

■ **Third-quarter report to 30 September 2004**

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■ **Board of Directors**

**Chairman**

Vittorio Serafino

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Andrea Zini

Rita Casu

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Deloitte & Touche SpA

## ■ Highlights

Total consolidated revenues came in at EUR 270.6 million, up 22% on the third quarter of last year. This was broadly in line with 2Q04, despite the strong seasonal impact of the summer months.

ADSL user numbers shot up by 156% to 1.542 million at 30 September 2004, compared to 602,000 customers registered at end-September 2003.

Active users totalled 7.7 million, thanks to steady growth in the broadband customer base.

EBITDA rose 82%, from EUR 14.1 million in 3Q03 to EUR 25.7 million (9% of revenues).

The group generated an EBIT loss of EUR 31.8 million in the third quarter, compared to a loss of EUR 52.4 million in the same period of 2003.

The group made a third-quarter pre-tax loss of EUR 33.3 million, a substantial improvement on the EUR 83 million loss recorded in the previous quarter.

Net debt stood at EUR 382.4 million at 30 September 2004, while cash and cash equivalents totalled EUR 133.3 million. Cash burn was EUR 11.3 million, a significant reduction on the previous quarter.

- Report on operations
- Tiscali shares

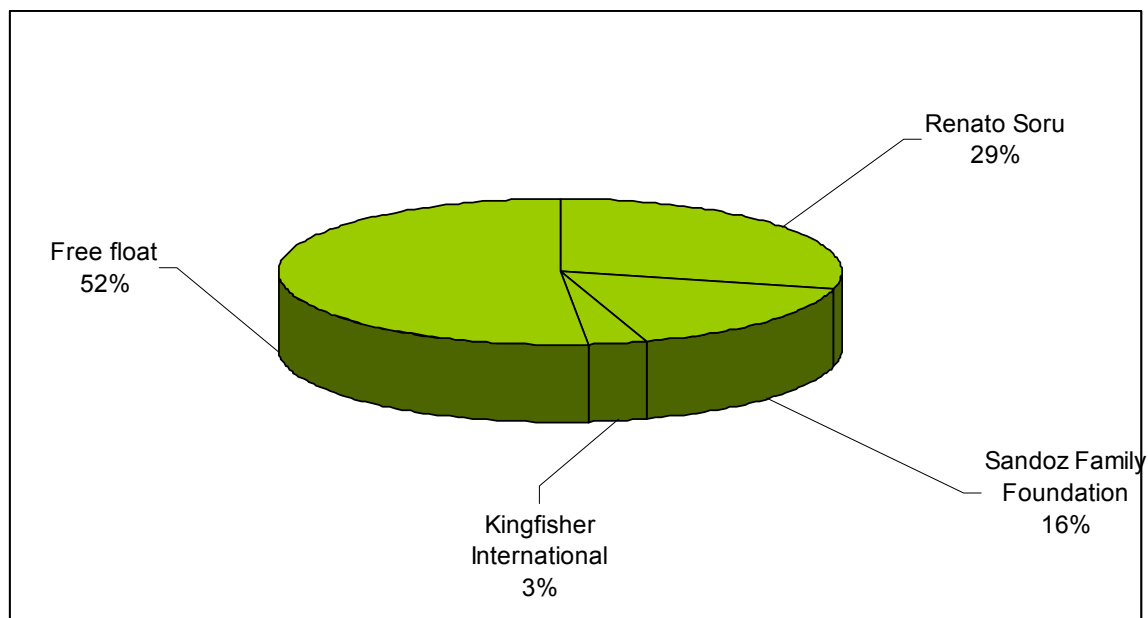
Tiscali is listed on the TechStar segment of the Milan Nuovo Mercato (TIS), and on the Paris Nouveau Marché (005773). At 30 September 2004, its market capitalisation was EUR 1.129 million. Tiscali has retained its position as the most highly-capitalised company on the Nouveau Marché.

Tiscali's share capital comprised 374,838,142 shares at 30 September 2004.

The table below lists the capital increases carried out during the period:

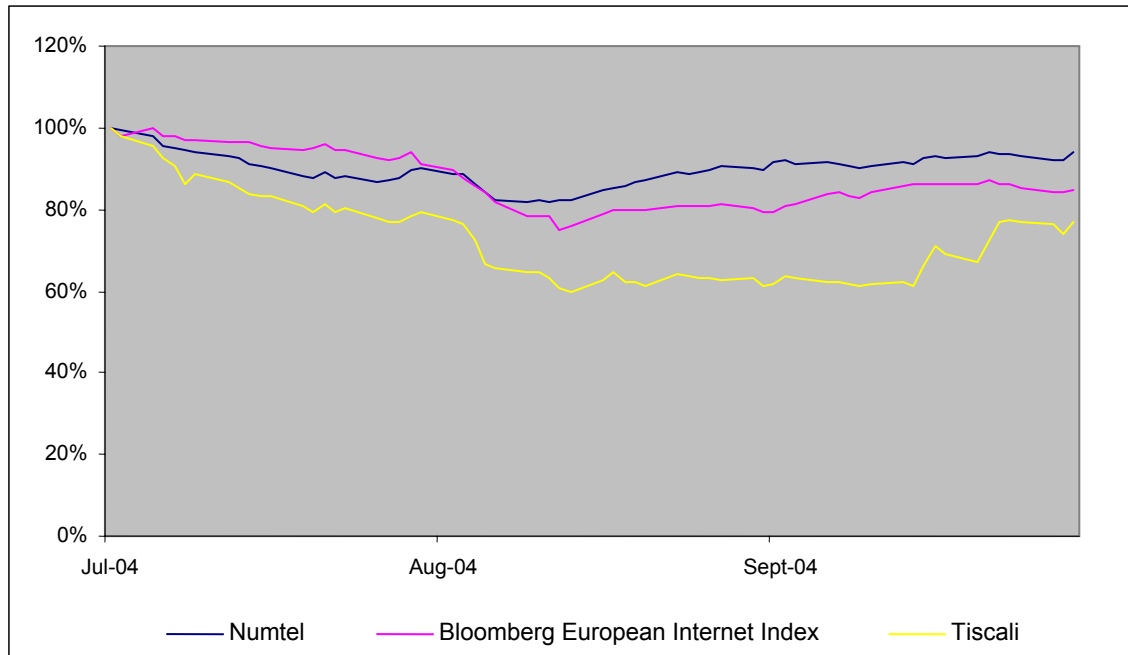
Date	Description	Shares issued	Share capital
09.09.04	Capital increase to issue shares in exchange for a credit from Simon Luel (on behalf of Jean Philippe Iliesco De Grimaldi)	919,378	374,838,142

The chart below shows Tiscali's shareholder base at 30 September 2004:



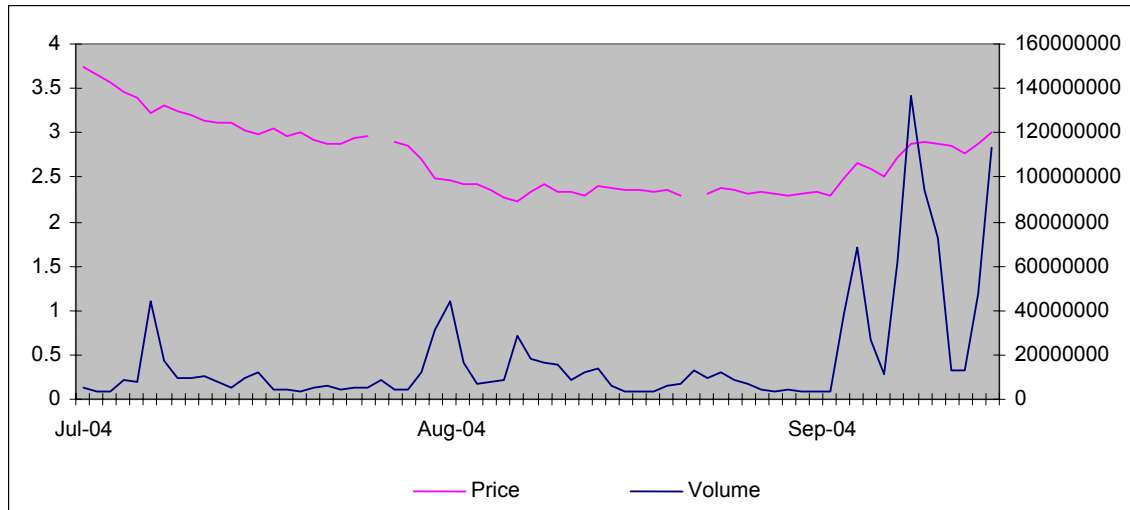
Source: Tiscali

Tiscali shares underperformed both the Numtel and the Bloomberg European Internet Index in the third quarter of 2004.



Source: Bloomberg

An average of 18.3 million Tiscali shares were traded daily in the third quarter, while the average daily value of trades was EUR 51,975,040.



Source: Bloomberg

Milan's Nuovo Mercato remains Tiscali's main market, with an average of around 18.6 million shares traded daily, compared with an average of 28,600 daily trades on the Paris Nouveau Marché.

