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PRESS RELEASE

Tiscali's board of directors approves 3Q04 results

- **Revenues were up 22% vs. 3Q03, at EUR 270.6 million. 9M04 revenues totalled EUR 808.7 million +24% increase on 9M03**
- **EBITDA rose by 82% to EUR 25.7 million (9% of revenues), from EUR 14.1 million in 3Q03. 9M04 EBITDA totalled EUR 73.9 million, +57% 9M03**
- **Disposals on non-core countries for over EUR 80 million in the quarter**

Cagliari, 12th November 2004

Tiscali's board of directors has approved the 3Q04 results.

Third quarter 2004 results were substantially ahead of 3Q03, in spite of the seasonality of summer months affecting dial-up minutes and the pace of new ADSL adds. The group is well on track to achieving its full-year target of 1.7 million broadband customers.

During the quarter Tiscali implemented the disposals of subsidiaries in Austria, Norway, Sweden, Switzerland and South Africa, for a total of EUR 81.3 million, as part of the announced disposal plan. This plan comes under the group's strategy of focusing on markets that offer the best value creation opportunities.

On the basis of the implemented disposal plan and of other actions already taken, Tiscali's board of directors has confirmed its confidence in the financial sustainability of the business plan which is currently being implemented, aimed at meeting the rapid growth in demand for broadband services throughout Europe.

Revenues and gross profit

The group posted third-quarter revenues of EUR 270.6 million, up 22% versus 3Q03, but in line with the previous quarter, also due to the sale of the Austrian and Norwegian subsidiaries.

At the end of September, the Group had 1.542 million ADSL customers, up from 602,000 at 30 September 2003 (+156%). 102,000 new customers signed up during the quarter (+7% vs. 2Q04). The number of active users totalled 7.7 million, of which 6.2 million are dial-up users. These results were affected by the strong seasonality of summer months and the return to normal levels of growth in ADSL user numbers, in

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line with the group's strategy, focused on boosting higher-margin customer numbers following the launch of unbundled services.

Around 160,000 ADSL users are already receiving unbundled services. The group expects an increasing number of customers to migrate from wholesale to unbundled services, especially once double (voice and data) and triple play services (voice, data and content) are on offer.

- **Access** revenues rose by 22% versus 3Q03 to EUR 183.4 million (68% of total revenues), which was broadly in line with the previous quarter. The reduction was attributable to the disposals in Austria and Norway, as well as to seasonal factors, particularly in the dial-up segment, where online minutes fell by 5% versus the previous quarter. 3Q04 ADSL revenues were EUR 80.9 million (44% of total access revenues), almost double those of 3Q03 (EUR 43.5 million; 29% of access revenues), and 5% ahead of 2Q04 (EUR 77.3 million; 42% of access revenues). Dial-up revenues, at EUR 102.6 million (56% of access revenues), were affected by a drop in user numbers and online minutes compared to 3Q03, as a result of both greater migration of customers to broadband services and seasonal factors.

- Revenues from **business services** rose by 27% versus 3Q03 to EUR 52.9 million (20% of total revenues), and increased by 6% compared with the previous quarter, thanks to an increased focus on expanding the Group's services in this area.

- **Voice** revenues came in at EUR 23.3 million (9% of total revenues), up 39% on 3Q03, and 7% ahead of 2Q04. This increase was due to both organic and external growth, following the consolidation of npower in the UK from September 2003.

- **Portal** revenues fell versus 3Q03 to EUR 10.5 million (4% of total revenues), which was also slightly down on the previous quarter. This business was affected by seasonal factors relating to the advertising market. The quarter also saw Tiscali confirmed as one of Europe's leading web properties, with over 16.6 million unique visitors in September 2004, a 34% increase on September 2003.

