

32.3.6 Telia Sweden

Telia Sweden was also created in the April 2001 restructure, and is the Group's joint sales and customer unit for consumers and business customers in Sweden. The unit operates on behalf of Telia Mobile, Telia Networks and Telia Internet Services and to a certain extent on behalf of Telia International Carrier. Each business area reports the unit's revenues, costs, investments and staff. Telia Sweden is also responsible for sales, invoicing and customer care under Telia's brand on the Swedish market, partly through its own sales organisation and partly through resellers.

Telia Sweden includes Telia Online AB, Telia Promotor AB, Telia Partner AB and Svenska Infonet AB, which were all transferred from Business Solutions. Telia Nära AB was transferred from People Solutions, excluding the service and installation business Telia Service AB which was transferred to Telia Equity and the development operations and public telephony which were transferred to Telia Networks. Telia Sweden also includes Telia Handel AB, which was transferred from Enterprises.

32.4 OTHER DEVELOPMENTS

32.4.1 Year 2002

February

- Telia International Carrier purchased the assets of 360 networks (UK) Ltd (in administration).

March

- Telia and Sonera announced their plans to merge.

May

- Telia Overseas agreed to sell its 26% stake in Bharti Mobile in India to Bharti Televentures.

July

- The EC approved the merger between Telia and Sonera with some conditions;
- Telia acquired the French and Italian assets of KPNQwest.

September

- Telia's and Tele2's joint venture company, Svenska UMTS-nät AB, signed a SEK 11 billion term loan and revolving credit facility, for the rollout of 3G in Sweden.

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33. TISCALI SPA

33.1 COMPANY INFORMATION

Exhibit 67 – Tiscali at a glance

Ownership	Public Renato Soru Sandoz family	42.2% 26.7% 17.0%
CEO	Renato Soru	
Year established	1998	
Revenue 2001	€636 million	
Headquarters	Cagliari, Italy	
Branches	Austria, Belgium, Czech Republic, Denmark, France, Germany, Italy, Netherlands, Norway, South Africa, Spain, Sweden, Switzerland, United Kingdom.	

Internet Subscribers Dec 2001	16 million (7.3 million active)
Employees Dec 2001	3,020

(Source: Paul Budde Communication, based on company data)

Tiscali is an Internet company with operations spread across 15 countries in Europe and in South Africa. It provided access, content, applications and services to over 17 million registered users in 2001.

Tiscali was founded by Renato Soru in January 1998 following the liberalisation of the Italian telecommunications market. It was initially established as a regional telephone operator and Internet Service Provider (ISP), before expanding its operations throughout Italy. In March 1999, Tiscali's licence was extended to all of Italy, and it launched Italy's first free Internet access service.

In October 1999, Tiscali listed on the Nuovo Mercato and made 23% of its shares available to the public. This raised the capital necessary to finance its expansion into Europe. It has since rolled its business model out across Europe, acquiring companies in the telecommunications and ISP sectors in France, Germany, Belgium, Switzerland and the Czech Republic. Tiscali launched its *TiscaliNet* portal in Spain during 2000. Since listing, Tiscali has raised additional funds by issuing further shares to the public.

In June 2001, Tiscali was also listed on the Nouveau Marché of the Paris Stock Exchange.

Through its subsidiary Nets SA, Tiscali is investing €140 million in the construction of a high-speed pan-European fibre optic backbone network to link cities throughout Europe. The Northern Loop, which links major cities in Germany and the Benelux was completed in mid-2000, while the Southern Loop, which connects major cities in Spain, France, Switzerland and Italy, is due for completion towards the end of 2001. Paris and London are also linked into the Northern Loop.

33.2 YEAR 2001 RESULTS

Consolidated revenues were up 267% to €635.7 million. Most of this increase was due to a substantial number of acquisitions. This corresponded to an increase in market share from 3% the previous year to 16%. The resulting EBIT was negative €170 million compared with negative €43 million in 2000.

In percentage terms, the user base increased 386%. The growth in the user base was reflected in an increase in dial-up traffic, which increased by 381% on the 6.9 billion minutes recorded in 2000. Average revenues per minute also increased by 27% from €0.95 in 2000 to €1.20 in 2001.

Revenues from all areas increased considerably due to the increased scope of consolidation except for telephony services that fell 11%. These services, available only in France, Italy and the UK, consist mainly of B2B services, prepaid phone cards and voice/Internet packages.

Operating expenses were 275% higher at €806 million, due to increased volume, but also to certain costs involved in absorbing the acquisitions.

