

# 1H04 FINANCIAL RESULTS

24th September 2004

## Key results

- **1H2004 results:**
  - **Revenue growth:** revenues at €538.0 ml +25% YoY mainly driven by ADSL (40% of total access revenues).
  - **ADSL growth:** 600,000 new ADSL subscribers vs YE03, reaching 1.44 million ADSL customers. ULL deployment continues
  - **1H04 EBITDA** at €48.2 ml (+47% YoY)
  - **Cash burn at €30 million**, halving the cash burn in 1Q04. FCF generation target from 4Q04. Cash burn in July 2004, before the repayment of the bonds at €7 million
- **Key events after 30th June 2004**
  - **Disposals** of non-core countries for over €80 ml in cash
  - **Resignations of Renato Soru as Chairman** and appointment of Vittorio Serafino

## Successful competition of the first round of disposals

- Delivery of announced disposal plan in August/September 2004:
  - **Austria**: Sold to Nextra for €12 million in cash
  - **South Africa**: Sold to Mweb for €40 million in cash, pending approval of competition authority. Over €5 million in cash expected for the sale of the mobile business
  - **Norway**: Sold to Telenor for €6 million in cash
  - **Sweden**: Sold to Spray Network for €13 million in cash. Cash is expected by 1st week of October
  - **Switzerland**: Sold to Smart Telecom for €5,3 million in cash

**Total from disposals announced so far: €76.3 million**

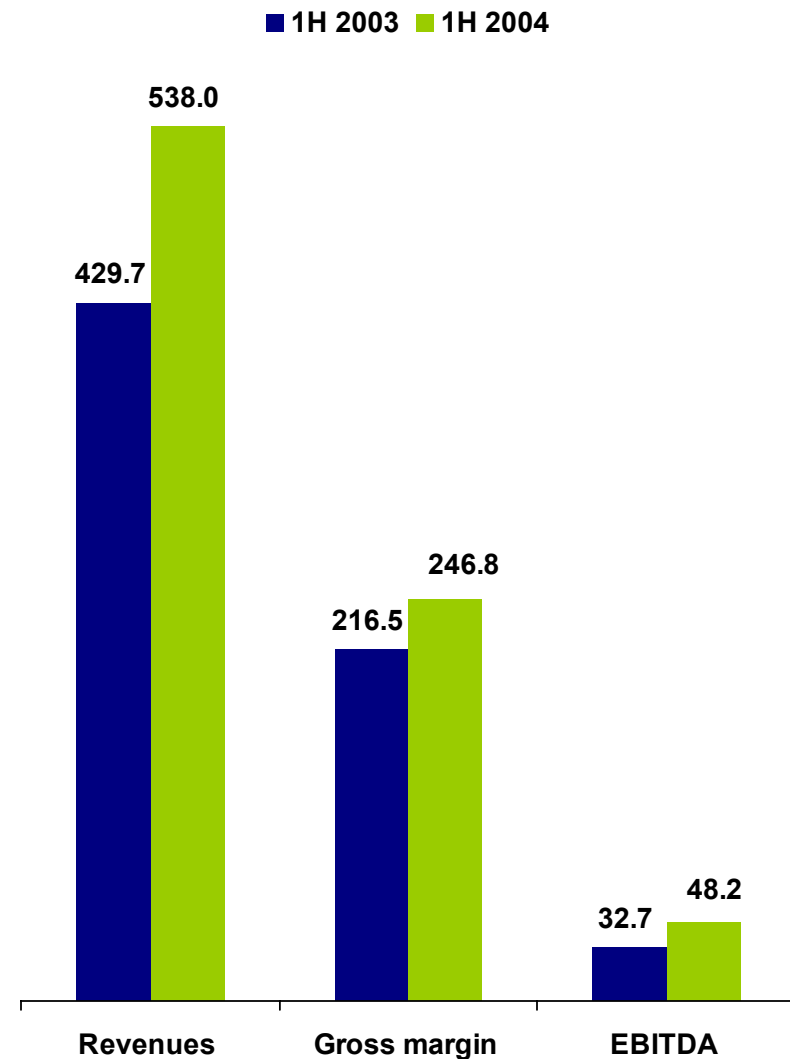
**+ >€5 million from SA mobile business**

## Impact of disposals

- The 5 countries sold so far represent:
  - 9% of 1H04 revenues, 1% of 1H04 EBITDA
  - 4.5% of ADSL customers as of 30.06.2004
  - 5.5% of dial-up customers as of 30.06.2004
  
- Accounting effect (due to the difference between the book value and the price of disposal):
  - Extraordinary income: €42 million
  - Extraordinary loss (from the sale of Switzerland): €17 million, booked in 1H04
  - Total effect: extraordinary income of €25 million (impact on net worth)
  
