

**Tiscali's Board of Directors approves 1Q04 results  
Ruud Huisman is appointed CEO**

- **Revenues up 26% vs 1Q03 to EUR 267.1 million**
- **Record growth in ADSL customer numbers, with 400,000 new subscribers in 1Q, taking the total to 1,240,000 and a further 80,000 registered in April**
- **EBITDA rose to EUR 23.9 million (9% of revenues), up 53% from EUR 15.6 million in 1Q03**
- **Sharp improvement in EBIT (EUR -27.2 million): more than halved the loss registered in 1Q03**

*Cagliari, 13th May 2004*

Tiscali's Board of Directors has approved 1Q04 results.

A key feature of the first quarter was organic revenue growth driven by a sharp rise in ADSL subscriber numbers, with an average of 33,000 new ADSL customers signing up every week. The successful launch of unbundled services in the Netherlands and Denmark has allowed to reach 50% and 80% of ADSL customers, respectively, in the unbundling mode, which yields ca 70% gross margin, substantially higher margins than wholesale ADSL services.

The Group's profitability will be boosted by the offer unbundled ADSL services in both Italy and France, where further network and infrastructure investments are being implemented.

The Group's first quarter performance allows to confirm 2004 targets.

- **Revenues and gross margin**

Tiscali posted first quarter revenues of EUR 267,1 million, up 26% versus 1Q03 and 7% ahead of the previous quarter.

At 31 March, ADSL customer numbers had quadrupled compared to a year ago, to 1,240,000 (+48% vs. 4Q03), with 33,000 new subscribers signing up each week on average. This rate of growth continued in April, with almost 80,000 new adds, taking the total to 1.320 million. The number of active dial-up users is 6.8 million.

70,000 ADSL users (50% of the total) in the Netherlands and more than 80% in Denmark now receive unbundled services. Even more customers are expected to be unbundled in Italy and France in the second half of the year.

- **Access** revenues rose by 22% versus 1Q03 to EUR 180.9 million (68% of revenues), and by 11% versus the previous quarter. ADSL revenues for the first quarter were EUR 68 million (38% of access revenues and 25% of total revenues), quadrupled from EUR 24 million in 1Q03.
- Revenues from **business services** were EUR 52.1 million (20% of revenues), up 52% versus 1Q03 and 4% versus 4Q03 thanks to the expansion of the basis of consolidation and synergies arising from the integration of the businesses acquired in 2003. This business area has now become Tiscali's second biggest revenue source, and offers strong synergies with the B2C market.
- **Voice** revenues rose by 34% versus 1Q03 to EUR 21 million (8% of revenues), and were broadly flat compared with the previous quarter. The revenue increase in this business area was due to both organic and external growth, following the acquisition of npower in the UK, which was consolidated from the second half of 2003.
- **Portal** revenues came in at EUR 11.4 million (4% of revenues), a slight drop versus 1Q03 (-5%) and 4Q03 (-8%), as the Group decided to discontinue so called dialler services, in view of protecting its customers. In 1Q04 Tiscali was confirmed as one of Europe's leading web properties, with over 19 million unique visitors in March alone, a 30% increase on March 2003.

**Gross profit** totalled EUR 127.6 million (48% of revenues), up 21% vs 1Q03 (50% of revenues) and substantially stable vs 4Q03 (51% of revenues). The gross margin should improve in 2Q04 with the increase of ADSL clients receiving unbundled ADSL services, in line with the Group's strategic plan.

- **Operating performance**
- **Operating costs fall as a proportion of revenues**

Operating costs fell from 42% of revenues in 1Q03 to 39% this time, to EUR 103.7 million. In absolute terms, however, operating costs rose by 15% yoy, and by 3% versus the previous quarter, when they represented 40% of revenues. The increase compared with a year ago is entirely due to the increase in marketing costs, which relates to the rise in revenues.

Operating costs break down as follows:

- **marketing costs** totalled EUR 40.5 million (15% of revenues), up 26% versus 1Q03 (15% of revenues) and 8% higher than in the previous quarter (15% of revenues). This rate of growth was broadly in line with the increase in revenues;
- **personnel costs** rose by 10% versus 1Q03 to EUR 37.1 million (but fell from 16% to 14% of revenues), and were largely unchanged compared with the previous quarter (15% of revenues);
- **general and administrative costs** came to EUR 26.1 million (10% of revenues), up 9% versus 1Q03 (11% of revenues) and 2% higher than in the previous quarter (10% of revenues).

The cost savings achieved in previous years have produced an efficient operating cost structure able to support the Group's growth.

