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Tiscali's board of directors approves the 4Q03 results.

- **Exceptional growth in broadband continues:** the company had 840,000 ADSL customers at 31 December 2003, an increase of 238,000 (39.5%) on the 602,000 customers recorded in 3Q03, and of 293% on the 214,000 users at end-2002. This trend is confirmed for 2004 too: broadband customers have now topped the 1 million mark. Tiscali successfully launched its unbundled services in the Netherlands which were provided to over 40% of its ADSL customers as of 31.12.2003.

- **Gross revenues at EUR 267.8 million in 4Q03,** an increase of 21% on 3Q03 and 33% on 4Q02. Net revenues were EUR 250.8 million in 4Q03 and EUR 902.7 million for full-year 2003.

- **EBITDA at EUR 27.6 million (11% of 4Q04 revenues),** up 96% on 3Q03 and 109% on 4Q02. EBITDA for full-year 2003 was EUR 74.7 million, 8% of revenues.

- **Tiscali bought back ca EUR 70 million of bonds due July 2004,** or 46.47% of that total issue.

Cagliari, 12 February 2004. Tiscali's board of directors has approved the 4Q03 results.

The fourth quarter of the year saw a further upsurge in the number of broadband customers, which at end-December stood at 840,000, exceeding the company's initial target of 800,000. An average of 20,000 customers signed up every week, making a total of 240,000 new users in the quarter. And growth accelerated further in January 2004, reaching a peak of 38,000 new broadband users a week.

Although Tiscali continues to offer internet dial-up to 7 million customers across Europe, it is establishing itself as a provider of broadband services, thanks to a targeted and effective strategy that has enabled the company to reposition itself on its main markets. This trend has also been favoured by the improvement in the regulatory situation of the broadband market in Europe.

Tiscali is also leveraging its proprietary network and broadband customer base to implement a strategy of selective investment in local loop unbundling. This has already begun in the Netherlands (service launched in December 2003) and France (to be launched in 1Q04), and is planned for 15 cities in Italy from 2Q04.

Offering unbundled broadband enables Tiscali to control the quality of the service provided to its customers, as well as allowing it to offer "triple play" packages of data, voice and content/services. In France, the Group is to launch an ADSL video on demand service that can be viewed on TV via a wi-fi device attached to the ADSL

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PRESS RELEASE

modem. In the Netherlands, Tiscali has already launched voice services using internet protocols, while in Italy the first services of this type will be launched in 2Q04. Unbundled services will increase ARPU and profitability. In the Netherlands, the gross margin for unbundled services is above 70%.

Revenues and gross profit by business area in 4Q03

Both gross and net revenue figures are provided. The gross figures show ADSL revenues excluding promotional costs (included under cost of sales or marketing costs), while the net figures reflect the requirement under IAS to book revenues and costs normalising the impact of promotions, if any.

For the purpose of comparisons and to calculate marginal costs and profits as a percentage of turnover, the net figure has been utilised.

Consolidated gross revenues were EUR 267.8 million, while **net revenues stood at EUR 250.8 million,** up 25% on the EUR 200.9 million registered in 4Q02 and 13% on 3Q03. This broke down as follows:

- **Access** revenues stood at EUR 165.4 million, up 21% on the EUR 137 million generated in 4Q02 and 10% on the previous quarter. The contribution of this business to total revenues fell from 68% in previous quarters to 66%. Access revenues benefited from growth in broadband services. The gross margin expanded from 54% in 4Q02 to 55%.

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- **Business services** revenues stood at EUR 50.1 million in 4Q03, and remained the second-largest revenue source, accounting for 20% of the total. The figure was up 56% on the EUR 32.2 million posted in 4Q02, and 20% on the previous quarter. In 2003 corporate services grew significantly thanks to a commercial refocus and to the synergies between Tiscali's proprietary network and the assets acquired from Nextra in Italy, Cable & Wireless in France and EUnet in Austria. The gross margin remained stable year on year, at 51%.

- **Portal revenues** stood at EUR 12.4 million, or 5% of total revenues, an increase of 10% on 4Q02 and 14% on 3Q03. The gross margin was 51%, broadly in line with that of 4Q02.