**Average daily volumes of shares on Tiscali's two markets.**

Number of shares							
Date	Nuovo Mercato		Nouveau Marché		Total		
	No. of shares	%	No. of shares	%	No. of shares	%	
Jul-04	<b>8,679,485</b>	99.90%	<b>8,895</b>	0.10%	<b>8,688,380</b>	100%	
Aug-04	<b>12,643,319</b>	99.70%	<b>38,215</b>	0.30%	<b>12,681,534</b>	100%	
Sept-04	<b>34,449,276</b>	99.89%	<b>38,246</b>	0.11%	<b>34,487,522</b>	100%	
<b>Daily average</b>	<b>18,590,693</b>	<b>99.83%</b>	<b>28,452</b>	<b>0.17%</b>	<b>18,619,145</b>	<b>100.00%</b>	

Source: Bloomberg

## ■ Results and operating performance

	<b>30.09.2004</b>	<b>30.09.2003</b>	<b>30.09.2004</b>	<b>30.09.2003</b>
	3 months	3 months	9 months	9 months
Revenues	270,623	222,218	808,671	651,905
<b>Value of production</b>	<b>270,623</b>	<b>222,218</b>	<b>808,671</b>	<b>651,905</b>
Cost of goods and services	(204,814)	(172,197)	(616,704)	(499,970)
Personnel costs	(40,095)	(35,920)	(118,011)	(104,813)
<b>EBITDA</b>	<b>25,714</b>	<b>14,101</b>	<b>73,956</b>	<b>47,122</b>
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)	(8144)	(17,585)	(21,925)
<b>EBIT</b>	<b>(31,849)</b>	<b>(52,390)</b>	<b>(98,232)</b>	<b>(151,169)</b>
Financial income (charges)	(8,845)	(5,241)	(27,591)	(15,658)
Extraordinary income (charges)	7,359	(16,011)	(42,636)	(48,449)
<b>Gross profit (loss)</b>	<b>(33,335)</b>	<b>(73,642)</b>	<b>(168,459)</b>	<b>(215,276)</b>

In the third quarter of 2004, Tiscali successfully implemented its disposals plan, which is part of the group's strategy of focusing financial and managerial resources on key markets offering the best growth and profitability opportunities. In August and September, the company announced the sale of subsidiaries in Austria, Norway, Sweden, South Africa and Switzerland for a total of EUR 81.3 million.

Although strongly affected by the slower summer months, 3Q04 results were in line with the previous quarter, but significantly higher than the figures for the same period last year. As in previous quarters, growth in sales of ADSL services continued, and further changed the access revenues mix. Following a shift in its strategic focus in 2003, Tiscali has now firmly established itself as a provider of broadband access services.

Growth in ADSL user numbers returned to normal levels during the quarter after the exceptional growth seen in the first half of the year, partly owing to the seasonal factors mentioned above. This is in line with the group's selective growth strategy of focusing on the more profitable broadband customers.

In the Netherlands, unbundled services are now available to 55% of the population, and the completion of the unbundled network by the end of the year will extend coverage to

60%. At the end of the quarter, 160,000 customers received unbundled services in the Netherlands and Denmark.

Tiscali invested heavily in developing unbundled networks during the quarter, and launched ADSL unbundled services in France (in a test phase) in June, and Italy in October. These services offer a profit margin of around 70%, considerably higher than that of wholesale services.

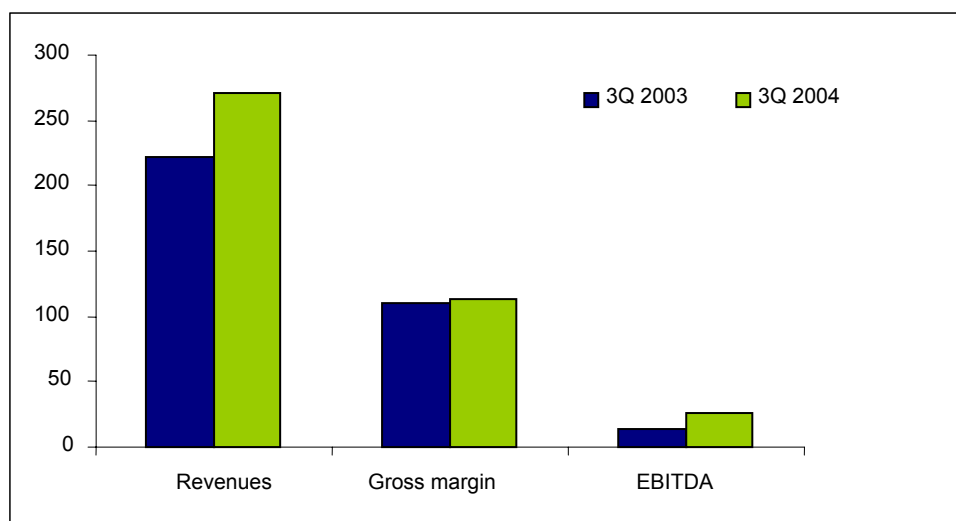
Furthermore, in September 2004, the group launched VoIP (Voice over IP) services in the Netherlands, and in France, where they heralded the launch of its unbundled ADSL offer. This service enables Tiscali's customers to make telephone calls using their ADSL connections at very competitive prices.