The change in the access revenues mix due to sustained growth in ADSL user numbers—most of whom receive wholesale services—had an impact on **gross profit,** which came in at EUR 112.7 million and was broadly flat versus 3Q03. The **gross margin** narrowed to 42% of revenues, from 50% in the third 3Q03, and 44% in the previous quarter. Gross profit is expected to improve gradually over the next few quarters as a result of growth in unbundled broadband services.

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Operating performance

Operating costs fall as a proportion of revenues

Operating costs fell both in absolute terms (-8% versus 3Q03, at EUR 87 million) and as a proportion of revenues (from 43% in 3Q03 to 32% in 3Q04). These costs also fell substantially versus the previous quarter both in absolute terms and as a proportion of revenues (35% vs. 32%), following a reduction in the amounts spent on marketing and general and administrative costs.

Operating costs break down as follows:

- **marketing costs** totalled EUR 27.4 million (10% of revenues), down 24% versus 3Q03 (16% of revenues) and 9% versus the previous quarter (11% of revenues). This reduction related to a reallocation of investments and to seasonal factors: investment is expected to rise in the fourth quarter of 2004, when the group will focus on promoting its unbundled broadband and voice services.

- **personnel costs** came to EUR 40.1 million (15% of revenues), up 12% versus 3Q03 (16% of revenues) and slightly decreasing (-2%) compared to the previous quarter (16% of revenues).

- **general and administrative costs** were EUR 19.5 million (7% of revenues), down 19% versus 3Q03 (11% of revenues), and 18% lower than in the previous quarter (9% of revenues).

Third-quarter **EBITDA** was up 82% at EUR 25.7 million (9% of revenues), from EUR 14.1 million in 3Q03 (6% of revenues), and 6% ahead of the previous quarter (EUR 24.3 million). The increase was achieved thanks to a reduction in operating costs.

Depreciation, amortisation and provisions totalled EUR 57.6 million, down from EUR 66.8 million in 3Q03. The reduction (despite the increase in investments) is attributable to lower goodwill amortisation following a review of the residual life of the assets, and the harmonisation of depreciation rates introduced for the purpose of preparing the annual report for the year ending 31 December 2003. The 3Q04 figure decreased also compared to EUR 64.1 million registered in 2Q04 which included higher provisions.

In particular, depreciation of tangible assets came to EUR 17.8 million in 3Q04, while amortisation of intangible assets was EUR 37.1 million, of which EUR 13.8 million related to goodwill.

The loss at **EBIT** level was EUR 31.8 million, versus losses of EUR 52.4 million in 3Q03 and EUR 39.7 million in the previous quarter.

The group made a pre-tax loss of EUR 33.3 million in the third quarter of 2004, a marked improvement (+54%) on the losses of EUR 73.6 million recorded in 3Q03 and of EUR 65.5 million recorded in 2Q04. The pre-tax loss included an extraordinary income item relating to capital gains on the sales of subsidiaries in Austria, Norway and Sweden of EUR 17 million.

Investment totalled EUR 35.6 million in 3Q04, of which around EUR 30.1 million was spent on tangible assets and EUR 5.5 million on intangible assets. The increase in investment compared to the previous quarters relates to the roll-out of infrastructure to support the supply of unbundled ADSL services in France and Italy, and to a lesser extent, in the Netherlands, where investments should be completed by the end of 2004.

Financial resources and debt

The operating cash flow after capex and before interests on financial and leasing debt stood at EUR -12 million, a sharp improvement vs 2Q04 (EUR -20.5 million). Capex in 3Q04, for EUR 35.6 million, were higher than capex in 2Q04 (EUR 19 million). Working capital absorption, on the other hand, was unusually low.

Free cash flow stood at EUR -11.3 million, more than halved versus the third quarter of 2003 (EUR -30 million).

