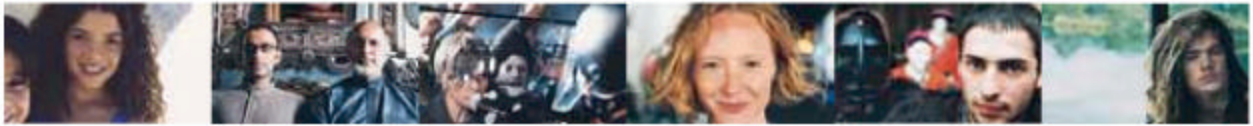


Quarterly report as of 31 December 2002



The Internet Communication Company

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Renato Soru

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Victor Bischoff
Hermann Hauser
James Kinsella
Elserino Piol

Board of Statutory Auditors**Chairman**

Andrea Zini

Permanent Auditors

Rita Casu
Piero Maccioni

Alternate Auditors

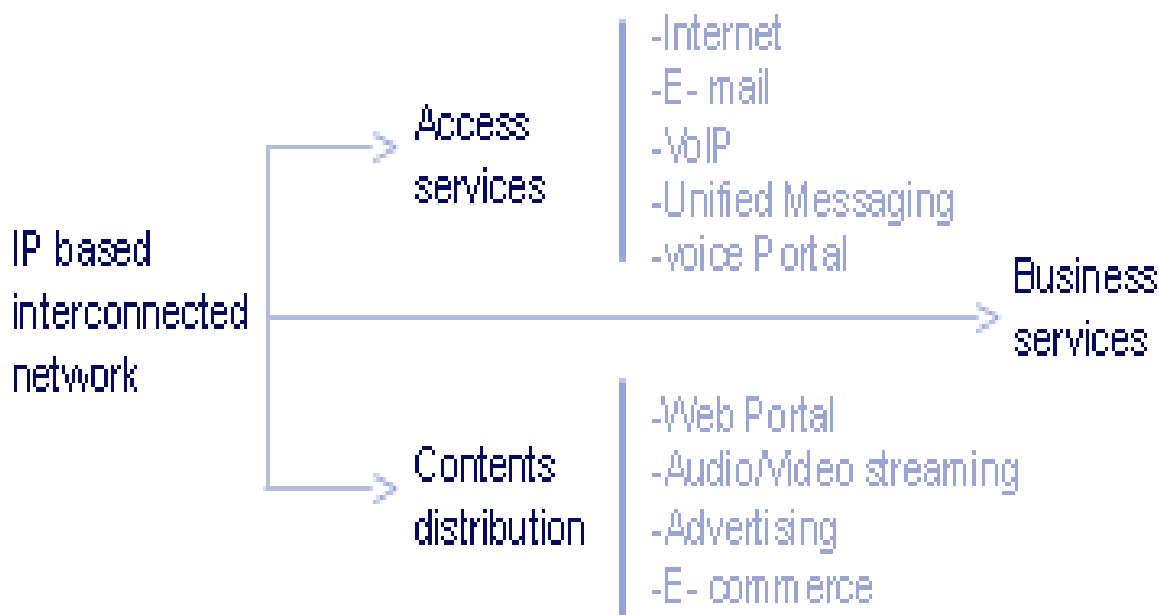
Giuseppe Biondo
Livio Bianchi

Independent auditors

Deloitte & Touche S.p.A.

Report on operations - Tiscali Group

Tiscali ("The Internet Communication Company") is one of Europe's leading ISPs and providers of content, business applications and innovative, value-added communications services. Tiscali had 7.3 million users at the end of 2002, and in the month of December alone, more than 13.7 million separate visitors to its Web portal (source: Nielsen@ratings). The company is one of the main Web properties in Europe, with a strong foothold in 15 countries and a leadership position in the five largest markets on the continent. Its business model, based on the perfect integration of its ISP activities with its media and B2B services onto its proprietary IP network, has allowed Tiscali to consolidate its position in Europe.



The integration process that began during the second quarter of 2001, involving all group-wide operations, led to a positive EBITDA in 2002. Tiscali closed the fourth quarter of the year with EBITDA of Euro 13.2 million, in line with management's forecasts. Contributing most to its performance were the synergies generated by the integration of all the assets acquired during 2000 and 2001, and the radical restructuring and cost-cutting process that continued into the second half of the year 2002, which has allowed massive cost savings by eliminating overlaps and excess resources in certain units. In particular, that process affected the group's activities in Denmark, France and at headquarters.