- The full effect will be recorded by YE2004

## Key financials: 1H03 vs 1H04

€ m	1H03	1H04	% diff
Revenues	429.7	538.0	25%
Gross Margin	216.5	246.8	14%
EBITDA	32.7	48.2	47%
EBIT	(98.8)	(66.4)	33%
EBT	(141.6)	(134.3)*	5%



According to Italian GAAP, it includes €17 million of extraordinary loss from the but does not include the extraordinary income, to be recorded by YE2004

## Revenues by business line: 1H03 vs 1H04

€ m	1H03	1H04	% diff
<b>Access</b>	298.7	365.9	22%
<i>% of rev.</i>	<b>70%</b>	<b>68%</b>	
<b>Business services</b>	69.4	102.0	47%
<i>% of rev.</i>	<b>16%</b>	<b>19%</b>	
<b>Voice</b>	32.5	42.8	32%
<i>% of rev.</i>	<b>8%</b>	<b>8%</b>	
<b>Portal</b>	23.9	22.6	(5%)
<i>% of rev.</i>	<b>6%</b>	<b>4%</b>	
<b>Others</b>	5.1	4.7	(8%)
<i>% of rev.</i>	<b>1%</b>	<b>1%</b>	
<b>Total revenues</b>	<b>429.7</b>	<b>538.0</b>	<b>25%</b>

Operating costs: 1H03 vs. 1H04

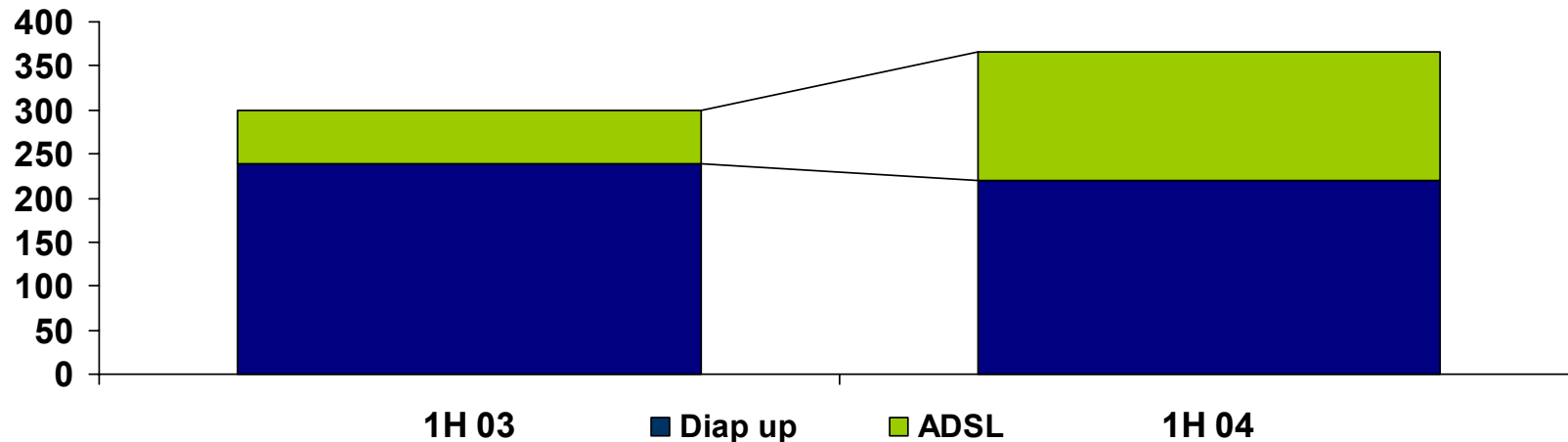
€ m	1H03	1H04	% diff
<b>Gross Margin</b>	216.5	246.8	14%
<i>% of rev.</i>	<b>50%</b>	<b>46%</b>	
<b>Sales &amp; Marketing</b>	66.4	70.7	6%
<i>% of rev.</i>	<b>15%</b>	<b>13%</b>	
<b>Personnel costs</b>	68.9	77.9	13%
<i>% of rev.</i>	<b>16%</b>	<b>14%</b>	
<b>G&amp;A</b>	48.5	50.0	3%
<i>% of rev.</i>	<b>11%</b>	<b>10%</b>	
<b>Total operating costs</b>	183.8	198.5	8%
<i>% of rev.</i>	<b>43%</b>	<b>37%</b>	
<b>EBITDA</b>	<b>32.7</b>	<b>48.2</b>	<b>47%</b>
<i>% of rev.</i>	<b>8%</b>	<b>9%</b>	