This included an extraordinary cash item of EUR 26 million deriving from the disposals of subsidiaries in Austria, Norway, Sweden and Switzerland (net of the deferred payments and of the respective net financial positions). It also included financial charges for EUR 18 million, higher than the EUR 4.5 cash interest charge in 2Q04 (corresponding to the quarterly interest charges on the bonds due July 2005). In fact, the annual interest expenses for the bonds matured July 2004 and due September 2006 were also entirely paid in the quarter.

At 30 September 2004, the Tiscali group had liquid financial resources of EUR 133.3 million, while net debt stood at EUR 382.4 million.

The table below shows the group's cash and debt position as of 30 September 2004.

	30.09.2004	
Cash	**EUR 57.6 million**	
Other financial assets	**EUR 75.7 million**	
Of which escrow	**EUR 29.1 million**	
*Of which tax receivables**	**EUR 46.6 million**	
TOTAL CASH AND CASH EQUIVALENTS		**EUR 133.3 million**
Bonds due in July 2005	**EUR 250.0 million**	
Equity-linked bonds due in September 2006	**EUR 209.5 million**	
Telinco bonds	**EUR 0.4 million**	
Loans and other long-term liabilities	**EUR 32.0 million**	
Other short-term financial liabilities	**EUR 23.8 million**	
GROSS DEBT 1		**EUR 515.7 million**
Other liabilities **	**EUR 49.2 million**	
GROSS DEBT 2		**EUR 564.9 million**
NET DEBT 1		**EUR 382.4 million**
NET DEBT 2		**EUR 431.6 million**
PRO FORMA NET DEBT 1		***EUR 172.9 million***
PRO FORMA NET DEBT 2 (assuming the full conversion of Equity-linked bonds)		**EUR 222.1 million**

** Mainly VAT credits and payments*
*** Mainly includes leasing debts*

Impact of the sale of non-core assets announced in the quarter

Proceeds from the sale of subsidiaries in Austria, Norway, Sweden and South Africa accounted for 12% of total group revenues as of 30 September 2004. In terms of customers, this corresponds to 5% of ADSL customers and 7% of dial-up customers.

The disposals generated a net capital gain of around EUR 27 million, the combined result of capital gains of around EUR 44 million and a loss of around EUR 17 million (already recorded, as a prudent measure, under extraordinary charges in the half-year report to 30 June 2004).

Liberty Surf loan

Last June the French subsidiary, Liberty Surf granted a loan of EUR 30 million to Tiscali SpA at market conditions. This is part of the group's strategy of optimising its treasury management, in line with the group's inter-company loan procedures.

EUR 5 million of the loan was repaid in September 2004, and the remaining portion will be repaid by the first quarter of 2005.

Results for the first nine months of 2004

In the first nine months of 2004, revenues totalled EUR 808.7 million, up by 24% compared to the same period of 2003.

Internet access revenues rose by 22% to EUR 549.3 million (68% of total revenues), from EUR 449.2 million in the same period of last year.

Portal revenues fell by 5% to EUR 33.1 million versus the first nine months of last year (4% of total revenues). This was chiefly due to the marked seasonality effect of summer period.

In the first nine months of 2004, business service revenues stood at EUR 154.9 million, up 40% on the same period of 2003, thanks to external growth and the group's wider portfolio of products and services.

Voice services rose by 34% compared to the first nine months of 2003, to EUR 66.1 million, demonstrating the strategic value of this range of products, offered to both business and domestic customers to complement internet services.

Gross profit increased by 11% vs 9M03 to EUR 361.2 million in the first nine months of the year. However, the gross margin narrowed from 50% in 9M03 to 45% this time. This result was affected by the lower profitability of ADSL services, which are mainly sold on a wholesale basis.

Marketing costs, at EUR 98 million, were down by 4% on the first nine months of 2003. As a proportion of revenues, these costs fell from 16% in the same period last year, to 12%. This change was due to refocusing and rescheduling of marketing investments.

Personnel costs were up by 13%, from EUR 104.9 million in the first nine months of 2003 to EUR 118 million. As a proportion of total revenues, personnel costs came to 15%, versus 16% in the same period of 2003.

