



The European Internet Company

Q1 2002 results

May 15th 2002

Q1 2002 – key facts

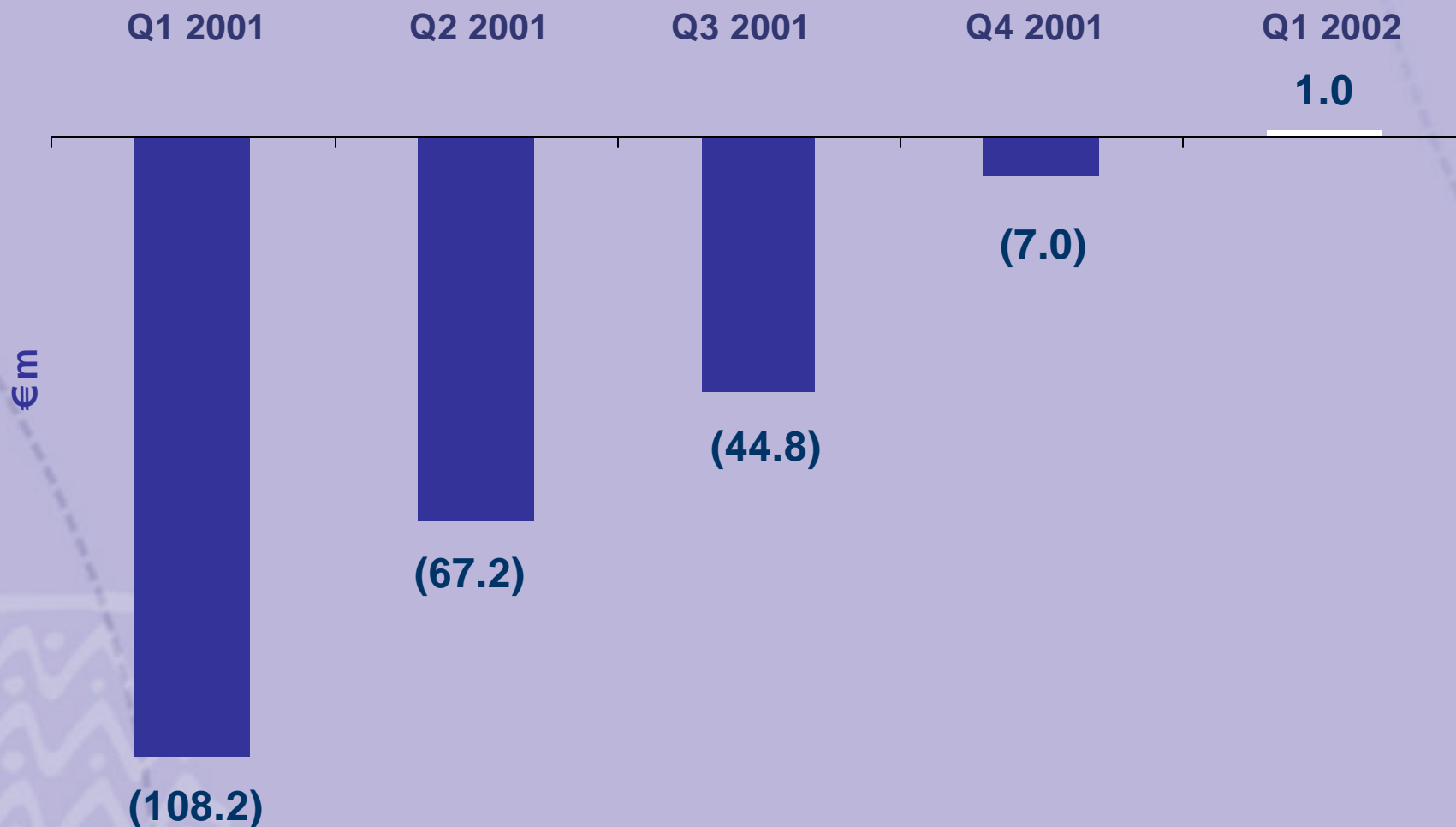
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- Achieved full EBITDA breakeven, sharp improvement from €(58) m loss in Q1 01
- €195.2 m in revenues, up 78% compared to Q1 01
- 43% total gross margin, up 371% from Q1 01
- 7.4 million active users, 10.9 billion minutes of Internet traffic
- 45% reduction in cash burn rate from operations

