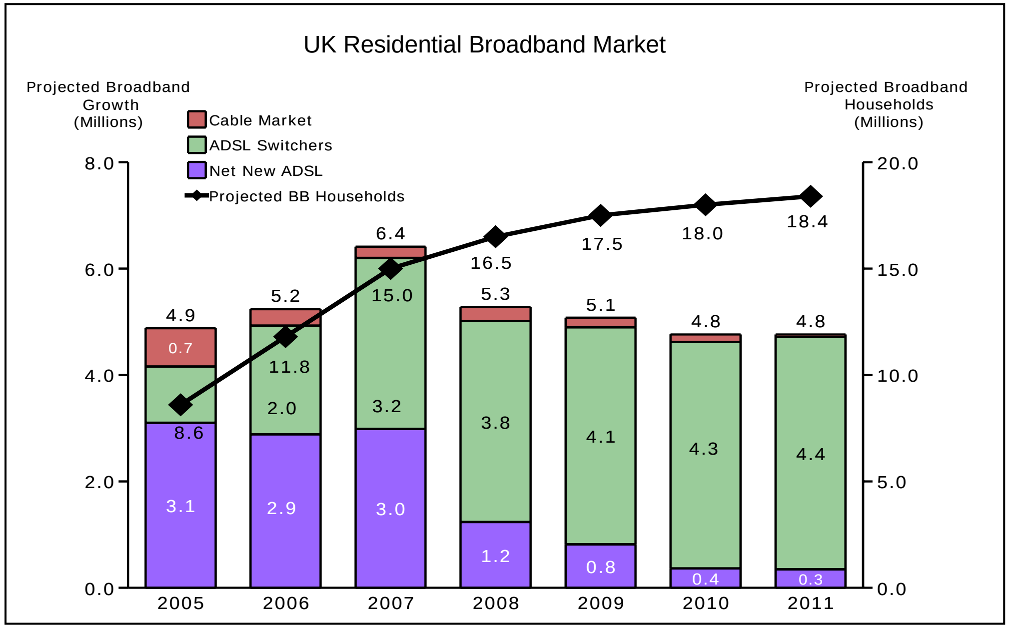
- The development of competition in the industry drives a continuous change in the rules of the game:
  - Price competition to win market share puts heavy pressure on margins, leading to a faster consolidation of alternative carriers
  - Traditional borders between fixed and mobile become weaker and weaker. As a result convergence starts becoming a real competitive lever
  - The regulatory environment moves towards NGN and network separation, which will demand consolidated economies of scale to efficiently compete
- As a result growth and scale will be the key differentiating factor to compete and to create value:
  - Size of customer base enhances the opportunity for cross and up-selling and for maximization of the customer value
  - Size of operations maximises economies of scope in a market facing activities and is key to strike content deals for the delivery of multimedia services
  - Level of market share optimises network deployment investments and enhances gross margins to face price pressure
  - **The acquisition of Pipex broadband and voice division (Division) is consistent with the objective to anticipate the long-term goals of the business plan to 2008 while:**
    - **keeping a sound financial position (Net debt/ EBITDA ratio <3X)**
    - **maintaining the net income and FCF generation targets for FY2008**

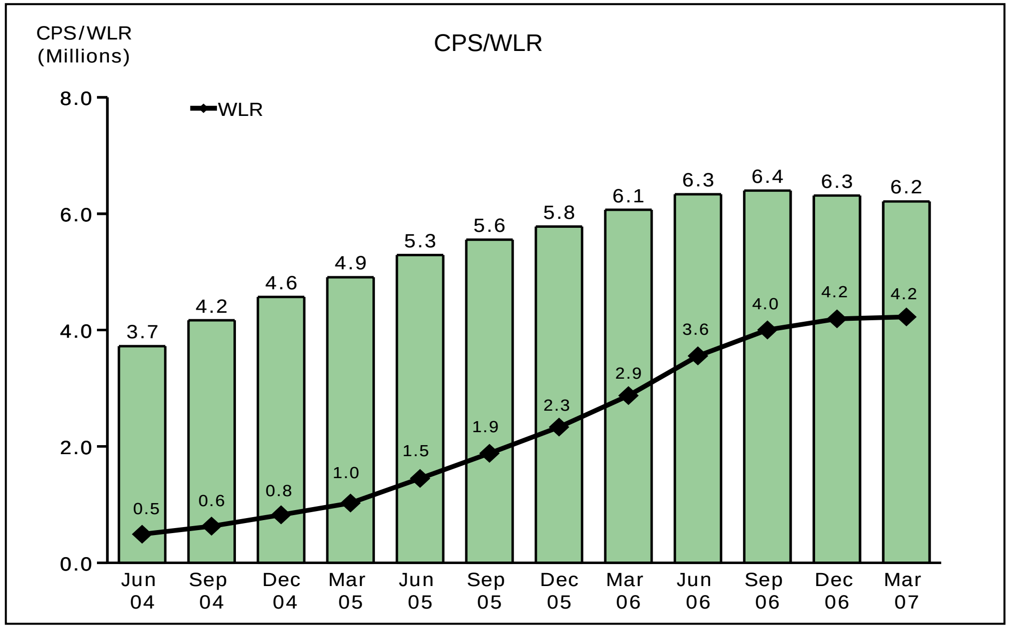
tiscali.