- **Voice services** generated revenues of EUR 21.1 million, and accounted for 8% of the total. They were up 45% on 4Q02 and 26% on the previous quarter. This performance was partly due to both strong organic growth, and external growth following the consolidation of npower.

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Operating costs and EBITDA in 4Q03

In 4Q03 **gross margin** was EUR 127.9 million, or 51% of total revenues (as in previous quarters) and on the figure at 3Q03, despite the higher proportion of ADSL revenues.

Operating costs totalled EUR 100 million, or 40% of revenues. This is a significant fall on the 45% registered in 4Q02 and the 43% figure for 3Q03. Costs broke down as follows:

- **Marketing costs** were EUR 37.6 million, or 15% of revenues, slightly lower than the 16% posted in both 4Q02 and 3Q03, but higher in absolute terms due to the huge promotional campaign launched for broadband.
- **Personnel costs** stood at EUR 37.3 million, or 15% of revenues. This percentage was lower than the 17% seen in 4Q02 and 16% in 3Q03. At 31 December 2003 the headcount was 3,226, compared with 3,039 at end-2002—this increase was necessary to support growth in the broadband business, which requires specialist professionals.
- **G&A costs** stood at EUR 25.4 million, or 10% of revenues. This represented a lower proportion of revenues versus both 4Q02 (12%) and 3Q03 (11%).

EBITDA totalled EUR 27.6 million, or 11% of net revenues. This was a major improvement on the EUR 13.2 million posted in 4Q02 (7% of revenues), and on the EUR 14.1 million (6% of revenues) recorded in the previous quarter.

EBIT was negative, at EUR –64.6 million, compared with losses of EUR 67.5 million in 4Q02 and EUR 52.4 million in 3Q03. The increased loss was partly due to the extraordinary EUR 14 million writedown of credits towards CD Telekomunikace in the Czech Republic.

2003 results

At 31 December 2003, Tiscali had 7.8 million **active users**, of whom 840,000 were broadband customers (an increase on the 214,000 ADSL users registered at end-2002).

In 2003, **consolidated gross revenues** totalled EUR 919.7 million. Net revenues were EUR 902.7 million, up 21% on 2002. Revenues broke down as follows:

- Internet **access** revenues rose 19%, from EUR 517 million in 2002 to EUR 614.6 million in 2003. They accounted for 68% of total revenues.
- **Portal** revenues, which accounted for 5% of the total, fell by 1% on the previous year to EUR 47.2 million, mainly because of the disposals of Hispavista and WOL Merchandising in 2Q02.

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- Revenues from **business services** were up 51% on 2002, at EUR 161.2 million, or 18% of total revenues. This was partly due to acquisitions and to synergies generated by the integration of the new assets acquired by the Group.
- **Voice** revenues rose 8% on the previous year to EUR 70.4 million. They accounted for 8% of total revenues.

Gross profit was EUR 455 million, or 50% of total revenues. This was a rise of 25% on 2002, when the gross margin stood at 48%.

Operating costs dropped sharply, from 49% of revenues in 2002 to 42% in 2003. They broke down as follows:

- **Marketing costs** represented 15% of revenues at EUR 139.9 million, up 14% on 2002 in absolute terms (but down from 16% as a proportion of last year's total), owing to the promotional campaigns launched for broadband products and services.
- **Personnel costs** rose from EUR 140.1 million in 2002, or 18% of revenues, to EUR 142.1 million at end-2003, or 16% of revenues.
- **G&A costs** fell 3%, from EUR 100.9 million (13% of revenues), at 31 December 2002, to EUR 98.1 million (11% of revenues) at 31 December 2003.

2003 **EBITDA** was substantially higher than the previous year at EUR 74.7 million (8% of revenues) versus EUR 1 million.

The company made a loss at operating level (**EBIT**) of EUR 215.8 million, a marked improvement on the 2002 figure (EUR 504.9 million).

EBIT was affected by the extension of the goodwill amortisation period from five years (to 31.12.2002) to 7/8 years. The reasons for this change are listed below:

- an impairment test (see half-year report to 30.06.2003) was carried out to provide an updated value of the consolidation difference, based on an analysis of the value of the group companies to which this item refers, using a discounted cash flow calculation based on the business plan for each geographical area. This analysis showed that, partly in light of changes to the factors and variables taken into consideration at the time of the original calculations, the net book value of goodwill pertaining to the different geographical areas was much lower than the corresponding value derived from the methodology described above. The balance sheet value of the goodwill was actually EUR 523 million, compared to an implicit value of around EUR 1.5 billion.