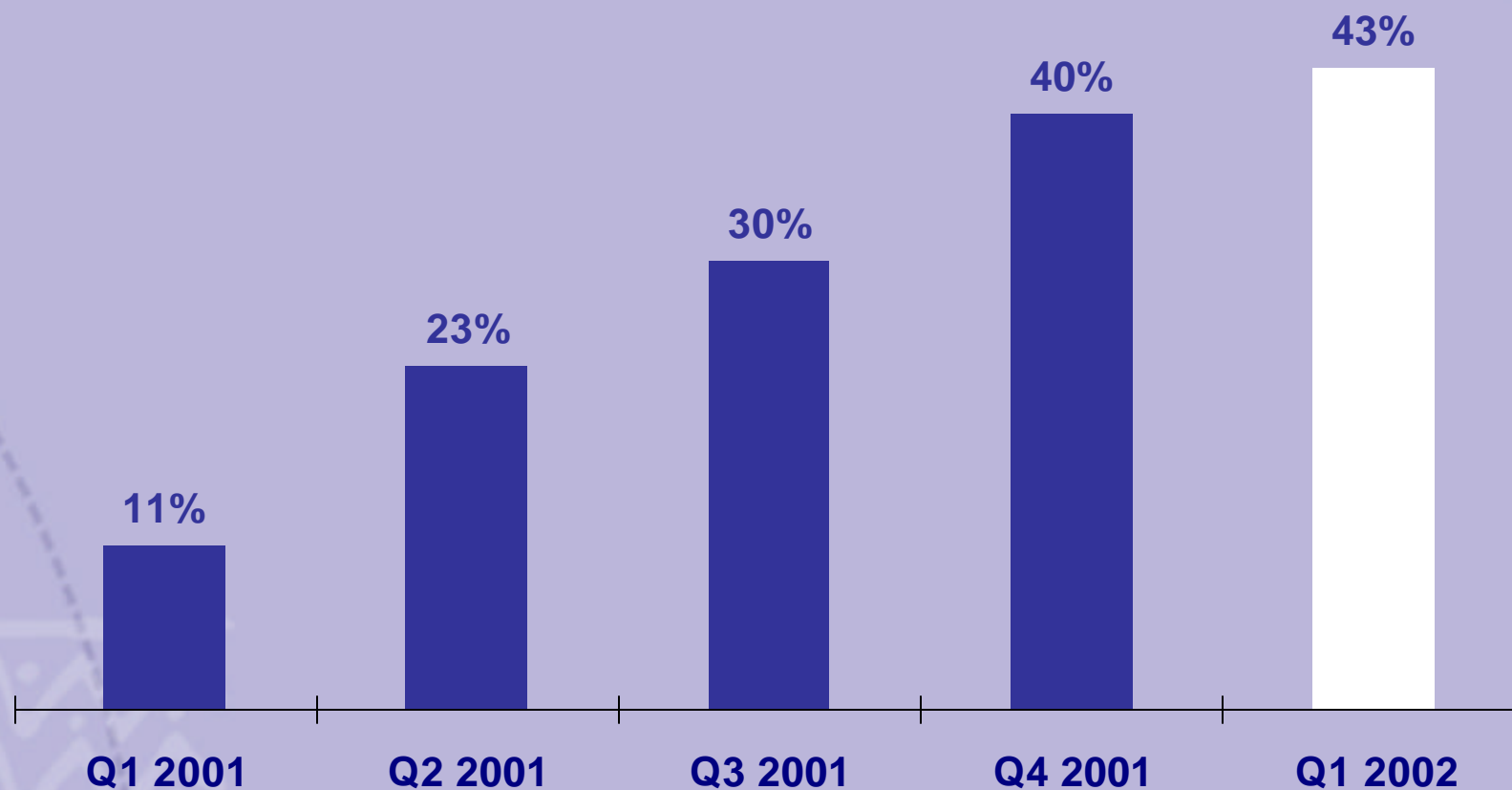
Profitability achieved

EBITDA



(*) unaudited proforma data

Gross Margin



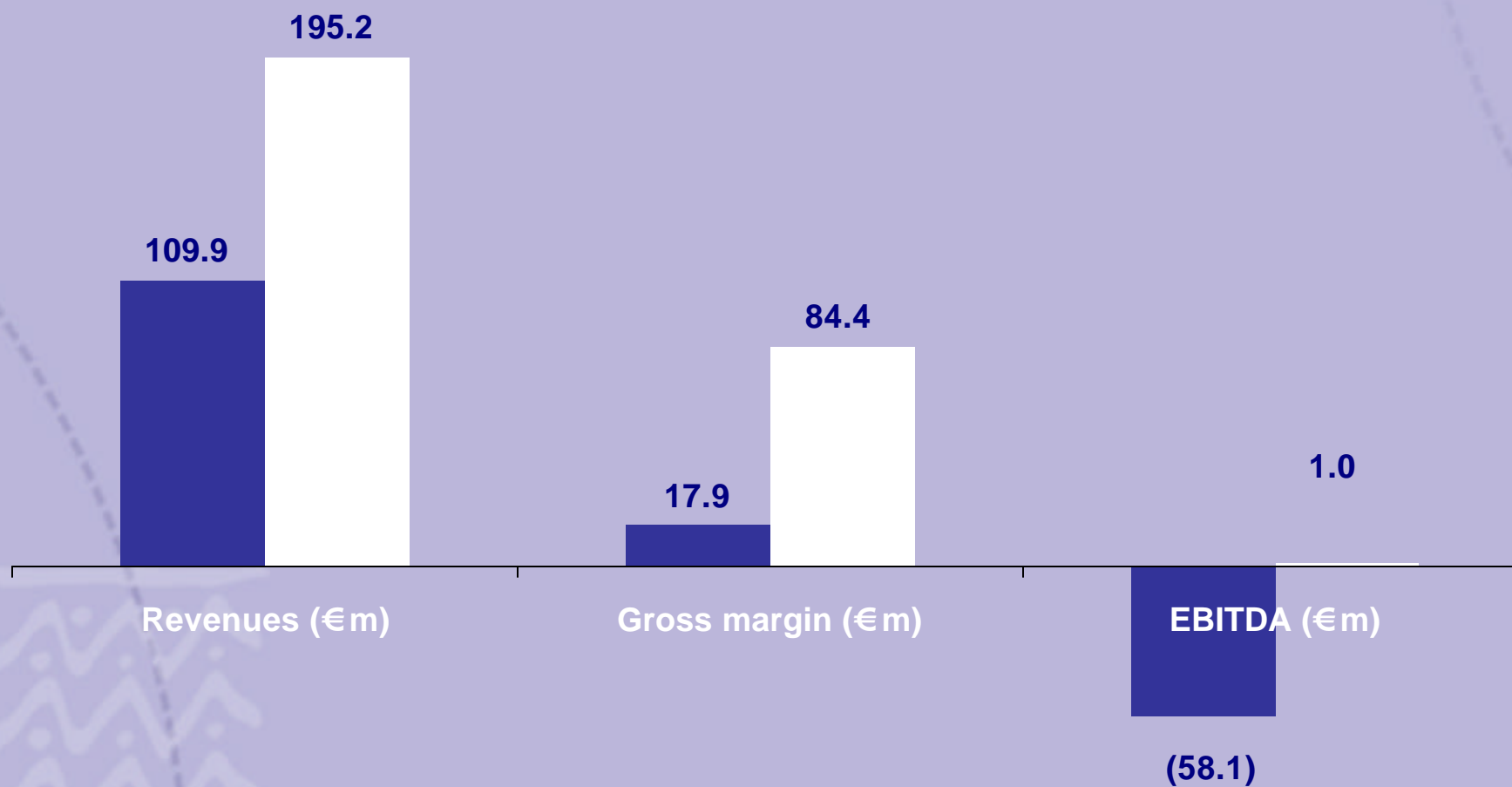
(*) unaudited proforma data

Q1 2002 vs Q1 2001

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■ Q1 2001 ■ Q1 2002



Financials



€m	Q1 01	Q1 02	Change	change on proforma(*)
Revenues	109.9	195.2	78 %	18 %
Gross margin	17.9	84.4	371 %	363 %
EBITDA	(58.1)	1.0	n.m.	n.m.
EBIT before goodwill amortization	n.a.	(33.7)	n.a.	n.a.
EBIT	(150.7)	(105.9)	(30%)	n.a.
Income before taxes	n.a.	(114.9)	n.a.	n.a.

(*) proforma data on constant basis

Increase in revenues

€m	Q1 01	Q1 02	Change	change on proforma(*)
Access	71.2	137.6	93 %	24 %
Portal	8.3	19.7	137 %	70 %
B2B	18.0	21.9	22 %	19 %
Voice	10.5	12.0	14 %	(37) %
Other	1.9	4.0	110 %	(26) %
Total revenues	109.9	195.2	78 %	18 %