Mary Turner

CEO Tiscali UK

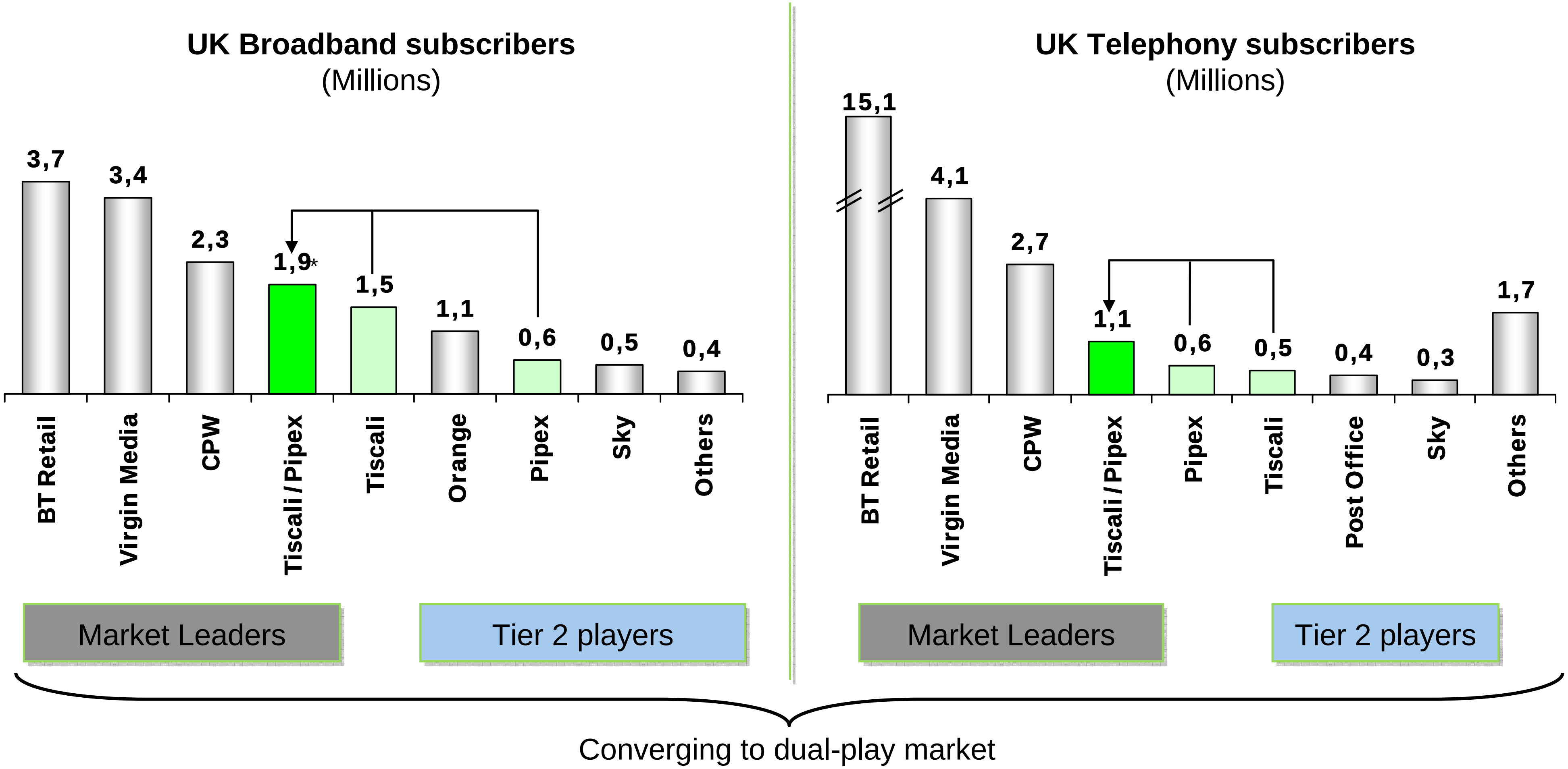
Broadband and Voice Market Growth: 2006 - 2010