- From 2005 (but for comparative purposes, from the 2004 accounts), IAS principles will be applied, under which goodwill is no longer amortised –

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instead, goodwill is valued each year according to impairment test criteria, and where the resulting value is lower than the balance sheet value, a writedown will be made, although it is not possible to carry out a writeback in the opposite scenario. In this context, where there is a significant difference between the value of goodwill determined by the impairment test and its book value, it is considered appropriate to increase the goodwill amortisation period to a maximum of 10 years. This is in line with the practice adopted by other companies in the sector.

To support the analysis carried out internally by the company, a report was commissioned by an independent consultant, which is currently being drawn up and will be available before the annual report and accounts are approved. This report will focus on the valuation of the holdings listed in the parent company's accounts as of 31 December 2003, as well as the feasibility of the consolidation difference recorded in the consolidated accounts at the same date.

The company also intends to apply the same accounting policy as used in the 2002 annual report and accounts and half-yearly report in 2003 to these holdings, which is based on the projected value of each holding in accordance with the business plan drawn up for each country in which Tiscali operates.

The company will use the independent consultant's report to support its valuations.

As of 31 December 2001, the company's investments were worth EUR 129.6 million, of which ca EUR 20 million relates to the new headquarters in Cagliari. Note too, that in the third quarter of 2003, the company began investing in the roll-out of infrastructure necessary to supply unbundled ADSL services in the Netherlands.

- **Financial resources and debt**

The table below details the company's financial position as of 31.12.2003

Current accounts	**EUR 130.4 million**
Short-term investments in money market instruments	**EUR 72.5 million**
Investments other than non-current assets	**EUR 129.7 million**
of which escrow	EUR 50.6 million
*of which tax credits and grants**	EUR 79.1 million
TOTAL CASH AND CASH EQUIVALENTS	**EUR 332.6 million**
Bonds maturing in July 2004	**EUR 80.3 million**
Bonds maturing in July 2005	**EUR 250.0 million**
Convertible bonds September 2006	**EUR 209.5 million**
Loans and other long-term debt	**EUR 31.8 million**
Short-term bank debt	**EUR 37.6 million**

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Loan instalments due in 2004	**EUR 1.7 million**
TOTAL GROSS DEBT 1	**EUR 610.9 million**
Other short-term financing**	**EUR 43 million**
TOTAL GROSS DEBT 2	**EUR 653.9 million**
NET DEBT 1	**EUR 278.3 million**
NET DEBT 2	**EUR 321.3 million**
PRO-FORMA NET DEBT 1 ***PRO-FORMA NET DEBT 2*** ***(assuming all of the bonds are converted)***	***EUR 68.8 million*** ***EUR 111.8 million***
** Mainly includes tax credits for which a refund has been requested and is expected to be received in 2004.* *** Mainly includes leasings*	

PRESS RELEASE

Part of the liquidity will be used to redeem the outstanding portion of the bond issue maturing in July 2004 (EUR 80 million). The rest will be used to finance Tiscali group operating activities and investment plans.

Current financial resources and cash generated from ordinary activities will be used to redeem the bonds maturing in July 2005. However, the company may consider refinancing the bonds due 2005, so as to improve its financial structure, using bank or capital markets financing..

The bond issue maturing in 2006 is convertible bond with a soft mandatory feature. This means that the issuer can assign shares, even if, at maturity, Tiscali's market price was to lower than the conversion price. In this case, the difference between the conversion price and the market price must be made up by the issuer. For example, if the market price is EUR 2 lower than the conversion price, based on a fixed conversion ratio, Tiscali would have to give bondholders shares worth around EUR 154 million, and the difference of around EUR 55 million in cash, thereby settling the nominal debt of EUR 209.5 million. Due to its strong equity components, the bonds due 2006 have been included in a pro-forma net financial position, assuming their full conversion.