(*) proforma data on constant basis

Q1 2002 key facts

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- **Customer base increased from 4.3 m in Q1 01 to 7.4 m active users in Q1 02**
- **34% growth in portal ARPU, 12% growth in access ARPU compared to Q1 01**
- **10.9 billion minutes of Internet traffic, 76% increase compared to Q1 01**
- **85,000 broadband subscribers, 41% up since Q4 01**
- **Increased focus on customer retention**
- **Cash available equal to €400 m, net cash equal to €130 m including tax and VAT credits**
- **Capex in Q1 02 equal to €45 m**

Country operations highlights

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- **Successful rebranding process in France, 43% brand awareness achieved, up from 2% in June 2001**
- **2,2 m Tiscali 10.0 subscribers in Italy, launched in May in UK and Germany**
- **Lower than expected traffic and subscriber growth in Germany, higher customer churn rate due to increased competition**

Country operations highlights

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- **€8 m of portal revenues achieved at corporate level in Q1 02, upgrading estimates for FY 2002, benefit of paneuropean reach in attracting content partners and advertisers**
- **Successful migration of databases of recently acquired companies in UK onto proprietary network and UNIT platform**
- **Good performance of ADSL in Italy and France, UK under implementation**

Tight control on operating costs

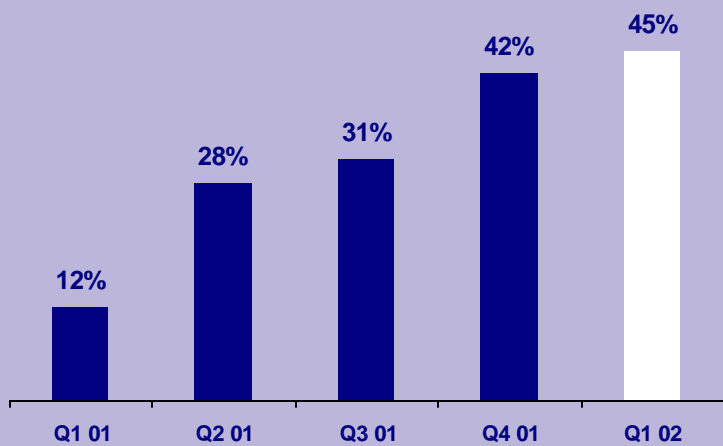


€m	Q1 01	Q1 02	Change	change on proforma (*)
Gross margin	17.9	84.4	371%	363%
Sales and marketing	29.9	22.8	(24)%	(43)%
Staff	26.6	35.0	32 %	(31)%
G&A	19.5	25.6	31 %	(29) %
Total operating costs	76.0	83.4	10%	(34)%

