

Tiscali Group

Quarterly Report as of 31 March 2002

Directors and Auditors

Board of Directors

Chairman

Renato Soru

Directors

Franco Bernabè
Victor Bischoff
Hermann Hauser
James Kinsella
Elserino Piol

Board of Auditors

Chairman

Andrea Zini

Auditors

Rita Casu
Piero Maccioni

Alternative auditors

Giuseppe Biondo
Livio Bianchi

Auditing Company

Deloitte & Touche S.p.A.

Quarterly Report as of 31 March 2002

Financial Data

Consolidated Profit and Loss Account <i>(EUR million)</i>	31/03/2002 (3 months)	31/03/2001 (3 months)
Revenues		
Access	137.6	71.2
Voice	12.0	10.5
Portal	19.7	8.3
Business Services	21.9	18.0
Other	4.0	1.9
Total Revenues	195.2	109.9
Cost of goods and services	(159.2)	(138.3)
Staff Costs	(35.0)	(29.8)
EBITDA	1.0	(58.2)
Depreciation and amortisation	(34.5)	(89.5)
Other provisions	(0.2)	(3.1)
EBITA	(33.7)	(150.8)
Goodwill amortisation	(72.)	-
EBIT	(105.9)	-
Ordinary operating profit	(7)	-
Extraordinary items	(2)	-
Pre-tax profit	(114.9)	-

Revenues for the first quarter 2002 stood at EUR 195m, against EUR 110m in the same period of last year, an increase of EUR 85m (or 78%). Compared to the fourth quarter 2001, the increase was EUR 12m (7%). The consolidation area changed in the first quarter with the addition of German group Nextra, and is significantly different from that of 31 March 2001, owing mainly to the acquisition of Liberty Surf, Addcomm in Germany, Line One in the UK and Surf EU.

Breaking down revenues by type, Internet access services increased their contribution from EUR 71m in the first quarter 2001 to EUR 138m in the first quarter 2002. This item includes both reverse interconnection fees and revenues from direct billing to the end user. Revenues from portal services jumped 137% year-on-year, from EUR 8m to EUR 20m, while B2B Internet services rose from EUR 18m at end-March 2001 to EUR 22m at end-March 2002. Voice services posted a modest increase, from EUR 10m in the first quarter 2001 to EUR 12m in the first quarter 2002, boosted by the entry into the consolidation area of the French telephony activities currently belonging to Liberty Surf Group SA. First-quarter voice revenues expanded by some 14% compared to the fourth quarter 2001.

Geographically speaking, 85% of revenues were concentrated in the group's five main markets, with Italy accounting for 19%, France for 26%, Germany for 16% and the UK for 18%.

EBITDA was positive, at EUR 1m (0.5% of revenues), compared with a negative figure of EUR 58m in the first quarter 2001. The increase against the fourth quarter 2001 was approximately EUR 8m, continuing the improvement in performance begun last year.

Staff costs totalled EUR 35m against EUR 30m in the first quarter 2001, an increase of EUR 5m. The entry of the Liberty Surf group and German group Nextra into the consolidation area is the main reason for this increase. The workforce at 31 March 2002 totalled 3,045, against 3,748 as at 31 March 2001, but remained broadly unchanged compared to 31 December 2001.

Looking now at the biggest cost items as at 31 March 2002, internet backbone costs totalled EUR 55m, or around 28% of revenues (against some 37% in the first quarter 2001), while interconnection fees and the costs of acquiring traffic from national and international carriers stood at EUR 28m, equal to 14% of total revenues.

As at 31 March 2002, active users numbered some 7.4 million against 4.3 million in March 2001, a 58% increase. Around 10.9 billion minutes were spent online, against 6.2 billion minutes in the same quarter of 2001.

At the end of the quarter, Tiscali had around 85,000 ADSL subscribers, a 300% jump compared to 31 March 2001.

Revenues breakdown

Revenues by business <i>(EUR million)</i>	31/03/2002 (3 months)	31/03/2001 (3 months)
Revenues		
Access	137.6	71.2
Voice	12.0	10.5
Portal	19.7	8.3
Business Services	21.9	18.0
Other	4.0	1.9
Total Revenues	195.3	109.9

Internet access is still the group's biggest revenue source, generating EUR 138m, or some 70% of the total in the first quarter. Portal revenues accounted for 10%, showing strong growth in absolute terms compared to the first quarter 2001, while B2B revenues stood at approximately 11 % of the total.