Net loss was €1.66 billion (€181 million in 2000), largely influenced by personnel reductions costs of €202 million and investment writedowns of €815 million. It is forecast that the restructuring and further rationalisation of the company structure will furnish significant future cost savings.

Table 133 – Revenue for years ending December – 1999-2001

Year	(€ million)
1999	33
2000	173
2001	636

(Source: Paul Budde Communication, based on company data)

Table 134 – Operating revenue by segment – 2001

Segment	Proportion	Annual change
Access	64%	+520%
Voice services	9%	-11% %
Portal	10%	+790%
B2B	13%	+230%
Other	4%	+64%

(Source: Paul Budde Communication, based on company data)

33.3 SUBSIDIARIES AND AFFILIATES

As a result of a series of acquisitions, Tiscali ended 2001 with 178 companies. It commenced a rationalisation program to reduce this to about 80 by the end of 2002.

Exhibit 68 – Major subsidiaries and affiliates – December 2001

Segment	Company	Percentage owned
Access	• Tiscali Belgium	100%
	• Tiscali France	100%
	• Tiscali Germany	100%
	• Tiscali Spain	100%
	• Tiscali Datacomm	80%
	• World Online	99.5%
	• Liberty Surf	94.5%
	• AddCom Germany	100%
Infrastructure	• Nets SA	100%
	• CD Telekomunikace	100%
	• Andaledda SpA	85%
Content	• Freetravel SpA	50%
	• Energy Byte SpA	55%
	• Best Engineering Srl	60%
	• Quinary SpA	70%
	• Informedia Srl	100%
	• Ideare SpA	60%
	• Ariete Telemedia	40%
	• Excite Italia	70%
UMTS	• H3G SpA	0.3%
	• STS Srl	50%
Directory Services	Gilla SpA	50%

(Source: Paul Budde Communication, based on company data)

33.3.1 Major subsidiaries

33.3.1.1 Andala 3G SpA

Andala (formerly named Andala UMTS) was founded in November 1999. It is the holding company of Andala 3G (formerly Andala OPCO, formerly NETOBE SpA and formerly Almanacco SpA) that was founded in April 1999 and, following the auction of Italian UMTS licences in October 2000, was awarded one of the five Universal Mobile Telecommunications Services (UMTS) licences. The Hutchison Whampoa group holds a minority share in Andala 3G and a majority share in Andala.

Andala 3G's Italian UMTS licence, following the spectrum auction, comprised a 2 x 10 megahertz paired spectre licence, and a 2 x 5 megahertz unpaired spectre band. However, the results of the auction were under investigation by the Italian antitrust authority during 2000 and 2001. In August 2000, Hutchison S.a.r.l., a subsidiary of the Hong Kong group Hutchison Whampoa Ltd, acquired 51% of Andala from Tiscali, whose stake in Andala thus went from 58% to 25.5%. The remaining 25.5% was

then transferred to the subsidiary company Tiscali Finance. by means of an agreement dated August 2000. The purchase was finalised in November 2000; the stake being therefore reduced to 0.3%.

33.3.1.2 Andaledda SpA

Andaledda will run the 'Andaledda' project for the cabling of Sardinia. The Andaledda project envisages the laying of a fibre optic loop to link the main cities in Sardinia, and marine fibre optic sea cable between Golfo Aranci (North-eastern Sardinia) and Pomezia (Latium). In order to complete its network and reach final users in the main urban areas in Italy, the Tiscali group has plans to implement a point-to-multi-point transmission system that uses Nortel technology.

The Tiscali group plans to acquire dark fibre transmission capacity in the urban areas from previous owners of network infrastructure and to create a fibre optic city network in Cagliari, splitting the costs with other companies currently engaged in the development of urban infrastructure. Tiscali owns 85% of the company, while the remaining 15% is held by KIWI I Ventura-Serviços SA, a risk capital closed investment fund.

33.3.1.3 Best Engineering SpA

In July 2000, Tiscali acquired 60% of the outstanding share capital of Best Engineering, an Italian company that developed the first on-line road mapping service in Italy and supplies services to several public transportation agencies throughout Italy. With this acquisition Tiscali plans to develop a multi-access portal in which all sorts of territory-specific information, such as the location of shops and tourist sites, can be organised and offered through the Web and, in the future, UMTS mobile phones.

