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PRESS RELEASE

Tiscali's board of directors approves draft of consolidated results for 2004

- **Revenues at EUR 1,080.6 million in 2004, up 20% on 2003 (+23% on a same consolidation basis)**
- **EBITDA at EUR 108.8 million (10% of revenues), up 46% on 2003 (+38% on a same consolidation basis)**
- **Net result at EUR -161.4 million, strong improvement (+34%) on 2003 (EUR -245.9 million)**
- **Sharp rise in cash flow from operations (EUR 7.1 million in the fourth quarter). Improvement in net debt (+EUR 72 million in the fourth quarter) following the initial implementation of the financial plan**
- **1.65 million ADSL users, inclusive of 330,000 "unbundled" customers**

Cagliari, 29 March 2005

Tiscali's board of directors has approved the draft results for the year ending 31 December 2004.

The results for the year ended 31 December 2004 reflect both the achievement of the announced targets and significant improvements in terms of revenues, profitability, ADSL users and cash-generating capabilities.

GROUP OPERATING AND FINANCIAL HIGHLIGHTS

Profit and loss account (EUR 000)	**31.12.2004** 12 months	**31.12.2003** 12 months
Revenues	1,080,561	901,022
Cost of goods sold	(815,098)	(684,227)
Personnel costs	(156,641)	(142,066)

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EBITDA	108,822	74,729
Depreciation and provisions	(153,946)	(154,560)
Goodwill amortisation	(51,189)	(72,063)
Other provisions	(23,294)	(76,976)
EBIT	(119,607)	(228,870)
Financial income (charges)	(37,022)	(19,840)
Extraordinary income (charges)	(112,463)	(46,856)
Gross profit (loss)	(269,092)	(295,566)
Income tax for the year		
Current	(2,987)	(2,035)
Advance tax payments	110,708	51,619
Net profit (loss) for the year	(161,371)	(245,982)

Changes are presented on a same structure basis, thereby removing any effect relating to the assets sold during the period.

Revenues

The Tiscali group generated consolidated revenues of EUR1,080.6 million in 2004, an increase of 20% on the EUR 901.0 million posted in the previous year. On a same structure basis, the increase was 23%.

Access services continued to be the Tiscali group's main source of revenues, accounting for 68% of the total, followed by business (19%), voice (8%) and portal services (4%).

Access

At the end of December 2004, ADSL customers totalled 1.65 million, a marked increase on the 840,000 users at end-2003 (up 97%), thanks to a net increase of 813,000 new subscribers. Total active customers were 7.4 million, including approximately 5.7 million dial-up users.

In the second half of 2004, unbundled services were launched in Italy and France and by the end of the year 330,000 ADSL customers were receiving unbundled services.

Access revenues accounted for 68% of the total and were 19% higher than a year earlier, as they rose from EUR 612.9 million at the end of 2003 to EUR 730.4 million at

the end of 2004, despite the adjustments for the exit of Austria, Norway, Sweden and Switzerland from the basis of consolidation. On a same structure basis, access revenues grew by 22%.

Against this backdrop, and in line with the market, dial-up revenues fell by 11%, from EUR 469.6 million at the end of 2003 to EUR 417.9 million at the end of 2004. On a same structure basis, dial-up revenues decreased by 9%.

ADSL revenues for the year totalled EUR 312.5 million, a substantial increase on the EUR 143.3 million for 2003 (up 118%, up 129% on a same structure basis), reflecting the greater weighting of ADSL services and the marked change in the access revenue mix.

Business services

Revenues from **business services** totalled EUR 205.9 million, a 28% increase on the EUR 161.2 million posted in 2003, thanks to an expanded offering of products and services by the group.

Business services accounted for 19% of total revenues, compared with 18% in the previous year. On a same structure basis, revenues in this area rose by 36%.

Voice revenues

Voice revenues for the year amounted to €88.3 million, up 25% from EUR 70.4 million at end-2003 (up 23% on a same consolidation basis).