Investments

The group made gross investments of EUR 47.5m, ploughed mainly into group integration projects, software, and equipment to support the expansion of its activities, such as servers and routers.

Net financial position

Consolidated net financial position <i>(EUR million)</i>	31/03/2002	31/12/2001	31/03/2001
Cash on hand or equivalent	400.0	548.0	1,003.6
Short-term bank debt	(99.2)	(143.6)	(15.3)
Short-term net financial position	300.8	404.4	988.3
Medium and long-term debt	(250.0)	(250.0)	(384.5)
Net financial position	50.8	154.4	603.8

The short-term net financial position was positive to the tune of EUR 301m, against EUR 404m at 31 December 2001. At 31 March 2002, the figure including medium - and long-term debt was EUR 51m. Including VAT and other short-term tax credits, the net financial position was EUR 129m.

Subsequent events since the end of the quarter

Important events since the end of the first quarter include the launch of Tiscali 10.0 in the UK and Germany and the launch of the pan-European institutional marketing campaign.

Expected future developments

First-quarter results were in line with targets, and the company can now confirm its objective of reaching full EBITDA profitability at year end. With the restructuring plan nearing completion, management can now focus on revenues growth, and on maintaining and boosting profitability.

Parent Company Financial Data

Parent Company Profit and Loss account <i>(EUR million)</i>	31/03/2002 (3 months)	31/03/2001 (3 months)
Revenues		
Access	16.0	15.7
Voice	4.0	6.1
Portal	3.6	4.3
Business Services	1.2	0.7
Other	2.5	3.5
Total Revenues	27.3	30.3
Cost of goods and services	(25.9)	(25.4)
Staff costs	(6.4)	(4.7)
EBITDA	(5.0)	0.2
Depreciation and amortisation	(3.1)	(4.2)
Other provisions	(0.2)	(1.5)
EBIT	(8.3)	(5.5)
Ordinary operating profit	(5.2)	-
Extraordinary items	(0.4)	-
Pre-tax profit	(13.9)	-

EBITDA in the first quarter was EUR -5m, including holding company costs. The same result excluding these costs and including adjustments made in accordance with IAS 17, was positive at around EUR 4m. The change on first quarter 2001 was mainly due to the fall in voice revenues and reverse interconnection charges seen (even though the number of minutes online went up).

The main cost items were backbone costs, at EUR 6.6m (24% of revenues), traffic acquisition costs of EUR 2.5m (9%), and marketing and advertising costs of EUR 3.6 million (13%).

Staff costs went up 36%, from EUR 4.7m at 31 March 2001 to EUR 6.4m in the first quarter this year. The workforce grew from 731 at end-2001 to 755 at 31 March 2002, compared with 563 at 31 March 2001.

Parent Company net financial position

Parent Company net financial position <i>(EUR million)</i>	31/03/2002	31/12/2001	30/03/2001
Cash on hand or equivalent	10.2	10.7	9.8
Short-term bank debt	(19.6)	(14.6)	(13.7)
Short-term net financial position	(9.4)	(3.9)	(3.9)

Parent Company revenues breakdown

Revenues by business <i>(EUR million)</i>	31/03/2002 (3 months)	31/03/2001 (3 months)
Revenues		
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Other	2.5	3.5
Total Revenues	27.3	30.3

Parent Company revenues in the first quarter 2002 were EUR 27.3m, from EUR 30.3m in the first quarter 2001, while internet access revenues were EUR 16m, against EUR 15.7 million at 31 March 2001 (up 2 %). Voice revenues dropped from EUR 6.1m in the first quarter 2001 to EUR 4m at 31 March 2002, owing to a fall in traffic volumes. B2B services generated EUR 1.2m, against EUR 0.7m at 31 December 2001.

Important events since the end of the quarter and expected future developments

In April, the company launched its internet connection service via the telephone number 702. At this initial stage the service is offered as standard in “TuttoTiscali” voice contracts. Over the next few months voice services are expected to grow strongly as additional services are launched and advertised. The number of broadband subscribers is also expected to take off as demand increases, and as a result of the advertising campaign currently underway in the second quarter.

For the Board of Directors

Chairman
Renato Soru