## Access revenues

€ m	1H03	1H04	% diff
<b>Dial up</b>	238.4	220.5	(8%)
<i>% of access rev.</i>	<b>80%</b>	<b>60%</b>	
<b>ADSL</b>	60.3	145.3	141%
<i>% of access rev.</i>	<b>20%</b>	<b>40%</b>	
<i>Number of ADSL customers</i>	<b>470,000</b>	<b>1,440,000</b>	<b>206%</b>
<i>Number of ULL customers</i>	-	<b>127,000</b>	<b>nm</b>

€m

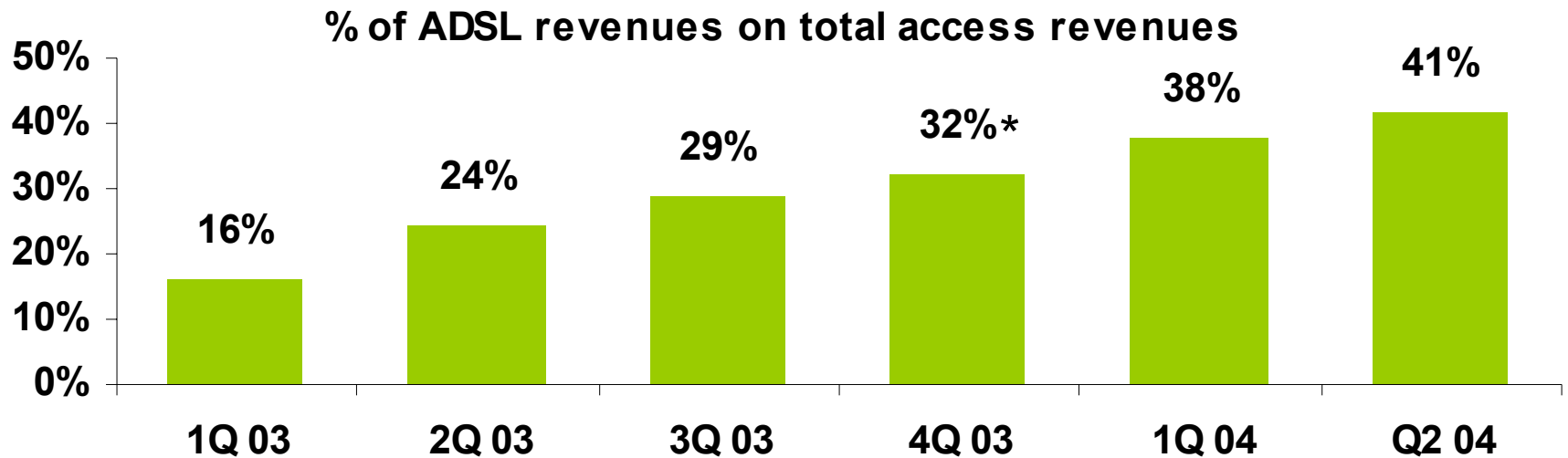
### Access revenues: Dial-up vs Broadband