Given the reduction in cash burn, excluding extraordinary items such as financial charges relating to bond issues and the use of resources to fund necessary investment in line with company projections, it can be confirmed that Tiscali will generate cash flow from the last quarter of 2004.

■ **Revenues and gross margin**

The group posted third-quarter revenues of EUR 270.6 million, an increase of 22% on 3Q03, and broadly stable compared to the previous quarter, taking into account the circumstances described above. Tiscali's Austrian and Norwegian subsidiaries were deconsolidated from September following their sale, which boosted revenues by around EUR 3 million.

In the first nine months of 2004, revenues totalled EUR 808.7 million, an increase of 24% on the same period of 2003.





■ Revenues by business area

Consolidated revenues (EUR 000)	30.09.2004	30.09.2003	30.09.2004	30.09.2003
	9 months	9 months	3 months	3 months
Access	549,315	449,329	183,436	150,628
Business	154,899	111,061	52,923	41,624
Voice	66,140	49,206	23,310	16,689
Portal	33,092	34,849	10,457	10,944
Other	5,225	7,460	497	2,333
<b>Total revenues</b>	<b>808,671</b>	<b>651,905</b>	<b>270,623</b>	<b>222,218</b>

- **Access** revenues totalled EUR 183.4 million (68% of total revenues), a rise of 22% on the third quarter of 2003, but broadly flat on the previous quarter, taking into account seasonal factors and the group's selective growth policies. Access revenues in the first nine months increased to EUR 549.3 million, from EUR 449.3 million in 2003. Seasonal factors particularly affected the dial-up access segment, which saw a 5% reduction in online minutes compared to the previous quarter. Dial-up revenues, at EUR 102.6 million (56% of access revenues), were affected by the drop in user numbers and online minutes compared to 3Q03, as a result of greater migration of users to broadband services.
- **ADSL** revenues almost doubled to EUR 80.9 million in the quarter (44% of access revenues), from the EUR 43.5 million (29%) recorded in the third quarter last year. ADSL users soared by 156% from 602,000 at end-September 2003 to 1.542 million. New users rose by 7% on the previous quarter to around 100,000, with an average of 8,500 new users signing up every week. Active users total 7.7 million, of which 6.2 million are dial-up users. Around 160,000 ADSL customers are now receiving unbundled services. An increasing number of customers are expected to switch over to ADSL, either by migrating from wholesale to unbundled services or when the double play (data and voice) and triple play (data, voice and content) services are launched.
- **Business services** revenues came in at EUR 52.9 million (20% of revenues), an increase of 27% versus 3Q03 and 6% higher than the previous quarter. This business area has now become Tiscali's second biggest revenue source (20% of revenues), and offers strong synergies with the B2C market. 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 the larger basis of consolidation and the group's wider portfolio of products and services.
- **Voice** revenues rose by 39% versus the third quarter of 2003 to EUR 23.3 million (9% of total revenues), and were up 7% on the previous quarter. The revenue increase in this business area was due to both organic and external growth, following the acquisition of npower in the UK, which was consolidated from September 2003.

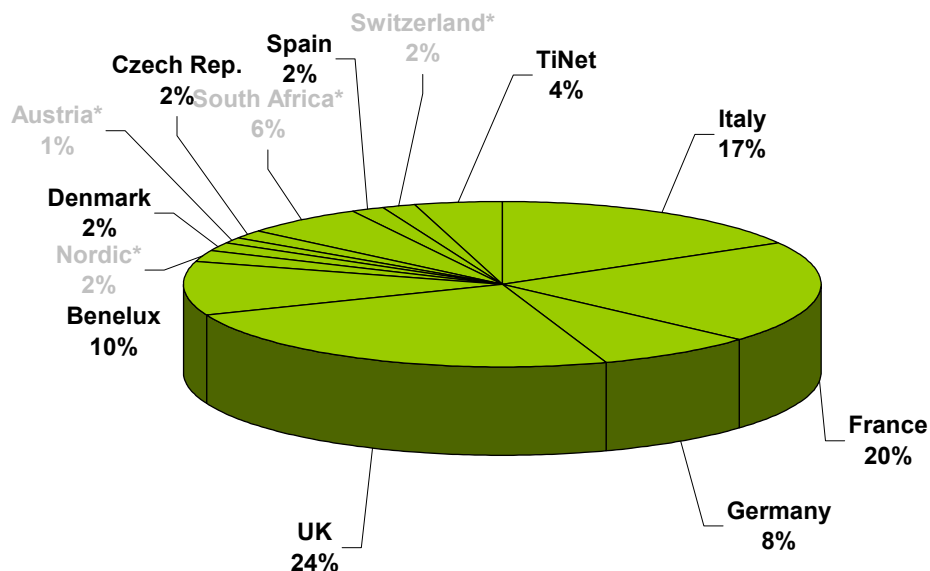
Voice services rose 34% versus the same period last year to EUR 66.1 million, demonstrating the strategic value of this product range, which may be offered to both business and residential customers to supplement internet services.