33.3.1.4 CD Telekomunikace sro

In July 2000, Tiscali acquired 80% of CD-Telekomunikace sro, a Czech company. CD-Telekomunikace, which already holds a Czech Government licence to offer telecommunications services, represents a strategic purchase in Tiscali's expansion into Eastern and Central European countries. It is the exclusive holder of rights granted by the Czech Railways for the laying and operation of an optical fibre network along the Czech Republic's entire railway network, which covers some 9,600km. By the end of June 2001, CD-Telekomunikace had a network of 2,300km, which is planned to reach 4,000km by the end of 2001.

33.3.1.5 Energy Byte SpA

Energy Byte, a joint venture between Tiscali (55%) and Marton (45%), was established in October 1999 as a Web contents provider in the e-commerce sector. In particular, it has produced *Energy Bank*, a system that rewards customer fidelity that uses a universal currency and is based on incentives, targeting on-line sellers.

33.3.1.6 Excite Italia BV

In February 2001 Tiscali purchased 70% of Excite Italia BV, a Dutch company with operational headquarters in Italy and one of the main Italian portals. In March 2002, Tiscali increased its ownership to 100%.

33.3.1.7 *FreeTravel SpA*

In March 2000, FreeTravel was created as a 50/50 joint venture between Tiscali and UVET, an operator active in all aspects of the travel sector. The purpose of the venture is to create a vertical European portal dedicated to travel and tourism.

33.3.1.8 *GILLA SpA*

In December 1999, Tiscali and Sonera created a 50/50 joint venture, GILLA, that developed a call centre for telephone directory services for the public. Among the first services to be offered by GILLA will be directory information for Italian subscribers and subscribers from the most called countries. In addition, the company will provide a 'Call Completion' service, which besides providing users with the telephone number requested, will also allow the instantaneous dialling of the number, putting the user in immediate contact with the subscriber being sought.

33.3.1.9 *Ideare SpA*

In February 2000, Tiscali acquired 60% of Ideare. Ideare is the owner of *SearchTone* technology, a search engine. The suite of *SearchTone* products includes a spidering system, a Web search engine providing multimedia files such as MP3. It also includes functions of automatic Web-page classification.

Founded in 1999 as a spin-off of the EUROSEARCH European research project, Ideare plans to develop its business outside Italy by supplying its search services on the international portal market as an Application Service Provider (ASP), similar to Google and Inktomi.

33.3.1.10 *Informedia Srl*

In June 1999, Tiscali acquired 100% of Informedia, an Italian company that develops e-commerce solutions and specialises in on-line payment systems.

33.3.1.11 *Interweb SA*

In April 2000, Tiscali, through its subsidiary Link Line, acquired 100% of Interweb, a Belgian ISP and the owner of *FreeBel*, the first Web portal to offer free access to the Internet in Belgium, starting in August 1999.

In December 2000, Interweb was incorporated by Tiscali Belgium. In July 2000, Tiscali Belgium and Interweb started providing free access to the Internet in Belgium together under the TiscaliNet trademark.

33.3.1.12 *Liberty Surf Group SA*

In March 2001, Tiscali bought 72.9% of the Liberty Surf Group from Europ@web, a company of the Arnault Group, and Eijsvogel. Tiscali increased this holding to 94.5% in by a public tender.

33.3.1.13 *Motorcity SpA*

Motorcity was established in March 2000, and is owned by Tiscali (60%), Distribution Service (28%) and Mr. Samuele Ferrario (12%). It was set up for the purpose of creating, developing and managing an Internet portal related to automotive information and sports events and the commercialisation of various products and services connected to the automotive and motorcycling world.

33.3.1.14 NETs SA

In December 1999, Tiscali acquired the entire outstanding share capital of NETs, a French company, in a share swap. Established in 1998, NETs is a pan-European broadband telecommunications operator and owns a fibre optic network, managed with DWDM technology, comprising a link between Paris and London. With its operations situated on one of Europe's major routes, NETs is extending its network throughout Europe. A Northern loop was complete in 2001, and loops in Southern Europe are under construction and are expected to be operational in 2001 linking the main cities in France, Switzerland and Italy. Tiscali will employ NETs' network and know-how in order to link the current and future national projects through which Tiscali is going to replicate its business model in various other European countries.

33.3.1.15 Nets Broadband SpA

In late December 2000, Nets Broadband was established. It is owned by Tiscali (10%) and Nets (90%).

33.3.1.16 Quinary SpA

In July 2000, Tiscali acquired 70% of Quinary, an Italian company that specialises in the integration of software and hardware technologies and offers custom designed solutions for its clients. It is a systems integrator entirely focused on fixed link and mobile Internet services. Quinary has three independent but connected business divisions: e-commerce, wireless applications and knowledge management and language technologies.