General and administrative costs fell by 2%, from EUR 72.7 million (11% of revenues) at 30 September 2003 to EUR 71.1 million at 30 September 2004 (9% of revenues).

EBITDA in the first nine months of 2004 was positive to the tune of EUR 74 million, a 57% increase on the EUR 47 million recorded in the same period of 2003.

The company made an EBIT loss of EUR 98.2 million, a marked improvement (+35%) on the loss of EUR 151.2 million recorded in the first nine months of 2003.

The company made a pre-tax (**EBT**) loss of EUR 168.5 million in the first nine months of 2004, a 22% reduction of the loss of EUR 215.3 million recorded in the same 2003 period. This result incorporates an extraordinary income item of EUR 17 million arising from the disposals in Austria, Norway and Sweden, and an extraordinary charge of the same amount on the sale of the Swiss subsidiary.

Significant events after the end of the third quarter 2004

On 13 October 2004, Tiscali reached an agreement with Google through which Google will provide Tiscali's users with web search as well as with targeted advertising through its search engine sponsored links, which currently represent one of the main sources of revenues from on line advertising.

On 14 October 2004, Tiscali launched its new, ground-breaking ADSL2 services with connection speeds of 2Mbps, 6Mbps and 12 Mbps for its unbundled ADSL customers in Italy. This offer will be followed by VoIP services.

On 18 October 2004, Tiscali announced it had reached an agreement with Vodacom Service Provider Company Pty Ltd to sell off its mobile telephony services in South Africa. This deal followed the announcement of the signing of an agreement for the sale of South African subsidiary Tiscali Pty Limited for around EUR 40 million last August. The sale is subject to the approval of the South African competition authorities. The agreed price of ZAR 42 million (EUR 5.3 million) is to be paid in cash on completion of the sale.

Targets for 2004

Tiscali has confirmed the following targets for 2004:

- Revenues of ca EUR 1.1 billion (including the disposals)
- EBITDA margin of around 10% of revenues
- 1.7 million ADSL users
- Investment at 10% of revenues
- Net profit in 2005
- Cash flow generation in the last quarter 2004
- Disposal of further non-core assets by first half of 2005

Profit and loss highlights	**30.09.2004**	**30.09.2003**	**30.09.2004**	**30.09.2003**
	3 months	3 months	9 months	9 months
Revenues	270,623	222,218	808,671	651,905
Value of production	**270,623**	**222,218**	**808,671**	**651,905**

Cost of goods and services	(204,814)	(171,877)	(616,704)	(499,970)
Personnel costs	(40,095)	(35,920)	(118,011)	(104,813)
EBITDA	**25,714**	**14,421**	**73,956**	**47,122**
Depreciation, amortisation and write-downs	(41,063)	(32,819)	(112,638)	(100,441)
Goodwill amortisation	(13,831)	(25,528)	(41,965)	(75,925)
Other provisions	(2,669)	(8,464)	(17,585)	(21,925)
EBIT	**(31,849)**	**(52,390)**	**(98,232)**	**(151,169)**
Financial charges	(8,845)	(5,241)	(27,591)	(15,658)
Extraordinary items	7,359	(16,011)	(42,636)	(48,449)
Pre-tax profit (loss)	**(33,335)**	**(73,642)**	**(168,459)**	**(215,276)**

This press release contains certain forward-looking statements based on current expectations and projections in relation to future events. These forward-looking statements may be affected by known or unknown risks, uncertain events and cautious assumptions. This press release also contains unaudited pro-forma data.

Tiscali does not undertake to publish updates or modify any forward-looking statements, either to provide new information or in response to future events or other circumstances. In light of the aforementioned risks, uncertainties and assumptions, the forward-looking statements contained in this press release may not come to fruition. Any statement relating to past performance or activities should not be considered a guarantee of future performance or of such activities continuing in the future.