- **Portal** revenues came in at EUR 10.5 million (4% of revenues), broadly stable compared to 3Q03, but down slightly on the previous quarter due to seasonal factors. Portal revenues stood at EUR 33.1 million (4% of total revenues). The end of September saw the company confirmed as one of Europe's leading web properties, with over 16.6 million unique visitors, a 34% increase on September 2003.

The change in the access revenues mix due to sustained growth in ADSL user numbers—most of whom still receive wholesale services—boosted **gross profit**, which came in at EUR 112.7 million, broadly unchanged from the third quarter of 2003. As a percentage of revenues, the figure narrowed from 50% in 3Q03 to 42%. The gross margin was also down on the previous quarter as a percentage of revenues (44%). This is a temporary blip, since, as indicated in the group's business plan, gross profit is expected to improve gradually over the next few quarters as a result of growth in unbundled broadband services, leading to an improved profit margin.

Gross profit was EUR 361.2 million (45% of total revenues) in the first nine months of the year, an increase of 11% on the same period of 2003, when the gross margin was 50%. The gross margin was affected by the factors mentioned above, namely the higher incidence of the less profitable ADSL services, which are mainly sold wholesale.

## ■ Revenues by country



\* Disposals announced or completed

## ■ Operating performance

### Operating costs down as a proportion of revenues

Operating costs totalled EUR 87 million, and fell from 43% of revenues in the third quarter of 2003 to 32% this time. In absolute terms, operating costs fell 8% versus the last quarter, and from 35% to 32% as a percentage of revenues. The decrease was chiefly due to lower marketing and general costs.

Operating costs break down as follows:

- **marketing costs** totalled EUR 27.4 million (10% of revenues), down 24% on the third quarter of 2003 (16% of revenues) and 9% versus the previous quarter (11% of revenues). Marketing costs in the first nine months of the year came to EUR 98 million, a decrease of 4% compared to the same period of 2003. As a percentage of revenues, these costs fell from 16% to 12% year-on-year. This drop was due to the group's policy of reallocating investment towards the end of the year, in particular from the third to the last quarter, when the group will focus on promoting its unbundled broadband and voice services (VoIP).
- **personnel costs** came to EUR 40.1 million, an increase of 12% on the third quarter of 2003, but a 2% fall compared to the previous quarter. As a percentage of sales, these costs remained broadly unchanged at 15%. Personnel costs rose 13% to EUR 118 million in the first nine months of the year from EUR 104.9 million in the same period of 2003. Personnel costs decreased slightly as a percentage of total revenues from 16% to 15% year-on-year, following group rationalisation.
- **general costs** came to EUR 19.5 million (7% of revenues), down 19% versus the third quarter of 2003 (11% of revenues) and 18% lower than in the previous quarter (9% of revenues). General costs accounted for 9% of revenues in the first nine months of 2004, down 2% on the same period of 2003. These costs fell from EUR 72.7 million (11% of revenues) at 30 September 2003 to EUR 71.1 million at 30 September 2004, thanks to the group's rationalisation.

Third-quarter **EBITDA** jumped 82% to EUR 25.7 million (9% of revenues), from EUR 14.1 million (6%) in 3Q03. EBITDA also rose 6% compared to the second quarter of 2004 (EUR 24.3 million). In the first nine months of the year, EBITDA was positive to the tune of EUR 74 million, compared to EUR 47 million in the same period of 2003.

Depreciation, amortisation and provisions came to EUR 57.6 million, compared to EUR 66.8 million in the third quarter of 2003. In the first nine months of 2004, these costs came to EUR 172.2 million, down from the EUR 198.3 million posted in the same period last year. Despite greater investment in the first nine months of 2004, this decrease is largely due to lower goodwill amortisation following a review of its residual useful life and

the harmonisation of depreciation rates for tangible assets undertaken on 31 December 2003.

Specifically, depreciation of tangible assets totalled EUR 17.8 million in the quarter, 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 the third quarter of 2003 and EUR 39.7 million in the previous quarter. The group made an **EBIT** loss of EUR 98.2 million in the first nine months, a clear improvement on the EUR 151.2 million loss posted in the same period of 2003.