33.3.1.17 STS Srl

In February 2000, Tiscali acquired 50% of STS, an Italian operator in the planning and design of networks for fixed and wireless telecommunications, and offers other services such as consulting, quality management and auditing linked to the information technology area.

33.3.1.18 Tiscali Belgium S.A. (formerly Link Line)

In February 2000, Tiscali acquired 100% of Link Line, a Belgian company, in a share swap. Link Line offers free Internet access and a wide range of services, from Web mail to community services. Initially, Link Line worked primarily as an ISP under the *Freegates.be* trademark.

Since July 2000, Link Line has been offering free Internet access in Belgium in collaboration with Interweb (Tiscali's other Belgian subsidiary) under the trademark *TiscaliNet*. This acquisition was important for Tiscali's plans of rapidly expanding its fibre optic network in Europe (northern loop), allowing Tiscali to offer broadband Internet services in all Europe under a single trademark.

33.3.1.19 Tiscali DataComm S.A. (formerly DataComm)

In January 2000, Tiscali acquired 80% of DataComm, a Swiss company, in a share swap. Established in 1995, DataComm is an independent ISP in Switzerland, offering dial-up access, leased-line access, and hosting. In 2001, approximately 9,000 Websites were hosted. DataComm also manages two Internet cafes in Zurich and Bern. DataComm will be linked to the Tiscali European network through the southern loop, a fibre optic circuit linking France, Switzerland, Italy and Spain. In July 2000, DataComm launched TiscaliNet in Switzerland and changed its name to Tiscali DataComm.

33.3.1.20 Tiscali Germany GmbH (formerly Nikoma)

In April 2000, Tiscali acquired 100% of the outstanding share capital of Nikoma Beteiligungsgesellschaft, a German company, in a share swap. Nikoma, based in Hamburg, is a German ISP and telecommunications service provider. In addition to dial-up access, Web hosting and unified messaging, Nikoma offers voice services and value-added multimedia services.

It has built a reputation for high-speed Internet access, using its network infrastructure and content-based services such as *Gamesurf*, an on-line gaming platform. In the framework of its international strategy, Tiscali planned to link Nikoma with other European countries by means of its fibre optic circuit, (northern loop). In July 2000, Nikoma launched TiscaliNet in Germany. In July 2000, Nikoma changed its name to Tiscali Germany.

In April, Tiscali bought the German company Guglielmo, owner of the ISP Planet-interkom from Viag Interkom. In the early months of 2002 the company was transferred to Tiscali Germany.

33.3.1.21 Tiscali Reseaux SA (formerly Tiscali France)

In March 2000, Tiscali acquired 100% of A Telecom SA, a French company, in a share swap. A Telecom, based in Marseilles, had been active in the telecom sector since 1997. It holds French Government licences to provide all fixed-line telecommunication services (Internet, voice and networking) and, in December 1999, signed a reverse interconnection agreement with France Télécom which formed the basis of the FreeNet (free Internet access) development in France. In 2001, the network included 18 Points of Presence (PoPs), enabling the company to cover the whole of France. A Telecom initially concentrated its activity on business customers but, following Tiscali's involvement, is expanding into the home consumer market for both voice services and Internet access.

In July 2000, A Telecom launched TiscaliNet in France, an Internet access service without any subscription or other fees, similar to that already provided in Italy by Tiscali. In late 2000, A Telecom changed its name to Tiscali France. During 2001, Tiscali France was again renamed Tiscali Reseaux SA.

In March 2002, the company was transferred to Libertysurf group.

33.3.1.22 Tiscali-SANPAOLO IMI

The SANPAOLO IMI banking group entered into an agreement with Tiscali in May 2000 for the construction of an open Internet finance portal. This will be effected through Tiscali becoming a shareholder of @IMIWEB SIM, the specialised on-line financial services company controlled by Banca d'Intermediazione Mobiliare IMI, the SANPAOLO IMI group's investment bank.

The agreement envisions strengthening the *IMIWebTrader* trading on-line service through an open finance portal.

33.3.1.23 World Online

In December 2000, Tiscali acquired 99.5% of World Online. World Online started activities as an ISP in the Netherlands in 1996, offering a full range of Internet and network services for business and consumer customers. These included a communications platform providing access, portal services, e-commerce and advertising and business-to-business services. This company provided the major stepping stone for Tiscali's expansion.