The bonds maturing in 2004 and 2005 include a covenant linked to the company's gross debt level. Given net consolidated shareholders' equity estimated at EUR 376.4 million, and the gross debt figure as of 31.12.2003, the ratio between the two comes out at 1.7, and is therefore lower than the limit of 2 imposed by the covenant.

The company is not reporting significant issues in its dealings with clients or suppliers, apart from minor delays and disputes with certain suppliers/clients arising in the normal course of operations of companies in the Group.

Recent events

Italian tax authorities carried out an inspection at Tiscali last year, which began on 11 September 2003 and was completed on 12 December.

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Such routine inspections do not represent concrete allegations against the company inspected, but merely serve to provide information to the relevant tax office, which—only if it considers the comments to be well-founded — will then issue a notice of investigation, against which the company may appeal.

The findings of the finance police concerned: (i) minor amounts of VAT; (ii) interest earned on intragroup loans that have no bearing on the consolidated balance sheet and which is, in any case, negligible; and (iii) the future use of tax credits on losses, which will not impact on the total tax assets announced to the market that were calculated, conservatively, by only taking past losses into account. The EUR 1 billion previously announced to the market therefore stands.

All of the remarks highlighted in the report—should they be proven true and well-founded—do not affect Tiscali's results, because the group has sufficient credits on past tax losses (accumulated in the start-up phase) to offset any increased tax payments required.

Buy-back of bonds worth EUR 150 million

In 2003 Tiscali launched a public tender offer approved by Consob on all bonds issued in July 2002 (maturity: July 2004) by its subsidiary Tiscali Finance SA for a total of EUR 150 million, the first ever such operation on Italian corporate bonds. The buy-back was intended to allow Tiscali to restructure its debt and refinance part of it under better conditions.

The offer period ran from 1 December to 22 December: investors holding total bonds worth EUR 69,698 million accepted the offer, that is 46.47% of that issue. Bonds maturing in July 2004 are now worth a total of EUR 80.3 million as a result.

Key figures for 2004 and strategic outlook

The company has set the following targets for 2004:

- Revenues over EUR 1.2 billion (over 30% increase YoY)
- EBITDA margin at 11%
- Over 1.6 million broadband users
- Capex at 10% of revenues
- Net profit excluding extraordinary items in 2005
- Cash flow generation in the second half of 2004

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PRESS RELEASE

Strategic Outlook

These are challenging times for Tiscali: broadband is opening up new horizons for the group, confirming the strength of its business model, which uses its access business as a starting point from which to develop and provide broadband services and content.

Furthermore, Tiscali is well past the start-up phase and is now a European leader, able to compete with incumbent operators in a market with enormous potential and to implement a business model with medium-term targets that it can announce to the market.

The Tiscali board of directors has discussed and approved a strategic plan based on three elements:

- Growth in broadband
- Selective unbundling
- Focus on key countries

Revenues

Revenues are expected to grow at a CAGR of 29% over 2004-2006, to over EUR 2 billion at the end of the period.

The group expects over a third of its ADSL customers to be subscribing to unbundled services in 2006, while its broadband customer base should exceed the five million mark in 2008.

Profitability and cash flow generation

Profitability is expected to increase.

EBITDA is forecast to exceed 20% of revenues in 2006, and the group expects to register its first net profit in 2005.

Tiscali expects to generate sufficient resources to finance investments and repay bonds due to 2005. However, the group has not ruled out the possibility of seeking alternative sources of financing for its investments and may use bank or capital markets financing.

Investments in unbundling in 2004

Projected investment in unbundling for 2004 relates to the Netherlands, France and Italy, and amounts to EUR 20 million per country. This will enable Tiscali to provide unbundled services to 30-60% of ADSL users in each country.

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As well as offering unbundled services—already available in the Netherlands—the Group will be able to offer integrated voice, data and content services, thereby boosting both customer loyalty and ARPU.

- **Focus on key countries**

According to Tiscali's strategic plan, the Group will focus its financial and managerial resources in five key areas, which account for 80% of revenues and 90% of the broadband user base. These areas are the UK, France, Italy, Benelux and Germany.

The Group will consider various strategic options for the other countries in which it operates, including possible divestitures from non-core areas to free resources to invest in the key countries.

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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 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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