The group made a pre-tax (**EBT**) loss of EUR 33.3 million in the quarter, compared with losses of EUR 73.6 million in the third quarter of 2003 and EUR 65.5 million in the previous quarter. This figure includes an extraordinary capital loss of EUR 17 million on the sale of the Swiss subsidiary, Tiscali AG, at lower than book value, and capital gains of EUR 17 million on the sale of the group's assets in Austria, Norway and Sweden. However, the figure at 30 September 2004 does not include the capital gain of EUR 27 million realised on the sale of Tiscali Pty (South Africa). As a precaution, this transaction will be accounted for when the sale is approved by the South African competition authorities, expected by the end of this year.

The company made a pre-tax loss of EUR 168.5 million in the first nine months of 2004, a significant reduction on the EUR 215.3 million loss recorded in the same period of 2003.

## ■ Investment

Investment totalled EUR 35.6 million in the third quarter of 2004, of which around EUR 30.1 million was spent on tangible assets and EUR 5.5 million on intangible assets. The increase compared to the previous quarters was due to the roll-out of infrastructure necessary to provide unbundled ADSL services in Italy and France, and the remaining investment required in the Netherlands, which is expected to be completed by the end of 2004.

The decrease in investment in intangible assets compared to the previous quarter is due to lower investments in IRU (indefeasible rights of use).

## ■ Financial position

<b>Balance sheet</b>	<b>30.09.2004</b>	<b>30.06.2004</b>	<b>31.12.2003</b>	<b>30.9.2003</b>
Current assets	538,061	635,991	675,004	800,354
Non-current assets	871,574	921,947	986,257	971,547
<b>Total assets</b>	<b>1,409,635</b>	<b>1,557,938</b>	<b>1,661,261</b>	<b>1,771,901</b>
S-T liabilities	573,007	690,134	664,739	581,762
M-/L-T liabilities	586,347	578,216	570,966	738,166
Shareholders' equity	250,281	289,588	425,556	451,973
<b>Total liabilities</b>	<b>1,409,635</b>	<b>1,557,938</b>	<b>1,661,261</b>	<b>1,771,901</b>

At 30 September 2004, the group's total fixed assets were worth EUR 871.6 million.

At the same date, consolidated shareholders' equity stood at EUR 250.3 million. The decrease in the quarter was mainly due to losses for the period.

## ■ Financial resources and debt

Cash burn was EUR 11.3 million in 3Q04, half the level of the same quarter last year. Cash flow from operations improved, and led to a sharp fall in cash burn from operations. Extraordinary cash burn for the quarter was EUR 18 million, and related to the payment of interest on bond issues. In addition, Tiscali made investments of over EUR 35.6 million, chiefly relating to the development of the network infrastructure for unbundled ADSL services.

A significant portion of the cash generated by the sales of the Austrian, Norwegian, Swedish and Swiss subsidiaries was received over the quarter.

At 30 September, the Tiscali group had liquid financial resources of EUR 133.3 million, while net debt (excluding liabilities to other lenders) stood at EUR 382.4 million.

The reduction in cash and cash equivalents compared to 30 June 2004 was partly due to the repayment of the remaining nominal debt of EUR 72.867 million relating to the bond issued by Luxembourg subsidiary Tiscali Finance SA.

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

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

\* Mainly VAT credits and payments

\*\* Mainly includes leasing payments

### **Liberty Surf loan**

In June, French subsidiary Liberty Surf granted Tiscali SpA a loan of EUR 30 million under market terms, with a view to optimising its treasury management, in line with the group's inter-company loan procedures.

EUR 5 million of this loan was repaid in September 2004, and the balance will be repaid in the first quarter of 2005.

### **Disposal of non-strategic assets**

Tiscali has successfully implemented its disposals plan, which is part of its strategy of focusing financial and managerial resources on its key markets. Specifically:

- On 16 August 2004 Tiscali sold its **Austrian subsidiary** Tiscali Österreich GmbH to Nextra Telecom GmbH (an Austrian company belonging to the Jordan Industries group) for EUR 12 million.
- On 20 August 2004 Tiscali agreed to sell its **South African subsidiary** Tiscali (Pty) Ltd to MWEB, a South African internet provider and subsidiary of MWEB Holdings (Pty) Ltd. The sale is subject to the approval of the South African competition authorities. The agreed price of ZAR 320 million (around EUR 40 million) is to be paid in cash on completion of the sale. The price does not include the mobile business, which was covered in a separate transaction on 14 October 2004. Please see the section on “Significant events since the end of the period.”
- On 23 August 2004 Tiscali sold its **Norwegian subsidiary**, Tiscali AS, to Telenor Telcom Solutions AS, a subsidiary of Telenor ASA (TEL, Oslo Stock Exchange, NASDAQ) for NOK 49.9 million (around EUR 6 million).
- On 30 August 2004 Tiscali agreed to sell its Swedish subsidiary Tiscali AB to Spray Network AB, a subsidiary of Lycos Europe. The acquisition price of SEK 120 million (around EUR 13 million) was paid in cash once the transaction has been approved by the Swedish competition authorities.
- On 16 September 2004 Tiscali sold its **Swiss subsidiary** Tiscali AG to the Swiss ISP Smart Telecom AG for CHF 8 million (around EUR 5.3 million).