Consolidated Profit and Loss

(Amounts in euros / 000)

	31.12.2002	31.12.2002	31.12.2001	31.12.2001
	3 months	12 months	3 months	12 months
Revenues	200.787	748.358	186.902	635.737
VALUE OF PRODUCTION	200.787	748.358	186.902	635.737
Operating costs for goods and services	(153.836)	(607.324)	(159.936)	(653.520)
Personnel cost	(33.788)	(140.052)	(33.732)	(152.702)
EBITDA	13.163	982	(6.766)	(170.485)
Amortizations, depreciations and provisions	(52.170)	(289.273)	(160.862)	(497.742)
Goodwill Amortization	(28.490)	(216.646)	-	-
EBIT	(67.497)	(504.937)	(167.628)	(668.227)
Financial earning (Losses)	34.830	(2.100)	11.349	14.782
Extraordinary Earnings (Losses)	(35.899)	(82.845)	(916.677)	(1.037.020)
Earnings (losses) before taxes	(68.566)	(589.882)	(1.072.956)	(1.690.465)

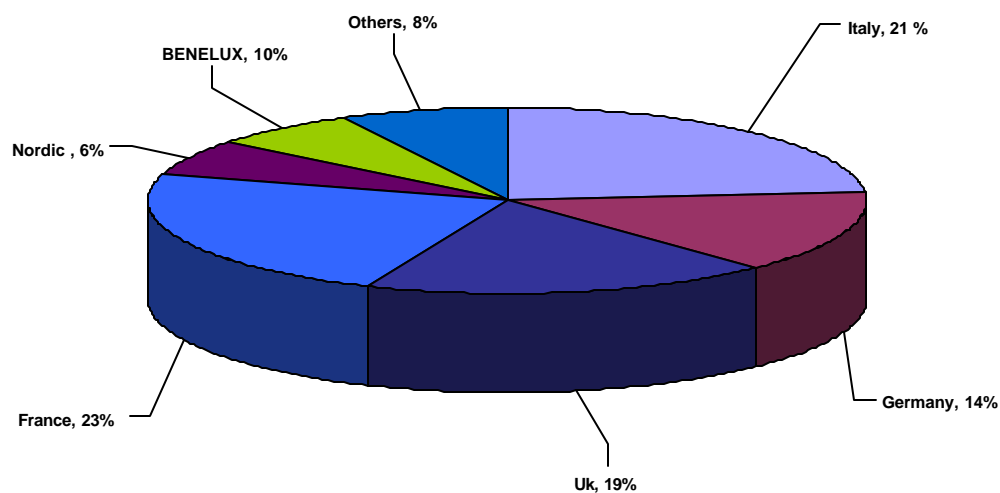
Revenues by the Tiscali Group for the fourth quarter of 2002 came to Euro 200.8 million, compared with Euro 186.9 million for the corresponding period in 2001 (+7%). The breakdown of sales by business area shows an increasing trend in access revenues, which totalled Euro 137.0 million for the fourth quarter of 2002, up from 118.4 million in 4Q01 (+16%), amounting to 68% of the total turnover, have remained central to the group's overall sales mix. Portal revenues came to Euro 11.3 million or 6% of total sales. They grew 20% on the previous quarter, but fell sharply in comparison with 2001, due mainly to the ongoing slump in the advertising market. B2B revenues, at Euro 32.2 million and 16% of total sales, gained 21% on the fourth quarter of 2001 (Euro 26.6 million). This demonstrates the growth of this business within the group and the powerful synergies generated by the proprietary network infrastructure. Revenues from voice services totalled Euro 14.6 million, up 5% on the fourth quarter of 2001 (Euro 13.9 million).

Revenues by line of business

(in thousands of euro)

	31.12.2002	31.12.2002	31.12.2001	31.12.2001
	3 months	12 months	3 months	12 months
Access revenues	137.004	517.218	118.410	409.323
Voice revenues	14.551	51.790	13.922	54.386
Business revenues	32.163	106.503	26.642	85.347
Portal revenues	11.266	47.882	24.072	64.935
Other revenues	5.803	24.965	3.856	21.746
	-	-	-	-
VALUE OF PRODUCTION	200.787	748.358	186.902	635.737

A geographical breakdown of revenues as of 31 December 2002 puts the five main European markets at 87% combined: 21% in Italy, 23% in France, 14% in Germany, 19% in the UK, and 10% in Benelux. Making considerable headway is the category "Other", which includes Spain, Switzerland, the Czech Republic and South Africa.



At year end Tiscali had about 7.3 million active users, including 214,000 with ADSL connections. Total users grew by 6% compared with the third quarter of the year and stayed in line with the corresponding figure for 2001. ADSL customers gave an improved performance, growing by 71% on the previous quarter and by 229% on 4Q 2001.