- Broadband is the fastest growing technology adoption increasing penetration to over 50% to-date '07
- Estimated 13.5m broadband connections in the UK at the end of May '07
- Market is moving from new ADSL registrations to a switcher market
- Ability to offer competitive additional services over the broadband connection will increase in importance
- CPS (6.2m) and WLR (4.2m) market has shown strong growth
- Customers have been willing to adopt services from alternative suppliers to BT
- LLU dominated by SMPF to-date with CPW and Tiscali rolling out MPF
- Voice market started to transition from CPS/WLR(wholesale) to MPF (Full Unbundled products)
- Key is large broadband and voice bases to cross-sell

UK broadband and voice market overview



UK broadband and telephony markets are getting to a clear separation between the leading players and the trailing ones

Note (*): Net of wholesale customers currently white-labeled from Tiscali to Pipex
Source: 1Q 2007. Enders Analysis; ISP Review UK May 2007

Major broadband players' strategies

tiscali

	sky	BT	Virgin media	Carphone Warehouse	orange	tiscali
Network	ACQUISI-TION	INCUMBENT	ORGANIC CABLE WHOLESALE OFF-NET	BUILDING	BUILDING	BUILDING
Product range	ORGANIC **(adding BB/Voice)**	ORGANIC **(adding TV)**	ORGANIC **(TV/ BB/Voice)** ACQUISITION **(Mobile)**	ORGANIC **(BB/Voice)** No TV	ORGANIC **(adding TV)**	ACQUISITION **(TV)** ORGANIC **(BB/Voice)**
Broadband customer scale	ORGANIC	ORGANIC ACQUISITION **(Plusnet)**	ORGANIC	ACQUISITION **(BB/Voice)**	ORGANIC	ORGANIC ACQUISITION **(Pipex Division)**

Major broadband players present a mix of organic growth and acquisition strategies: market consolidated in '05/'06, operators lacking network infrastructure and scale have exited / are exiting

Source: Tiscali's own analysis

Tiscali UK description

- Provides broadband, narrowband, telephone and TV services in the UK to consumers
- 3rd largest DSL broadband provider in the UK with 1.5 million broadband customers
- UK’s turnover of € 445 million in 2006
- Media portal offers 22 channels and over 40,000 pages of content, which receives over six million unique visitors a month
- Large alternative wholesale DSL provider to BT. Business Services Division provides DSL based services with IPVPNs for enterprises
- Investment in local loop unbundling in 2005 and has unbundled 800 exchanges with a target to reach 1000+ exchanges
- Acquired Video Networks Limited, the leading IPTV company, in August 2006 and launched new double and triple play services in 2007