Overall, the disposals of the foreign subsidiaries described above represent 12% of the group’s revenues for the first nine months of 2004, 5% of ADSL customers and 7% of dial-up users.

The disposals generated a net capital gain of around EUR 27 million, the combined result of gains of around EUR 44 million and a loss of around EUR 17 million.

### **Change of management at Tiscali France**

On 31 August 2004 Tiscali announced that Rafi Kouyoumdjian, CEO of Liberty Surf Group SA since 2001, was leaving Tiscali to pursue a career outside the group. Mr Kouyoumdjian was replaced by Diego Massidda, with effect from 1 October 2004. Jean Michel Soulier has been appointed as deputy general manager.



### Significant events since the end of the period

On 14 October 2004, Tiscali announced it had reached an agreement with Vodacom Service Provider Company Pty Ltd to sell its **mobile business** in South Africa. This deal follows the agreement to sell South African subsidiary Tiscali Pty Limited for around EUR 40 million, which was signed in August. The sale is subject to the approval of the South African competition authorities.

The agreed price of ZAR 42 million (around EUR 5.3 million) is to be paid in cash on completion of the sale.

On 14 October 2004, Tiscali unveiled its new ground-breaking ADSL services in Italy. Three new extremely high-speed services will give customers the opportunity to try a completely new internet experience. Thanks to its new unbundled networks, Tiscali can now provide services directly to Italian customers' homes with high-speed ADSL connections of 2Mbps, 6Mbps and 12 Mbps.

### ■ 2004 targets

Tiscali has confirmed the following targets for 2004:

- revenues of approximately EUR 1.1 billion (including disposals), an increase of over 20% versus 2003
- EBITDA margin at 10% of revenues
- 1.7 million ADSL users
- investment at 10% of revenues
- net profit in 2005
- cash flow generation in the last quarter of 2004
- sell-off of further non-strategic assets in the first half of 2005

For the Board of Directors

The Chairman  
Vittorio Serafino



## Parent company: key figures

### Parent company: profit and loss account

<b>Profit and loss highlights</b>	<b>09.2004</b>	<b>09.2003</b>	<b>09.2004</b>	<b>09.2003</b>
<i>(EUR 000)</i>	<i>9 months</i>	<i>9 months</i>	<i>3 months</i>	<i>3 months</i>
Revenues	153,137	123,534	48,618	38,543
<b>Value of production</b>	<b>153,137</b>	<b>123,534</b>	<b>48,618</b>	<b>38,543</b>
Cost of goods and services	(132,167)	(114,653)	(39,958)	(40,643)
Personnel costs	(28,168)	(23,236)	(9,674)	(8,341)
<b>EBITDA</b>	<b>(7,198)</b>	<b>(14,355)</b>	<b>(1,014)</b>	<b>(10,441)</b>
Depreciation and amortisation	(24,777)	(19,591)	(8,700)	(7,523)
Other provisions	(2,390)	(1,030)	(911)	(612)
<b>EBIT</b>	<b>(34,365)</b>	<b>(34,976)</b>	<b>(10,625)</b>	<b>(18,576)</b>
Financial income (charges)	(2,081)	(4,983)	(709)	(742)
Extraordinary income (charges)	(18,390)	(9,220)	(2,035)	264
<b>Gross profit</b>	<b>(54,836)</b>	<b>(49,179)</b>	<b>(13,369)</b>	<b>(19,054)</b>

Parent company revenues came in at EUR 153.1 million in the first nine months of 2004, compared to EUR 123.5 million in the same period last year, a rise of 24%. The company posted an EBITDA loss of EUR 7.2 million at 30 September 2004, compared to a loss of EUR 14.4 million last year.

EBIT for the third quarter was EUR -1 million, versus EUR -10.4 million in the same quarter of 2003. This improvement is mainly due to cost savings, set out below.

The main operating cost items at 30 September 2004 break down as follows:

- Line and port rental costs totalled EUR 42.9 million (28% of revenues), compared to EUR 23.6 million in the first nine months of 2003;
- Traffic acquisition costs were EUR 27.5 million (18% of revenues) in the first nine months of 2004, compared to EUR 29 million in the same period last year;
- Advertising and promotional costs were EUR 7.7 million, or 5% of revenues.

These costs totalled EUR 12.1 million in the first nine months of 2003.