## ADSL revenues trend

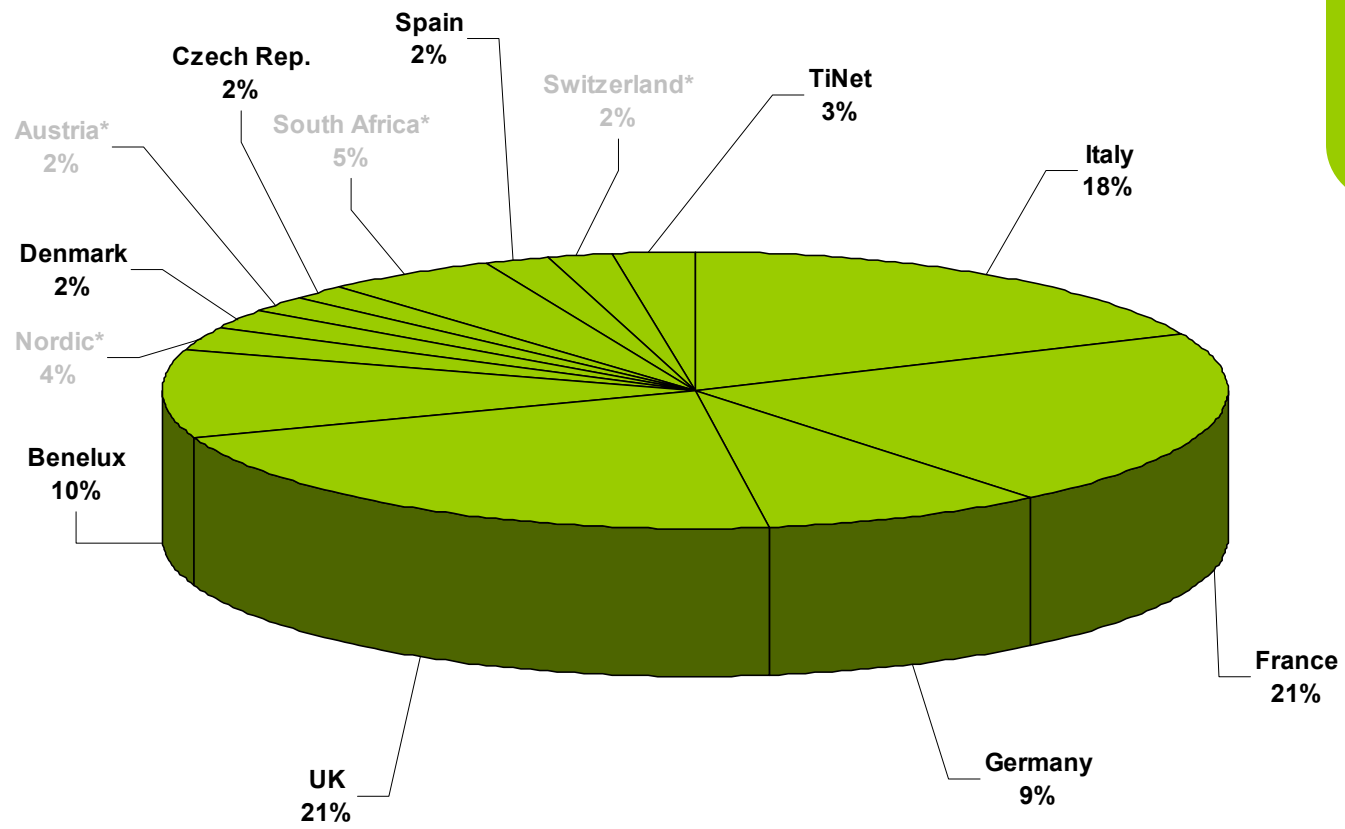
- ADSL revenues at €145.3 ml in 1H 04 +141% Y/Y



\* Percentage on gross revenues

# Revenues by countries 1H04

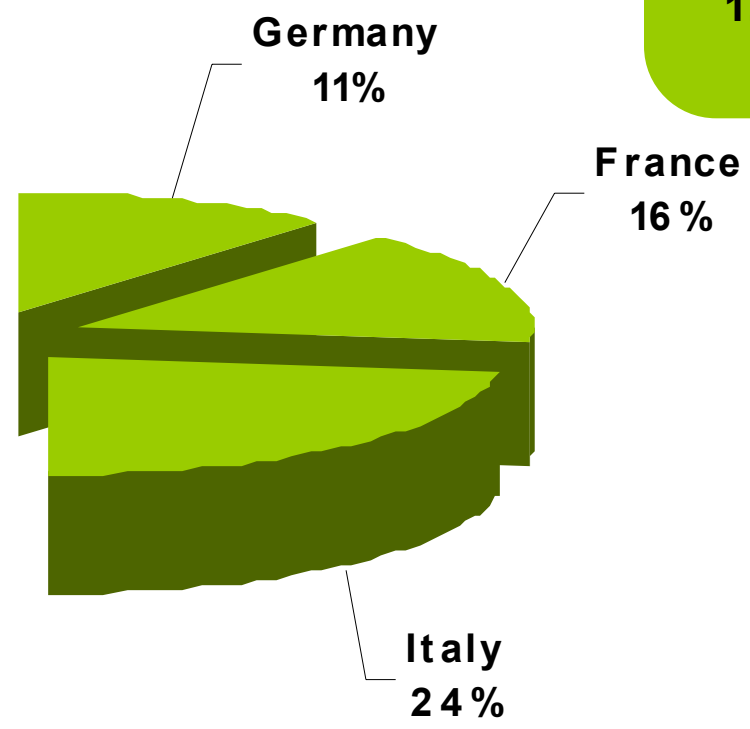
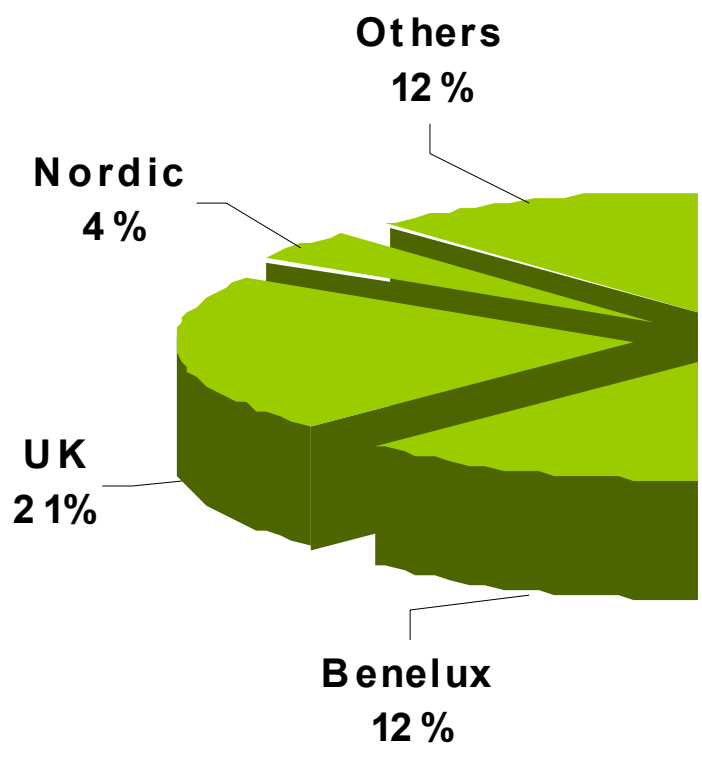
**Focus on the core markets**



