

**Tiscali: Sale of the Austrian subsidiary. First step of the announced disposal plan**

Cagliari, 16th August 2004

Tiscali announces the disposal of its Austrian subsidiary, in line with the Group's strategic plan to focus its financial and managerial resources in the key markets for the Tiscali Group.

Tiscali Österreich GmbH, one of the leading B2B operator in Austria, has been acquired for ca EUR 12m in cash by Nextra Telecom GmbH, an Austrian company belonging to Jordan Industries Group.

On August 5th 2004 The Board of Directors of Tiscali, , approved a strategic plan for the disposal of non core assets for a total value of approximately EUR 250 million. The plan includes the disposals of countries already announced (Norway, Sweden, Switzerland and South Africa) that are expected to take place by December 2004. In other countries outside the core markets for the Tiscali Group, the disposal plan should be completed within the next 12 months. The strategic plan also has the objective to reduce operating costs (other than marketing) by 15% in the next 12 months, also due to the foreseen exit from certain markets.

As far as the evolution of the net financial position is concerned, as of 30th June 2004, Tiscali had cash and cash equivalents totalling EUR 134.9 million and a net financial position (excluding debts for leasings) negative for EUR 370.0 million.

In July 2004, the bond issued by the Luxembourg subsidiary Tiscali Finance SA was reimbursed, for a nominal value of EUR 72.867 million. Interests on that bond and on the one due July 2005 were also paid, for a total value of ca EUR 9 million, with a corresponding reduction of total cash and cash equivalents available at the end of June. In July, the Group also had a negative cash flow (before the reimbursement of the bonds and of the interest payments) of ca EUR 7 million, more than compensated by the cash in from the disposal of Tiscali Austria.

The Company believes that the foreseen disposal plan, once completed, will allow to raise enough financial resources for the reimbursement of the bonds due 2005, regardless and independently from the capital markets.

However, Tiscali will consider utilising alternative financing instruments, such as capital increase, bonds (also convertible) and bank debt should market conditions be deemed opportune.

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