Personnel costs rose 22% compared to the first nine months of 2003, from EUR 23.2 million to EUR 28.2 million. Third-quarter personnel costs were 11% higher than in the same period last year. This increase was due to the higher headcount and adjustments in employment contracts in force since autumn 2003. Personnel costs did not however increase as a percentage of revenues. The number of employees rose from 836 at 30 September 2003 to 879 as of 30 September 2004.

Extraordinary items mainly relate to the capital loss generated by the sale of Swiss subsidiary Tiscali AG. Please see the previous sections of this report for more information.

In the first nine months of 2004, the parent company's investments totalled EUR 23.9 million, of which EUR 11.8 million was spent in the third quarter. EUR 11.5 million related to intangible assets and EUR 12.4 million to tangible assets. Investment in tangible assets mainly concerned increases in production capacity, relating particularly, in the third quarter, to unbundling. Investment in intangible assets mainly related to software development.

### Financial position of the parent company

<b>Balance sheet</b>	<b>09.2004</b>	<b>06.2004</b>	<b>12.2003</b>	<b>09.2003</b>
<i>(EUR 000)</i>				
Current assets	203,897	203,810	189,400	207,034
Non-current assets	2,108,411	2,126,406	2,148,700	2,131,067
<b>Total assets</b>	<b>2,312,308</b>	<b>2,330,216</b>	<b>2,338,100</b>	<b>2,338,101</b>
Short-term liabilities	754,177	734,900	733,800	721,095
Medium-/long-term liabilities	25,540	40,497	27,700	40,394
Shareholders' equity	1,532,591	1,554,819	1,576,600	1,576,612
<b>Total liabilities</b>	<b>2,312,308</b>	<b>2,330,216</b>	<b>2,338,100</b>	<b>2,338,031</b>
<b>Financial position</b>	<b>09.2004</b>	<b>06.2004</b>	<b>09.2003</b>	
<i>(EUR 000)</i>				
Cash and cash equivalents		510	3,427	3,157
Short-term bank debt		(18,889)	(20,419)	(30,461)
<b>Short-term financial position</b>		<b>(18,379)</b>	<b>(16,992)</b>	<b>(27,304)</b>
Medium-/long-term debt		(32,049)	(32,049)	(33,503)
<b>Net debt</b>		<b>(50,428)</b>	<b>(49,041)</b>	<b>(60,807)</b>

**Parent company: revenue breakdown**

<b>Revenues</b>	<b>30.09.2004</b>	<b>30.09.2003</b>	<b>30.09.2004</b>	<b>30.09.2003</b>
<i>(EUR 000)</i>	<i>9 months</i>	<i>9 months</i>	<i>3 months</i>	<i>3 months</i>
Access	88,425	69,346	27,991	23,480
Voice	25,385	21,972	7,892	8,040
Business	8,662	6,113	2,824	1,623
Portal	7,159	10,327	2,010	3,133
Other	23,506	15,776	7,811	2,267
<b>Total revenues</b>	<b>153,137</b>	<b>123,534</b>	<b>48,618</b>	<b>38,543</b>

Parent company revenues totalled EUR 153.1 million in the first nine months of 2004, an increase of 24% compared to the same period last year.

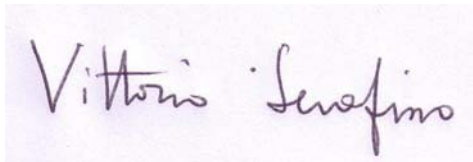
Growth was largely driven by access and voice revenues. The 28% increase in access revenues came from growth in ADSL services. Voice revenues rose by 33% on the back of growth in both retail and wholesale traffic.

Revenues for the third quarter of 2004 came in at EUR 48.6 million, versus EUR 38.5 million in the same period last year, an increase of 26%. Access revenues were EUR 28 million, up 22% from EUR 23.5 million in 3Q03. The change was mainly due to growth of 2% in the ADSL customer base versus the first nine months of 2003, to 201,000 users, and the introduction of a single national dial-up access number (702), which generates higher revenues per minute. Active users in the dial-up segment fell from 1.3 million at 30 September 2003 to 1.2 million, as a result of migration to ADSL/broadband services. Voice revenues remained broadly flat over the quarter. Business services revenues for the third quarter totalled EUR 2.8 million, compared to EUR 1.6 million in 3Q03. The increase was due to growth in services ("projects") for public authorities.

## Outlook

The first installations for shared-access unbundled broadband services came on stream in September. In October, the company launched new 2MB, 6MB and 12MB offers, which are expected to grow significantly in the next few months. Signing up unbundled ADSL customers will enable Tiscali to generate better margins than with wholesale services alone, and to increase ARPU by offering value-added services (VAS), including VOIP and video on demand.

For the Board of Directors

A handwritten signature in dark ink on a light-colored background. The signature reads "Vittorio Serefino" in a cursive script.

The Chairman