The gross margin for the fourth quarter of 2002 was Euro 102.7 million, or 51% of total sales. This is a steep improvement on the corresponding figure for 2001.

Personnel costs, at Euro 33.8 million, were essentially stable with respect to the third quarter of 2002 (Euro 35.2 million) and the fourth quarter of 2001 (Euro 33.7 million), thanks to the perfect integration of the acquired companies and the cost-cutting process that began in 2001 and continued through the following year.

Consolidated EBITDA came to a positive Euro 13.2 million, versus a negative 7 million for the fourth quarter of 2001 and a negative 3.7 million for 3Q02. Thanks to such progress, EBITDA is positive for all of 2002.

Investments

Gross investments in tangible and intangible fixed assets came to Euro 127 million for the year. Most concerned integration projects, software, equipment to support business growth (e.g. servers and routers), the construction of the new technical and administrative headquarters in Cagliari, the UNIT project (an integrated platform for provisioning, accounting and billing), and the development of the international network. In December 2002, Tiscali sold its fibre-optic network in the Czech Republic to third parties, a transaction that will improve the mix of fixed and variable costs in that country.

Group net financial position

Consolidated net Financial Position

(Amounts in euros / 000)

	31.12.2002	30.09.2002	31.12.2001
Cash and Cash Equivalents	330.620	381.354	547.835
Short term debts	(45.590)	(78.934)	(155.649)
Short Term Financial Position	285.030	302.420	392.186
Long Term Debts	(419.790)	(405.463)	(250.007)
Net Financial Position	(134.760)	(103.043)	142.179

As of 31 December 2002, the group had liquidity of Euro 331 million, compared with 548 million a year earlier. Liquid assets as of 30 September 2002 amounted to Euro 381 million. The net financial position, a negative Euro 135 million, demonstrates a significant decrease in cash burn in comparison with the previous quarters.

Significant subsequent events

On 31 January 2003 Tiscali acquired Airtelnet, the Internet business of Vodafone Group Plc in Spain, at a price of Euro 9.86 million to be paid in the form of newly issued Tiscali shares. The acquisition will help Tiscali become a stronger player in the Spanish market while increasing its profitability. Airtelnet has about 110,000 active dial-up users, of which 5,000 are business customers. The operation came at a key time for Tiscali España, which is focused at the moment on reorganizing its activities. Also, in keeping with the group's international strategy of increasing the number of broadband users, Tiscali España recently came out with a new ADSL package that is currently the most competitive on the market: Tiscali ADSL Libre (for residential users) and ADSL Pro (for businesses).

On 6 February 2003, through its subsidiary Tiscali Belgium N.V., Tiscali finalized the acquisition of Wanadoo Belgium S.A.—a member of the Wanadoo Group—at a price of Euro 9.5 million to be paid in the form of newly issued Tiscali shares. Wanadoo Belgium, with revenues of about Euro 13 million in 2002, is one of the largest ISPs and portals in Belgium with around 85,000 active users including 25,000 with ADSL connections. The group's profit and loss account will immediately profit from major synergies and economies of scale, mostly deriving from the migration of traffic generated by Wanadoo Belgium users onto Tiscali's IP network. Meanwhile, Tiscali will make headway in the Belgian Internet market, specifically by boosting its presence in the broadband sector through the acquisition of more than 30,000 ADSL customers. The transaction confirms Tiscali's commitment to achieving pan-European status, and will help fortify its hold on the Benelux Internet market.

Business outlook

Results for the fourth quarter of 2002 demonstrate the soundness of Tiscali's business model. The strong effort put in place by Tiscali's management team in streamlining all the group activities has allowed the group reaching its leadership position in the breeding European Internet market, while keeping at the same time a tight cost control that has enabled the company to break even at EBITDA level for the FY 2002. In 2003, Tiscali will further focus its efforts on systematic revenue growth, on bolstering its market share in every area of business and on expanding its portfolio of ADSL customers, while nurturing its dial-up clientele and launching innovative fee-based services.