Voice services accounted for 8% of total revenues, unchanged from last year.

According to the Tiscali group's strategy, voice services are a key driver for increasing total ARPU, improving gross profit, developing customer loyalty, reducing the churn rate and laying the groundwork for securing a major competitive advantage to pursue growth in the VoiP market.

Portal

Portal revenues for 2004 amounted to EUR 45.8 million, or 4% of the total, a decrease of 3% from a year earlier. This was due mainly to Tiscali's exit from non-core countries.

However, the group posted a significant increase in advertising revenues in key countries.

Also in 2004, Tiscali maintained its position as one of Europe's main web properties groups, with more than 23 million unique visitors in December 2004 (Tiscali DHW), up 34% on December 2003.

Gross Profit

Gross profit for the year was EUR 480.3 million, representing 44% of total revenues, an increase of 6% (up 7% on a same structure basis) on the comparable year-earlier amount, which accounted for 51% of total revenues.

As a share of total revenues, this result was lower than in 2003, due to the lower margins of wholesale ADSL services. However, it marked an important trend reversal in the fourth quarter of 2004, which confirms the effectiveness of Tiscali's strategy to migrate the group's ADSL user base from wholesale tariffs to unbundled services. Even if progression from wholesale towards unbundling is currently discrete, it has very optimistic economic perspectives.

Operating costs

Operating costs totalled EUR 371.5 million in 2004, down from EUR 380.4 million in 2003 (broadly stable on a same structure basis).

In 2004 operating costs accounted for 34% of revenues, down from 42% a year earlier. This was attributable not only to the effects of the deconsolidation of certain subsidiaries sold but also to the lower impact of G&A costs, a redefinition of the group's marketing strategies and the associated "timings".

The following is a description of the elements that contributed to achieving greater operating cost efficiency.

Marketing costs

In 2004 marketing costs totalled EUR 123.6 million, accounting for 11% of revenues. This represented a decrease both in absolute terms (down 12%), from EUR 140.0 million a year earlier, and as a proportion of revenues, from 16% in 2003. On a same structure basis marketing costs declined by 10%.

Personnel costs

Personnel costs grew by 10%, from EUR 142.1 million in 2003 to EUR 156.6 million in 2004. This accounted for 14% of total revenues, compared with 16% at end-2003. On a same structure basis, personnel costs rose by 16%, from EUR 126.3 million in 2003 to EUR 147.0 million at the end of 2004, but fell as a proportion of revenues, from 15% in 2003 to 14% in 2004.

- **G&A costs**

G&A costs amounted to EUR 91.2 million, down 7% (down 6% on a same structure basis) from EUR 98.3 million at 31 December 2003. This item accounted for 8% of revenues in 2004, down from 11% in 2003.

- **EBITDA**

For the year ended 31 December 2004, EBITDA was positive to the tune of EUR 108.8 million, a substantial increase (up 46% in absolute terms) on the 2003 figure of EUR 74.7 million. This item rose by 38% on a same structure basis. In 2004 all group companies showed improved profitability. Furthermore, the EBITDA margin improved significantly, from 8% in 2003 to 10% in 2004.

During 2004, amortisation, depreciation and provisions amounted to EUR 228.4 million, compared with EUR 303.6 million a year earlier.
Depreciation amounted to EUR 83.4 million, as against EUR 94.9 million at 31 December 2003. Amortisation was EUR 121.7 million, compared with EUR 131.7 million in 2003. Amortisation of goodwill arising on consolidation for 2004 was EUR 51.2 million versus EUR 72.1 million a year earlier.

Moreover, at end-2004, “other provisions and write-downs” fell to EUR 23.3 million, compared with EUR 76.9 million at 31 December 2003.

- **EBIT**

The loss at **EBIT** level was EUR 119.6 million, a 48% improvement on the loss of EUR 228.9 million recorded in 2003.