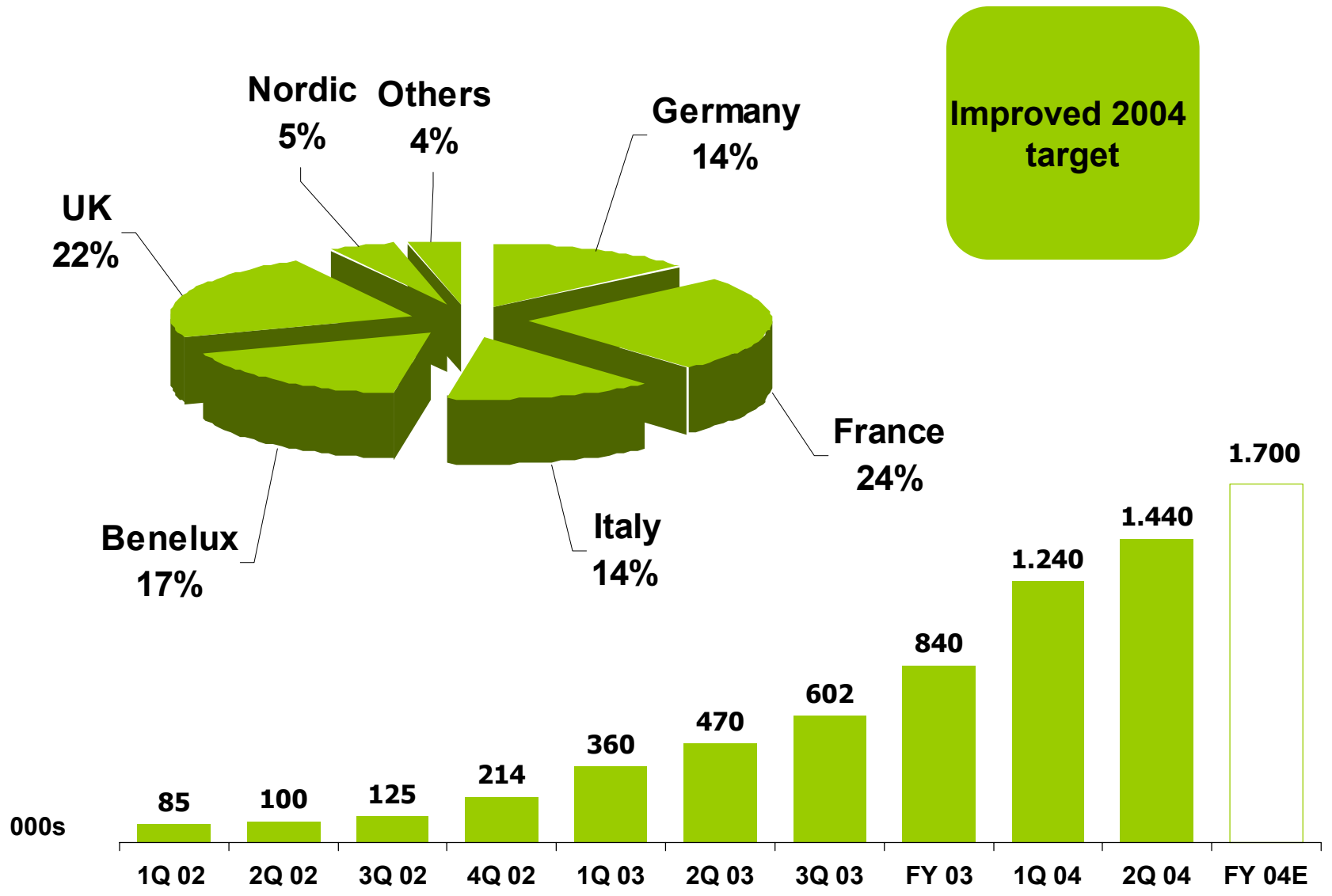
\* Disposals already announced/completed