Tiscali UK achievements and targets

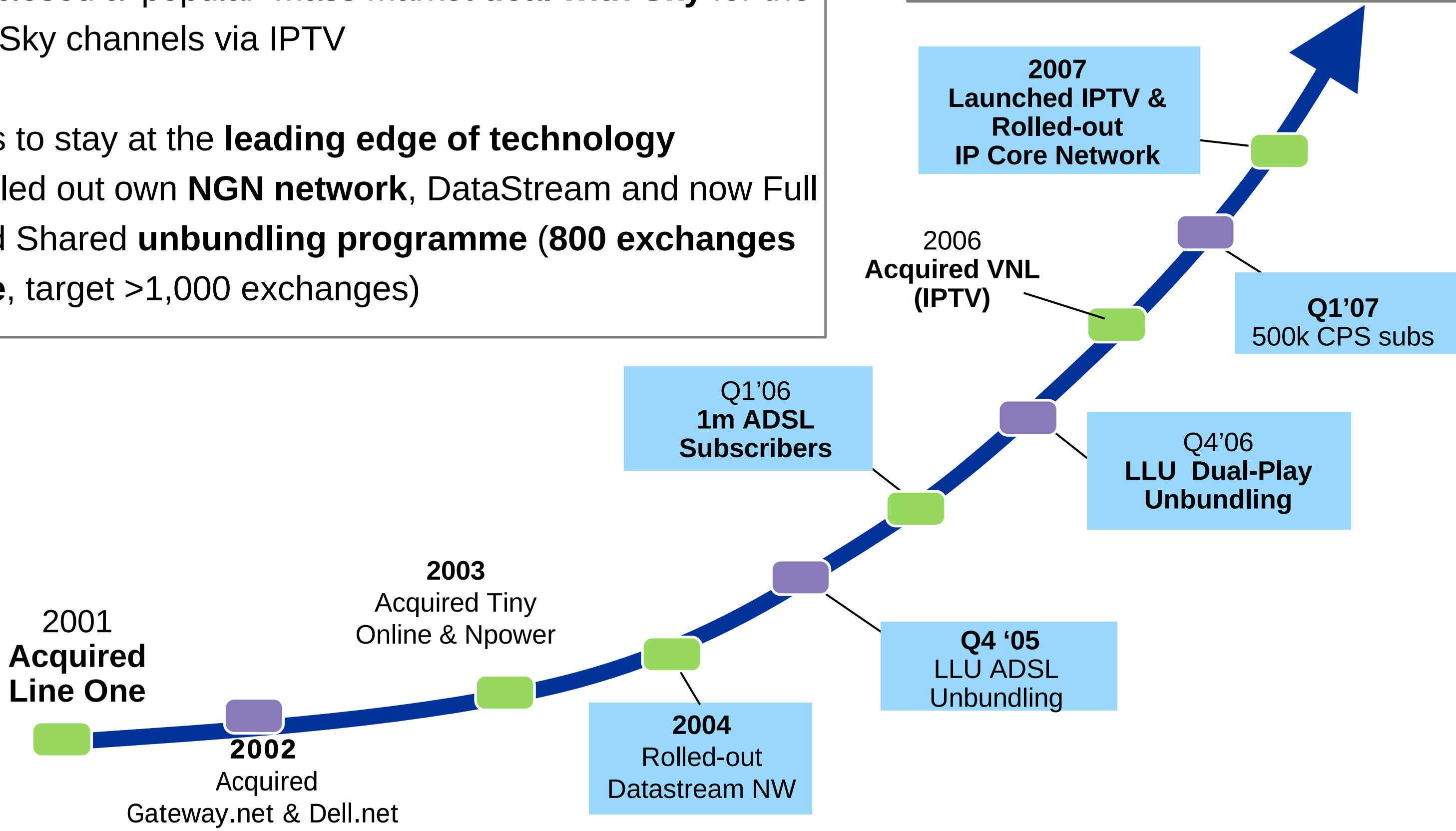
tiscali.

Recent achievements

- Continuing organic growth, **achieved ~1,5m ADSL subs**
- **Successfully launched key products such as double play** and a **leading IPTV** service
- Recently closed a ‘popular’ mass market **deal with Sky** for the supply of Sky channels via IPTV
- Continues to stay at the **leading edge of technology**
  - Rolled out own **NGN network**, DataStream and now Full and Shared **unbundling programme** (**800 exchanges live**, target >1,000 exchanges)

Main Targets

- **Build scale** through continued growth in broadband market, whilst controlling costs
- **Grow product penetration** through upselling to double and triple play products



Pipex overview

- **Group**
- Business and Consumer UK ISP, Hosting and WiMax services provider created in 2001
- Listed on the London Stock Exchange, market capitalization ~£330m
- Made of the three Divisions: "Broadband & Voice Division", "Hosting" and "Network Services (WiMax)"
- **Broadband & Voice Division (transaction entity)**
- UK mid-tier fixed telecommunication provider, grown predominantly through acquisitions, currently operating companies with six brands (Pipex, Pipex Homecall, Toucan, Bulldog, F2S, Nildram)
- According to Tiscali's estimates, based on 1Q07 results, the Division was expecting 2007 sales of over £300 million and an EBITDA of over £20 million
- Approximately 1,400 FTEs
- Circa one million active customers
  - 650,000 voice customers (4th largest voice provider to residential market)
  - 570,000 broadband customers
  - 250,000 are dual play and 100,000 are SME business customers
- Own an MVNO operation (7k subs to date) under the Toucan brand