- **Pre-tax result**

The group’s pre-tax (**EBT**) loss for the year ended 31 December 2004 was EUR 269.1 million, a 9% improvement on the loss posted in 2003 (EUR 295.6 million). Apart from net financial charges (EUR 37 million at 31 December 2004, mainly attributable to

interest paid on bonds issued), the result was affected to a significant extent by the gains/losses on the disposal of certain equity interests, as well as by extraordinary expenses relating to the rationalisation and reorganisation process under the strategic plan implemented in 2004.

Net result

The group posted a net loss of EUR 161.4 million, after recording deferred tax assets of EUR 110.7 million, a 34% improvement on the net loss of EUR 245.9 million for the preceding year.

Net financial position

As at end-2004, the Tiscali group had cash and cash equivalents of EUR 204.2 million, while its net debt, excluding debt to shareholder loans, was EUR 359.6 million.

The table below shows the group's cash resources and debt at 31.12.2004 and 31 December 2003.

EUR million	31 December 2004	31 December 2003
Current accounts	128.4	203.5
Financial assets	75.8	129.0
of which		
escrow accounts	25.8	51.8
tax credits and other financial assets*	49.9	77.2
Cash and cash equivalents	204.2	332.5
Bonds maturing in 2004	-	-80.3
Bonds maturing in 2005	-250.0	-250.0
Bonds convertible in 2006	-209.5	-209.5
Other bonds	-0.4	-0.8
Total bonds	-459.9	-540.6
Mortgages and other long-term debt	-36.5	-33.5
Other short-term financial debt	-25.7	-38.0
Total bank debt	-62.2	-71.5
Leases	-41.7	-43.5
Total gross debt	-563.8	-655.6
Net debt	-359.6	-323.1

* Mainly VAT credits

Financial debt does not include shareholders' loans.

Cash and cash equivalents decreased not only to meet the financing requirements of company operations but also to repay, in July 2004, the balance of the bond issued by Tiscali Finance SA. However, in the second half of 2004 the company generated proceeds of approximately EUR 45 million in connection with the implementation of the first phase of the plan to sell non-core assets.

Notable among the cash and cash equivalents items was the decrease in other financial assets and escrow accounts, which was mainly due to the release of certain escrows and the changes in the tax credit positions (mainly VAT credits) of the different companies of the Tiscali group.

On the debt side, besides the repayment of the bond in July, there were no significant changes. Debt to other lenders was broadly unchanged, also in light of the agreement entered into in 2004 with Cisco, one of Tiscali's main "technical" suppliers.

As at 31 December 2004, the group had negative cash flows of EUR 110.6 million, before extraordinary items linked to the disposals completed during the year (EUR 45 million) and the capital increase, equivalent to 5% of the share capital (EUR 45.9 million), carried out in December 2004, which took cash flows for the year to EUR -36.5 million.

Against this backdrop, of particular importance was the generation of the Tiscali group's first-ever positive cash flows in the fourth quarter of 2004, of EUR 7.1 million, before extraordinaries linked to the Belgian disposal (EUR 19 million) and the capital increase.

This marked improvement in the group's cash flows relative to the previous year is a reflection of the group's improved operating performance and better working capital management.

Cash out for investments made during the year amounted to EUR 101.1 million, a decrease from the EUR 129 million posted in the preceding year. As a share of total revenues, investments fell from 14% in 2003 to 9% at end-2004.

Financial charges amounted to approximately EUR 47.8 million, broadly unchanged from 2003. This item included quarterly interest on the bonds maturing in July 2005, annual interest on the bond repaid in July 2004, annual interest on the equity-linked bond maturing in September 2006 and leasing expenses.

Group investments

In 2004 total investments in tangibles and intangibles amounted to EUR 168.1 million, or 16% of revenues. Investment in tangible assets stood at EUR 86.3 million whereas those in intangible assets totalled EUR 81.8 million.

The increase over the investments made in 2003 was due to the implementation of the necessary infrastructure to support the offering of unbundled ADSL services in Italy, France and Netherlands.