Total active users as of 30.06.04

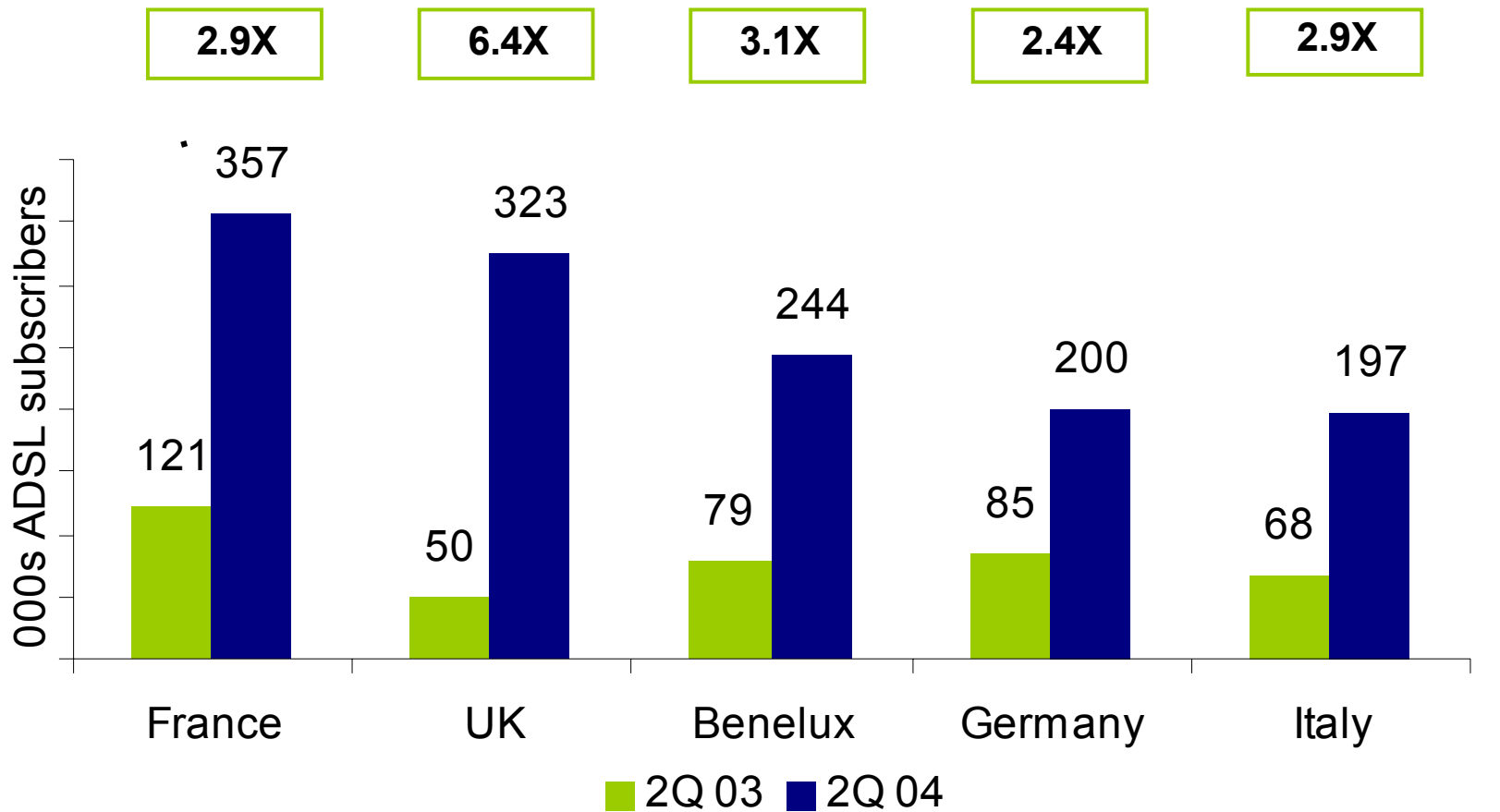
7.9 ml customers:  
6.5 ml active dial-up,  
1.44 ml ADSL



