



TISCALI reaches EBITDA breakeven Board of directors approves the 1Q02 results

- **Breakeven achieved. EBITDA positive at EUR 1 million.**
- **Revenues of EUR 195.2 million, up by 78% compared to 1Q01**
- **Gross margin at 43%, a 371% increase on 1Q01**
- **7.4 million active users, up by 72% compared to 1Q01. Significant growth in broadband customers to 85,000 – an increase of over 300% on 1Q01**
- **10.9 billion minutes spent online in 1Q02**

Milan, 15 May 2002. The board of directors of Tiscali, Europe's leading Internet company, has approved the results for 1Q02.

EBITDA breakeven

The Company generated positive consolidated EBITDA of EUR 1 million in line with company forecasts and the Group's integration and reorganisation plan initiated in 2001.

This important target was reached thanks to sustained turnover growth and the incisive action taken by the management last year in the form of an incisive cost-cutting strategy and structural and organisational rationalisation. At the same time, the company commenced a rebranding exercise designed to strengthen the Tiscali brand throughout Europe. As a result Tiscali started the year with an integrated, competitive and efficient organisational structure in all the countries it operates in.

Revenues up sharply

Total 1Q02 Group revenues were EUR 195.2 million, a 78% increase on 1Q01.

Access revenues, which account for 70% of total sales, grew by 93%, from EUR 71.2 million in 1Q01 to EUR 137.6 million in the first three months of 2002. This particularly impressive performance was attributable to two main drivers: the growth in the number of active users to 7.4 million at 31 March 2002, an increase of 72% year-on-year, and growth in the Internet traffic generated by these users, to around 10.9 billion minutes, a 76% rise compared to 1Q01.

Growth in the number of broadband users in Europe was particularly high exceeding the 85,000 mark in 1Q02, an increase of over 300% on 1Q01.

Portal revenues totalled EUR 19.7 million, a 137% increase on 1Q01. Tiscali has established itself not only as one of the leading web properties in Europe, with over 14 million unique visitors in March 2002, but also as the leading content distribution network. The Company generated EUR 8 million of advertising revenues from international contracts with major advertisers, confirming the validity of the strategy to develop a single Europe-wide brand, which has made Tiscali the partner of choice for multinationals' online advertising campaigns.

In April, Tiscali launched an important corporate marketing campaign in the whole of Europe, aimed at increasing its brand profile. Thanks to the advertising campaign, the brand awareness levels in France went up to 43%, from 2% in June 2001.

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Revenues from **B2B services** were EUR 21.9 million, representing 11% of the total revenues, up by 22% compared to 1Q01, and in line with the previous quarter, confirming this business as highly complementary to consumer activities .

Voice revenues amounted to EUR 12 million, a 14% increase on 1Q01.

Incisive cost-cutting measures

The restructuring and rationalisation process which continued throughout 2001, together with synergies generated by the integration of the Group, had a positive impact on 1Q02 results: the overall gross margin, at EUR 84.4 million, was 43%, a 371% increase on 1Q01. This strong performance was due to the optimisation of the structure of the access networks in all countries, which led to a fall in interconnection costs and migration of traffic onto Tiscali's own international network. The results prove the validity of the business model and the effectiveness of the strategy adopted, designed to take advantage of all economies of scale resulting from the Group's integration and expansion.

Operating costs were EUR 83.4 million, sharply decreasing their incidence on revenues compared to 1Q01, when the integration process was still in its infancy.

Brand unification and the elimination of job overlaps carried out over the last 12 months have created an efficient cost structure capable of fully supporting the Company's growth plans. Thanks to the measures taken, the Group has been able to achieve positive consolidated EBITDA of EUR 1 million, versus a negative figure of EUR -58.2 million in 1Q01.

Depreciation of fixed assets and provisions amounted to EUR 34.7 million, while goodwill amortisation was EUR 72.2 million.

In the first three months of the year EBIT was negative to the tune of EUR -105.9 million, a 30% reduction compared to the same period of 2001. EBIT net of goodwill amortisation was negative at EUR -33.7 million.

Financial resources and investments

As at 31 March 2002, the Tiscali Group had cash resources totalling EUR 400 million, EUR 129 million net of financial liabilities and including VAT and other tax credits. The Company's improved profitability is confirmed by a lower operating cash burn rate, which was down 45% on the previous quarter, at EUR 83 million. EUR 45 million of financial resources were spent on technical investments and product development during the quarter.

- Ends -

This press release includes forward-looking statements. These forward-looking statements are based on current expectations and projections about future events. These forward-looking statements 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

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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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