**EBITDA** came in at EUR 23.9 million (8.9% of revenues), up 53% versus 1Q03 (EUR 15.6 million; 7.6% of revenues). This was lower than the EUR 27.6 million posted in 4Q03, as the rise in wholesale ADSL user numbers temporarily impacted the gross margin.

Depreciation, amortisation and provisions totalled EUR 51.1 million, down from EUR 81.1 million in 1Q03 and EUR 105.3 the previous quarter.

In particular, depreciation of tangible assets accounted for EUR 19.3 million, while amortisation of intangible assets was EUR 30.1 million, of which EUR 14.3 million related to goodwill.

The loss at **EBIT** level more than halved to EUR 27.2 million (+59%) from EUR -66.2 million in 1Q03, and improved by 65% compared with the previous quarter.

The Group made gross loss of EUR 52.1 million for the period, a sharp improvement (+39%) on the figures for 1Q03 (EUR 85.3 million) and 4Q03 (EUR 80.3 million, +35%).

Investment totalled EUR 27.5 million in 1Q04, of which around EUR 20.2 million was spent on tangible assets and EUR 7.2 million on intangible assets. EUR 12 million was invested in the roll out of infrastructure necessary to provide unbundled ADSL services in the Netherlands, France and Italy.

■ Financial resources and debt

Cash burn continued on a downtrend in the first quarter, at EUR 58.6 million: from ca EUR 25 million in January, it fell to ca EUR 20 million in February and ca EUR 14 million in March.

At 31 March, the Tiscali Group had total cash and cash equivalents of EUR 253.7 million, while net debt stood at EUR 341.1 million.

The table below shows the Group's cash and debt position as of 31.03.2004.

	31.03.2004
<b>Cash and short-term investments in money market instruments</b>	<b>EUR 123.6 million</b>
<b>Investments other than non-current assets</b>	<b>EUR 130.1 million</b>
<i>of which escrow</i>	EUR 53.5 million
<i>of which tax credits and grants*</i>	EUR 76.6 million
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>EUR 253.7 million</b>
<b>Bonds due in July 2004</b>	<b>EUR 73.1 million</b>
<b>Bonds due in July 2005</b>	<b>EUR 250.0 million</b>
<b>Bonds equity-linked due in September 2006</b>	<b>EUR 209.5 million</b>
<b>Bonds Telinco</b>	<b>EUR 0.6 million</b>
<b>Loans and other long-term debt</b>	<b>EUR 31.8 million</b>
<b>Other short-term financial liabilities</b>	<b>EUR 29.8 million</b>
<b>GROSS DEBT 1</b>	<b>EUR 594.8 million</b>
<b>Other short-term financing**</b>	<b>EUR 40.5 million</b>
<b>GROSS DEBT 2</b>	<b>EUR 635.3 million</b>
<b>NET DEBT 1</b>	<b>EUR 341.1 million</b>
<b>NET DEBT 2</b>	<b>EUR 381.6 million</b>
<b>PRO FORMA NET DEBT 1</b>	<b>EUR 131.6 million</b>
<b>PRO FORMA NET DEBT 2 (assuming full conversion of equity-linked bonds)</b>	<b>EUR 172.1 million</b>

\* Mainly includes tax credits for which a refund has been requested and is expected to be received in 2004.

\*\* Mainly leasing

■ **2004 targets**

The Group has confirmed the following targets for 2004:

- Revenues of over EUR 1.2 billion, an increase of more than 30% versus 2003
- EBITDA margin at 11% of revenues
- Over 1.6 million ADSL users
- Investment at 10% of revenues
- Net profit before extraordinaries in 2005
- Cash flow generation from the second half of 2004
- Sales of assets in Switzerland, South Africa, Norway and Sweden, to be completed by the end of the year

■ **Other resolutions**

The Board of Directors has approved appointed Ruud Huisman as CEO of the Tiscali Group, after becoming a Director following the Shareholders' meeting held on 6 May.

In addition, the Board of Directors resolved to empower the Chairman to call an extraordinary shareholders' meeting, on a date to be determined, to approve an increase in the capital of Tiscali SpA pursuant to Article 2441, fourth paragraph, second period of the Italian Civil Code. The rationale for the capital increase is to enhance the Group's financial flexibility to access the capital markets.

*This press release includes forward-looking statements. These forward-looking statements are based on current expectations and projections about future events and are subject to certain risks, uncertainties and assumptions. This press release also contains unaudited proforma figures.*

*Tiscali undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this press release might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.*

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