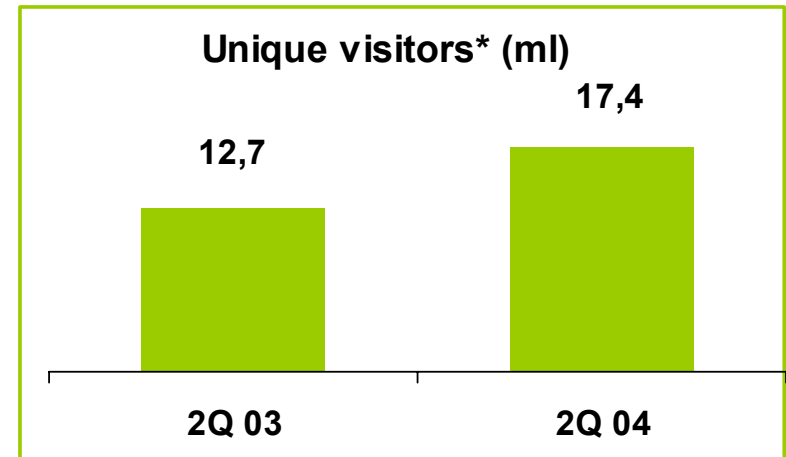
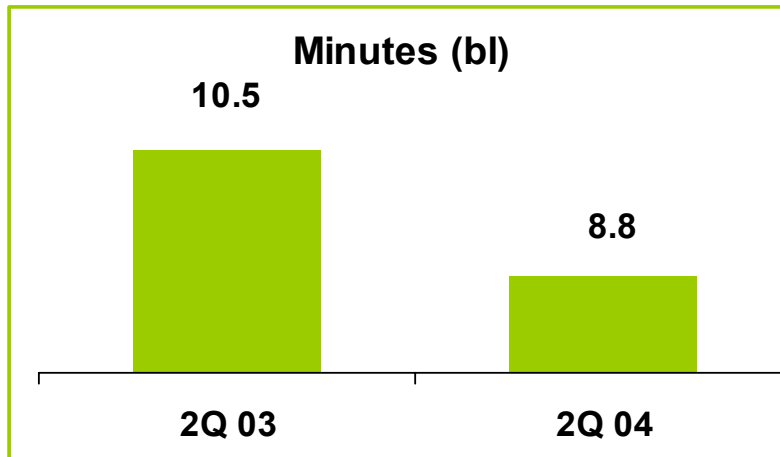
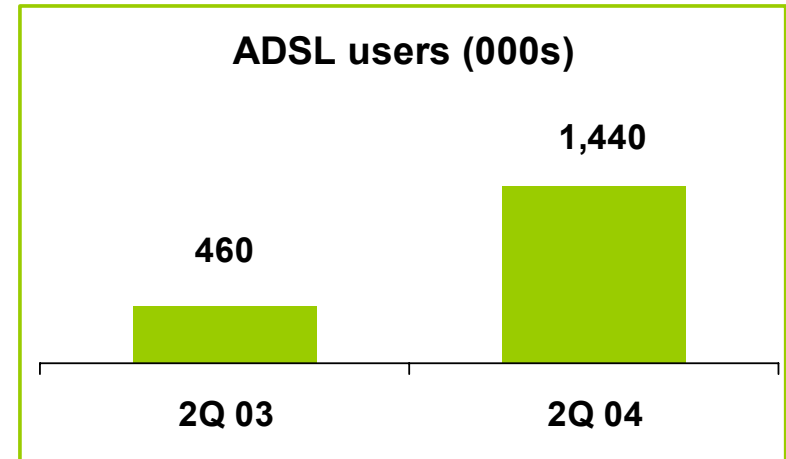
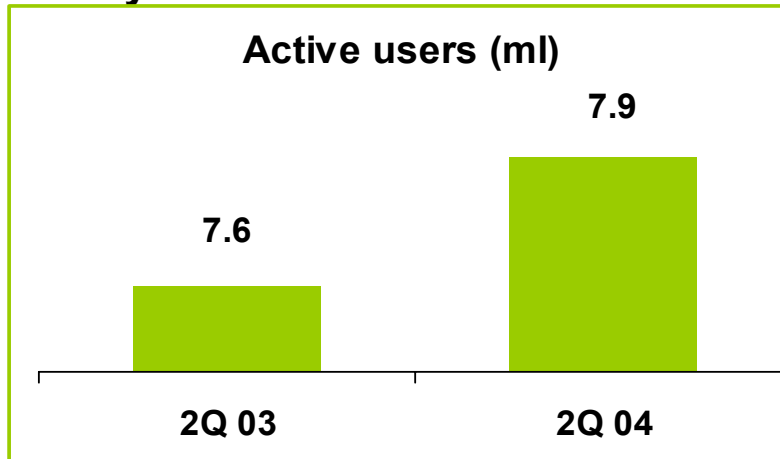
Broadband customers as of 30.06.2004