Plan for the disposal of non-core assets

In the second half of 2004, the Board of Directors approved the plan for the disposal of non-core assets, that is equity interests in companies located in non-core countries. In keeping with the disposal plan and the strategy to refocus the group's businesses in markets with greater value-generating potential, the subsidiaries in Austria, Sweden, South Africa, Switzerland and Belgium were sold, together with marginal operations held in Luxembourg and Finland.

Subsequent events

Plan for the disposal of non-core assets

On 17 January 2005, South Africa's competition authority approved the sale of the South African subsidiary, Tiscali Pty Limited, to MBWEB Holdings (Pty), for a total of approximately EUR 40 million.
On 12 January 2005, South Africa's competition authority also approved the sale of Tiscali's mobile communication operation in that country to Vodacom Service Provider Company Ltd, which had been announced on 19 October 2004, for EUR 5.3 million.

On 1 February 2005, Tiscali sold its Danish subsidiary, Tiscali Denmark A/S, to Tele2 A/S, a Danish company of the Tele2 AB group, for a total cash payment of EUR 20.7 million.

Sale of French subsidiary Liberty Surf group

On **3 March 2005**, The Board of Directors of Tiscali SpA has analyzed the offers received for the acquisition of the French subsidiary, Liberty Surf and has empowered the Executive Directors for its disposal which is expected to be formalized shortly.

Transition to IAS/IFRS

Tiscali set up a working group with a diverse range of skills (accounting, operation control, operating systems, information systems) to assess the effects of the introduction of IAS/IFRS at group level. This assessment and diagnosis phase, which was intended to identify the areas concerned with the change in accounting principles and any modification of the information systems and data flows, ended in 2004. In this respect, the analysis did not reveal any significant issue and/or critical aspect in terms of the transition to IAS/IFRS.

Also in 2004, the necessary procedures were implemented to "restate" the consolidated financial statements as of and for the year ended 31 December 2003 (as the opening balance sheet of the first comparative period will be as of 1 January 2004) and 2004.

In accordance with CONSOB's consultation document, plans for the transition to IAS/IFRS call for the preparation of the accounts for the first quarter of 2005 according to accounting policies consistent with previous GAAP and the preparation of the half-yearly accounts as of 30 June 2005 on the basis of accounting policies consistent with IAS/IFRS.

Effects of the application of IAS/IFRS

Based on the completion stage of the transition to IAS/IFRS to date, the main qualitative effects of the application of IAS/IFRS are expected to be as follows:

- **Intangibles – Goodwill arising on consolidation**
At the time of adoption of IAS/IFRS this item will not longer be amortised. Instead it will be tested for impairment on a yearly basis in order to determine its fair value and, should circumstances so warrant, written down accordingly.
- **Intangibles – Costs of installation and development/ Advertising costs**
Costs of installation and development, as well as advertising costs, cannot be capitalised under IAS/IFRS.
- **Tangibles – Impairment test**
Like goodwill, tangible assets will be tested periodically for impairment to determine whether they can generate enough future cash flows to recover their net book value. To this end, cash generating units (CGUs) have been identified.
- **Staff severance fund**
Staff severance funds are mainly attributable to the Italian companies of the Tiscali group. They will be treated as defined benefit plans and, as such, will be subject to periodical actuarial valuations.
- **Profit and loss account – Extraordinary income and expenses**
Income and expenses recognised as extraordinary until 31 December 2004 will be reclassified as operating costs and expenses, considering that IAS/IFRS do not require such line items in the profit and loss account.

- **Discontinued operations / Held-for-sale investments**

The amounts related to business lines and/or operations in certain geographical areas intended for sale will be reclassified as specific items of the profit and loss account and balance sheet, in order to highlight the effects of the disposals. Net assets held for sale will be recognised at the lower of carrying amount or fair value, in light of the likely realisable value.

According to plans, the financial statements resulting from the transition to IAS/IFRS will be audited by the firm engaged to audit the Tiscali group's financial statements.