Transaction rationale – scale and synergies to extract value

- Gives Tiscali the scale to cement top tier position in a market where the competitors are becoming stronger
    - adds immediately 570K Broadband customers and 650k telephony customer
    - takes Tiscali UK market share to approximately 15%
- Enables up-selling to Pipex base of Tiscali's compelling and innovative services including broadband, telephone and TV
- Adds SME/Business broadband scale and capability to Tiscali UK portfolio
- Extracting maximum synergies from acquisitions – in particular leveraging own network infrastructure and optimizing SG&A costs - to create value for shareholders
- Pro- forma aggregate revenues in 2007 of ca €950 million, with over 1.9 million broadband customers

Through the acquisition of Pipex Division, Tiscali achieves targets set by the current strategic plan for 2010 in terms of revenues and customers

Highlights on synergies roadmap

Synergies

- **~ €220 million:** Cumulated synergies at EBITDA level (2008-2011)
- **~ €70 million:** Costs to secure the synergies and the efficiencies
- **~ €125 million:** Network synergies related to lower variable costs (customer base migration to bitstream and ULL) and reduction in average backhauling and maintenance costs. 15% achieved in 2008
- **~ €75 million:** Indirect costs efficiencies due to process optimisation including Information technology systems and economies of scale effect (including lower SACs). 15% achieved in 2008
- **~€50 million:** Revenues synergies (€20 ml at gross margin level) related to upselling/cross selling of 2-play and IPTV services. 5% achieved in 2008
- **~€55 million:** Cost synergies per annum in 2009-2011 (steady state)

Roadmap

- Start upselling Tiscali products to Pipex customer base in early 2008
- Migration of Pipex customers to Tiscali network to commence and be completed in 2008
- Information technology systems and infrastructure synergies by 3Q-4Q 2008

tiscali.

Tommaso Pompei
CEO Tiscali SpA

Agreed EV and financing structure

tiscali.

- The Enterprise Value agreed for the acquisition of Pipex Division is **£210 million (ca €310 million).** The final equity value, which will be determined at closing and paid in cash, is subject to adjustment for net debt position, the level of working capital and the number of customers of the Division
- The acquisition and related costs are fully funded:
  - €650 million commitment by Intesa SanPaolo and JP Morgan
  - The facility will also refinance existing debt facilities of ca €200 million, thus leaving the net new debt increase at €450 million
- Partial refinancing may happen through €400 debt capital markets instruments and €150 million equity issuance, depending on market conditions
- Tiscali S.p.A.'s EGM to resolve upon equity increase expected to take place late September 2007

Financing Package

400	Bridge to debt capital mkts
150	Bridge to equity
50	Debt facility
600	***Total Acquisition Financing***
50	Revolving Credit Facility
650	***Total Financing***

- **Acquisition**
  - 13th July: Announcement of the acquisition of Pipex Division and bank financing
  - Pipex Group to call extraordinary shareholders' meeting after the announcement to approve transaction
  - Filing with UK Office of Fair Trading to receive clearance
  - Closing subject to conditions above to be expected in September

1H07 preliminary results

- 1H07 results' preliminary results highlights are in line with FY07 targets:
  - **Tiscali Group**:
    - Revenues at € 393 ml, + 23% YoY
    - Group's EBITDA at € 60 ml (15% of revenues), + 45% YoY
    - Total active customers at 3.3 million, of which over 2 million broadband and 790K direct, 181K new broadband customers in the semester
  - **Italy**
    - Revenues at € 130 ml, + 24% YoY
    - EBITDA at € 21 ml (16% of revenues), + 93% YoY
    - Broadband customers at 500K, of which over 294K ULL
  - **UK**
    - Revenues at € 253 ml, + 23% YoY
    - EBITDA at € 36 ml (14% of revenues), + 21% YoY
    - Broadband customers at 1.54 million, of which 500K ULL
  - **1H07 final results will be approved and released to the market in September**

THANK YOU

Q&A