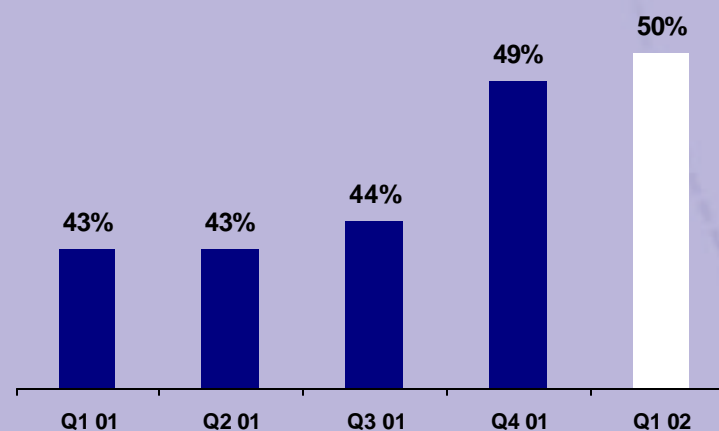
Gross margin by business line



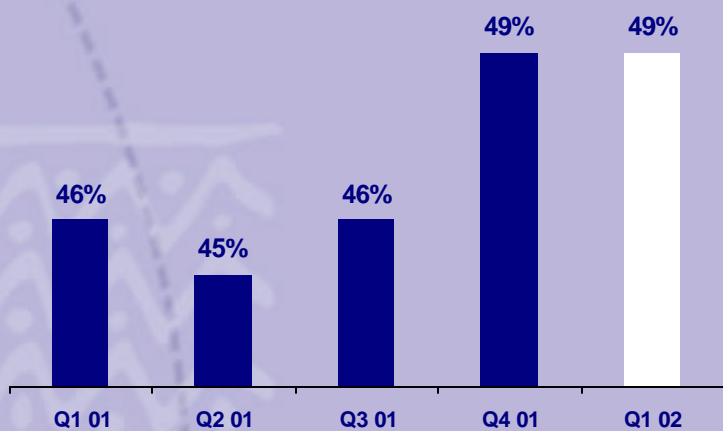
Access



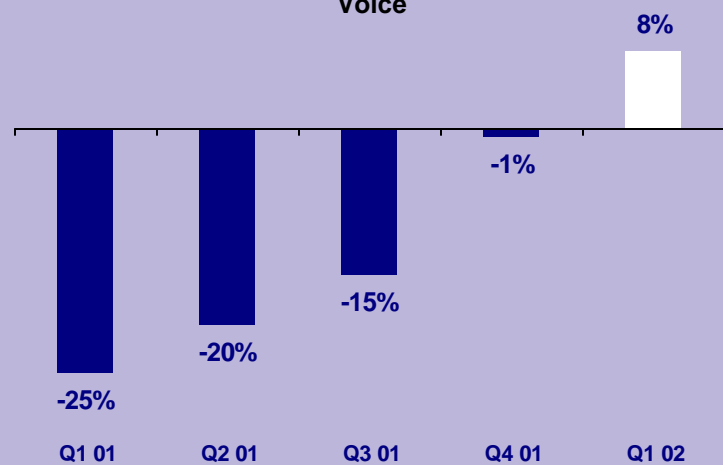
Portal



B2B



Voice



Enhancing profitability

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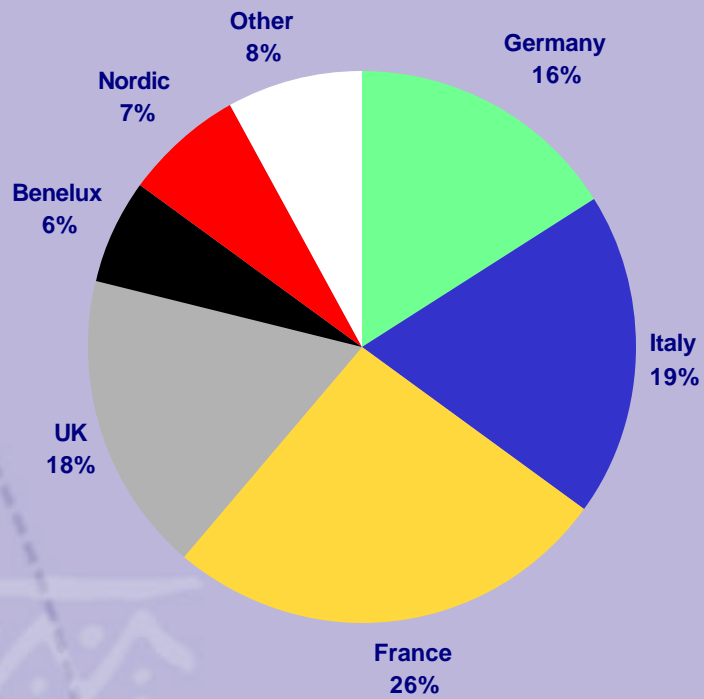
- **371% increase in gross margin as a result of better performance on the access and portal business**
- **Access gross margin equal to 45%, up from 42% in q4 2001, driven by higher traffic volumes and reduced incidence of leased lines costs**
- **10% increase in total operating costs resulting from enlarged consolidation scope, -34% on proforma basis**
- **Total operating costs equal to 43% of revenues, compared to 69% in Q1 01**
- **Sales and marketing expenses in line with last quarters, increased efficiency due to unified brand strategy**

Business analysis by country

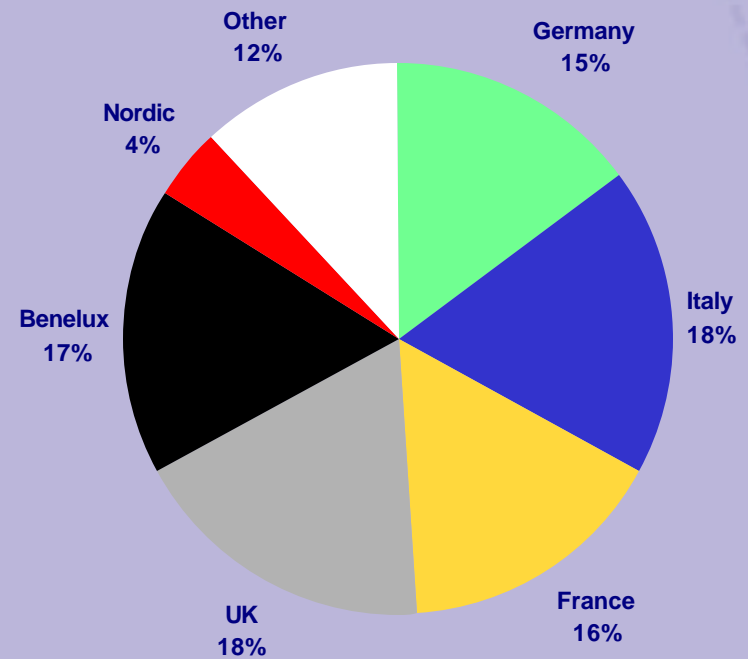
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Revenues by country



Subscribers by country



Outlook for 2002: from restructuring to development

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- **Management focus on growth and customer retention**
- **Target of full year 2002 EBITDA profitability confirmed**
- **Launch of brand campaign in early Q2 2002 expected to boost subscriber growth, both on ADSL and narrowband**
- **Development of bundled Internet/Voice products**



- More favourable regulatory environment and growth in consumer market create opportunity for developing a viable ADSL business model
- Focus on ADSL deployment in Uk, Germany, Italy and France,
- No investments in the local loop, implementing IP DSL interconnection where available, in order to better leverage the proprietary backbone
- Targetting 250K subscribers on european basis at YE 2002

Disclaimer

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