Parent company's results

Profit and loss account of the parent company

(in thousands of euro)

	31.12.2002	31.12.2002	31.12.2001	31.12.2001
	3 months	12 months	3 months	12 months
Revenues	42.341	138.773	30.000	115.829
VALUE OF PRODUCTION	42.341	138.773	30.000	115.829
Operating costs for goods and services	(35.542)	(143.106)	(31.500)	(119.402)
Personnel cost	(7.780)	(27.751)	(3.600)	(19.226)
EBITDA	(981)	(32.084)	(5.100)	(22.799)
Amortizations and depreciations	(3.423)	(13.686)	(2.300)	(10.826)
Other Provisions	74.408	(116.503)	(1.900)	(22.425)
EBIT	70.004	(162.273)	(9.300)	(56.050)
Financial earning (Losses)	48.909	33.066	n.d.	(6.221)
Extraordinary Earnings (Losses)	(2.759)	(15.481)	n.d.	(978.937)
Earnings (losses) before taxes	116.154	(144.688)	n.d.	(1.041.208)

As of 31 December 2002, the parent company had a negative EBITDA –for Euro 32 million, including holding and corporate costs. The quarter closed with negative EBITDA of Euro 0.9 million. Net of the corporate structure and after the adjustments called for by IAS 17, the result by the Italian operations would be a profit of Euro 19.5 million for the year.

The main cost items as of 31 December 2002 are backbone and port costs (Euro 23.9 million, or 17% of revenues, compared with 22% in 2001); traffic acquisition costs (Euro 13.6 million, or 9%) and advertising and promotion costs (Euro 40.5 million or 29% of revenues), which include communication expenses for the holding structure connected chiefly with Formula 1 and cycling sponsorships.

Payroll costs rose by 44%, from Euro 19.2 million as of 31 December 2001 to 27.7 million at the end of 2002. The number of employees rose from 731 to 775 over the 12-month period.

Capital investments came to Euro 41 million for the year. They consist of Euro 20.3 million in tangible fixed assets and Euro 20.7 million in intangible fixed assets. Most capital investments have gone toward the purchase and development of software, work on the new POPs, equipment for activating the new optical fibre purchased during the second half of the year due to expansion of the network, the purchase of land, and work on the new headquarters in Cagliari.

The quarter closed with an operating profit of Euro 70 million, thanks mainly to the release of some provisions that had been made in June 2002 against the possible writedown of subsidiaries by year end. On the basis of those companies' accurate valuations and steadily improving results, the company decided to make a partial reversal of the provisions.

The financial result for the quarter was a profit of Euro 49 million, due chiefly to the Dutch subsidiary Tiscali International BV's waiver of interest on intercompany loans in the amount of Euro 14 million.

On a pro-forma basis, the quarter ended with an operating loss of Euro 4.4 million and a gross profit of Euro 41.7 million.

Parent company's net financial position

Parent company's net financial position

(in thousands of euro)

	31.12.2002	30.09.2002	31.12.2001
Cash and Cash Equivalents	2.079	4.722	10.776
Short term debts	(31.659)	(34.933)	(14.590)
Short Term Financial Position	(29.527)	(30.211)	(3.814)
Long Term Debts	(12.460)	(5.463)	
Net Financial Position	(42.040)	(35.674)	(3.814)

Breakdown of revenues by the parent company.

Revenues by line of business

(in thousands of euro)

	31.12.2002	31.12.2002	31.12.2001	31.12.2001
	3 months	12 months	3 months	12 months
Access revenues	18.366	67.343	16.200	60.851
Voice revenues	5.993	20.569	4.000	18.815
Business revenues	2.924	6.457	1.800	3.916
Portal revenues	7.537	20.070	5.400	15.616
Other revenues	7.521	24.334	2.600	16.631
	-	-	-	-
VALUE OF PRODUCTION	42.341	138.773	30.000	115.829

The parent company had revenues of Euro 138.7 million at the end of December 2002, up 19.8% on the previous year. The fourth quarter closed with revenues of Euro 42.3 million, compared with 30 million for the same period in 2001 (+40%).

In the Internet business, the increase for the year came to Euro 6.5 million (+10.7%). Revenues from the ADSL service leapt from Euro 0.8 million in 2001 to 5.1 million in 2002, and once again this year, there was an increase in the minutes of reverse interconnection traffic (+1%) with a consequent rise in fee income. Internet revenues climbed 13%, due mostly to the rise in ADSL connections.

For voice services, revenues went from Euro 18.8 million as of 31 December 2001 to 20.5 million in 2002. The fourth quarter of 2002, with revenues of Euro 5.9 million, enjoyed a 49% rise with respect to the same period in 2001. Most of the growth took place in wholesale traffic and pre-paid calling cards.

Portal revenues continued their upward trend for a total of Euro 20 million (+28% on 2001). At Euro 7.5 million, revenues for the quarter were helped by the success of on-line advertising campaigns during the Christmas holiday season, gaining 39% with respect to 4Q 2001.

for the Board of Directors

Renato Soru
Chairman