Quarterly growth by key countries: ADSL subscribers' growth



2Q04: Key metrics

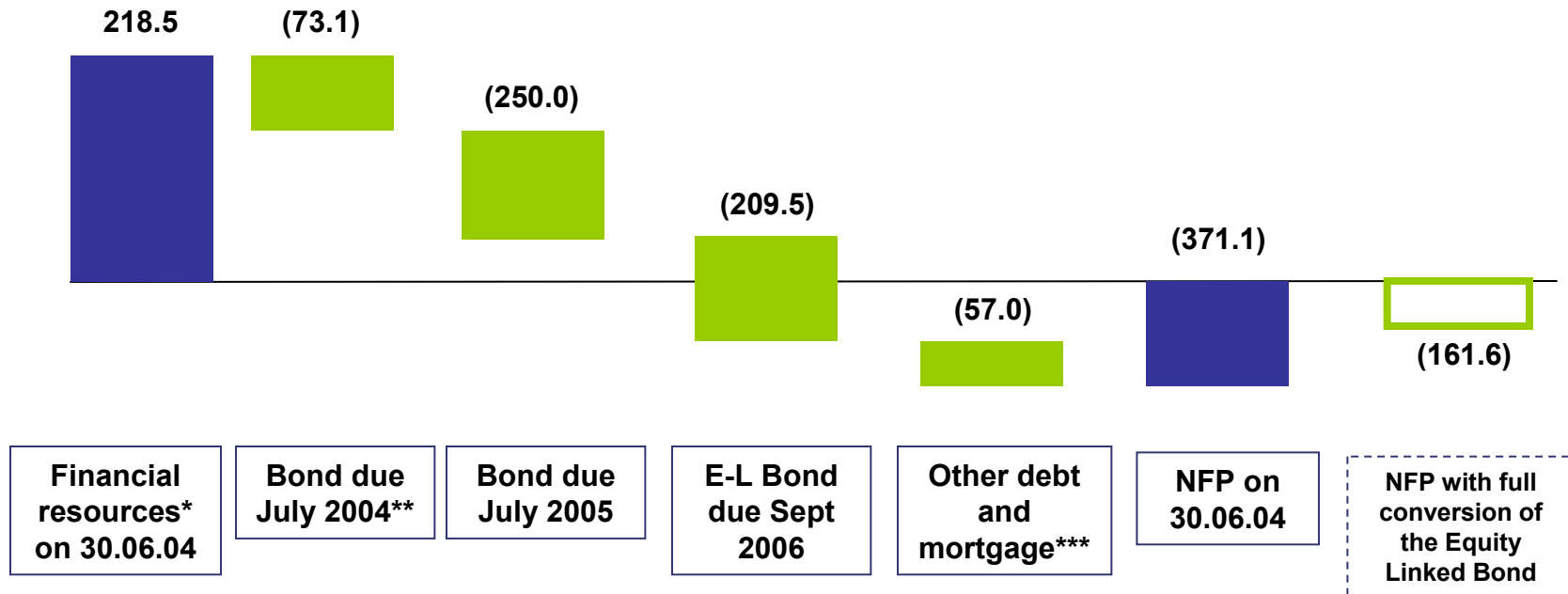


\* The number of unique visitors refers to the 5 main European markets (Italy, France, Germany, UK, Netherlands)

Source: Nielsen NetRatings

## Net Financial Position

€ ml



- Free cash flow in the semester was negative for €88.6 m, but the trend is declining: €58.6 in 1Q04, €30ml in 2Q04, €7 ml in July 2004

• Includes €39.2 ml of cash in escrow and €42.3 ml of tax refunds and grants

\*\* Reimbursed on 12th July 2004

\*\*\* Does not include €47.7 ml of leasing

## Targets for 2004

- **Turnover over €1.2 billion** (over 30% YoY revenue growth vs 2003)
- **1.7 million broadband subscribers**
- **EBITDA margin at 10%**
- **Capex at 10% of turnover**
- **Further improvement of free cash flow from 3Q04**, and free cash flow generation starting from 4Q04
- **Net profit before extraordinary items in 2005**
- **Disposal of non core assets** for the repayment of the bond due July 2005, independently from the financial markets
- **15% decrease of operating costs (excluding marketing)** in the next 12 months, also due to the asset disposals



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**Thank you**

**Q&A**