World Online is one of the major Internet companies in Europe, managing over 300 PoPs in all the countries in which it operates in 2001.

Following its acquisition by Tiscali, World Online was de-listed from the Amsterdam Stock Exchange.

33.4 PRESENT AND PLANNED SERVICES

Tiscali wants to be among the leaders in providing the mass market with Net-centric services in Italy. To do this, it intends to be innovative, providing through its unified IP-based network new, competitively priced and easy-to-use services, in addition to traditional telecommunications services.

33.4.1 *Broadband services for businesses*

Tiscali plans to have a proprietary IP network in Italy and to expand this network to reach the major international Internet hubs and to directly connect end users. Its goal is to have optical fibre throughout its national network, either by directly installing new cable or by participating in consortia laying new cable. In order to expand its network abroad, Tiscali has entered into an agreement with Global TeleSystem for the long-term lease of high capacity bandwidth on the New York-London-Paris-Milan route. Tiscali intends to be able to reach end users using wireless point-to-multipoint communications technology, and to take advantage of the anticipated deregulation in this area. At the same time, Tiscali plans to acquire dark fibre in metropolitan areas from owners of alternative infrastructures.

33.4.2 *Net-centric services for the mass market*

The Company intends to focus its attention on the following Net-centric services:

33.4.2.1 *Internet access*

The Company intends to differentiate its services by offering high quality services and by offering exclusively to its subscribers new free services, such as voice chat, IP fax, E-commerce (*ClubTiscali*) and multicasting. To distribute *TiscaliFreeNet* through physical channels, the Company plans to approach communities such as professional associations and municipalities and offering these customers an institutional Website with an Intranet configuration and extranet access, and to distribute *TiscaliFreeNet* subscriptions to all members.

33.4.2.2 *E-Commerce and E-Payment*

Tiscali intends to exploit this market using its *ClubTiscali* direct sales channel: *ClubTiscali* members can receive a daily e-mail message in which the Company makes a special product offer at a discounted price that has been directly negotiated with the manufacturer. Tiscali also plans to promote its own E-commerce platform and offer financial services on-line in collaboration with financial institutions.

In the E-payment market, Tiscali plans increase the number of banks using its proprietary payment platform, and to achieve a significant market share in E-payment services on the Internet and Short Message Services (SMS).

33.4.2.3 *Value-added Internet services*

Tiscali intends to offer a full range of value-added services such as unified messaging and *NetPhone* while maintaining a strategy of keeping its prices competitive. Unified messaging will allow *TiscaliFreeNet* users to receive not only e-mail, but also voicemail and faxes, in a single mailbox. *NetPhone* is a new Internet telephony service that will make it possible to place phone calls from a PC to any telephone, fixed or mobile, in Italy or abroad.

33.4.3 *Internet portal*

Tiscali believes that the content of the access portal to its Internet service is an essential element in acquiring and retaining customers and increasing the average time spent on line by each customer. The Company does not plan to create its own content and services for its access portal, but rather to obtain them through agreements with leading companies in each specialty area, as well as joint ventures and commercial partnerships for the creation of co-branded sites.

In early 2002, its portals were:

- **Musix** - provides on-line distribution and sale of music in the MP3 format;
- **Janas** - a proprietary search engine;
- **GameSurf** - multimedia games;
- **Voispring** - allows the use of a personal computer to answer calls made from any phone in Italy;
- **Motorcity** - automotive information and sports events.

Tiscali also offers domain registration services.

33.4.4 *Voice services*

Tiscali intends to continue to expand its market share in traditional voice services by offering easy-to-use services for the mass market with clear and competitive tariff schemes. It plans to be among the first to offer new services such as integrated voice and Internet services for businesses and Internet Phone for consumers.

33.4.5 *Mobile services*

Tiscali has applied for an Italian licence as a Virtual Network Operator (VNO). If granted, the licence would allow Tiscali to offer its customers mobile phone services through roaming over other mobile operators' networks. Tiscali plans to use its UMTS licence, when the disputes are settled, to offer broadband wireless access to its network for integrated voice and Internet services.

33.5 OTHER DEVELOPMENTS

33.5.1 *Year 2002*

January

- Tiscali and Fujitsu Siemens Computers signed a distribution partnership in which Fujitsu Siemens Computers will be pre-loading Tiscali Internet access on all of its consumer PCs.

March

- Tiscali increased to 100% its ownership of Excite Italia.

May

- AltaVista and Tiscali signed a one year agreement whereby Tiscali will offer its users AltaVista's Internet search facilities.

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