

Tiscali's Board of Directors approves results as of 31 December 2005
Achieved FY2005 targets

- **Revenue growth: 4Q05 at EUR 200 million (+14% YoY). FY revenues at EUR 740 million, +13% YoY**
- **ADSL subscribers' growth: 1.715 million ADSL subscribers, +235,000 new adds in 4Q05, +682,000 in FY05, 365,000 ULL users**
- **Profitability improvement: 4Q05 Gross Operating Result (EBITDA) at EUR 32.9 million (16% on revenues). FY result at EUR 116.9 million (16% on revenues), +51% YoY**

Tiscali Group's financial results and historical figures given for comparison purposes in this press release were prepared in accordance with IAS/IFRS international accounting principles, and are shown on a like-for-like basis for the Group's perimeter, including Italy, UK, Germany, The Netherlands, Czech Republic and TiNet IP.

Cagliari, 13th February 2006

The Board of Directors of Tiscali has approved today the Group's fourth quarter results as of 31 December 2005.

■ **Results and performance of the Tiscali Group**

Tiscali Group's revenues in 4Q05 stood at EUR 200 million, up 14% compared to 4Q04 (EUR 175.8 million), and up 8% compared to 3Q05 (around EUR 185.7 million).

Full year consolidated revenues were around EUR 740 million, up 13% compared to FY04 result (EUR 655.1 million). Such improvement was mainly driven by ADSL revenues growth in particular due to the growth in ADSL users in the UK, confirming the trend of previous quarters.

ADSL revenues in 4Q05 stood at EUR 93.1 million, up 44% compared to 4Q04 (EUR 64.4 million) and +3% compared to 3Q05 (EUR 90.6 million).

Full year ADSL revenues were EUR 330.1 million, 60% on total access revenues, and up 54% on full year 2004 (EUR 214.7 million, 45% on access revenues). The increase was mainly due to the growth of direct access through unbundling infrastructure (ULL), which increased from 15% in full year 2004, to 21% in full year 2005.

4Q05 ADSL net adds were over 235,000, taking total ADSL active users as of 31 December 2005 to over 1.715 million (+16% compared to 30 September 2005) of which 365,000 users were *unbundled*, reaching the announced FY05 target.

Dial-up revenues decreased from EUR 66.5 million in 4Q04 to EUR 51.6 million (22%), but showed an increase (+6%) on 3Q05 (EUR 48.7 million). Such slow down reflects the migration from dial-up towards ADSL technology. In detail, dial up revenues registered a reduction in the contribution on access revenues, decreasing from 51% in 4Q04 to around 36% in 4Q05. In 4Q05, active dial-up customers were 3 million. In full year 2005, dial-up revenues stood at EUR 216.4 million, a slow down (-17%) compared to EUR 261.6 million in FY 2004

Voice revenues in 4Q2005 stood at EUR 25.8 million (13% on total revenues), compared to EUR 26.6 million registered in 4Q04 and EUR 21.6 million in 3Q05. The slight slow down of revenues, (-3%) compared to 4Q04 was offset by the increase of revenues (19%) registered vs 3Q05. The trend of the line of business will be affected by the Group's strategy, more focused on 'bundled' and residential services instead of wholesale products.

Full year voice revenues were EUR 91.4 million, down 5% compared to full year 2004 (EUR 96.2 million). It is important to underline, that the slow down of analogical voice revenues, is partially offset by the increasing adoption of VoIP services, generating in 2005 EUR 3.5 million of revenues (included in access revenues).

In 4Q05, **business to business services** revenues stood at EUR 14.0 million (7% on total revenues) up 27% compared to EUR 11.0 million (6% on revenues) in 4Q04 and decreasing by 17% compared to EUR 16.8 million 3Q05. The improvement of revenues compared to FY 2004 is totally due to organic growth, sustained by the commercial refocus. We highlight that business service revenues include only services such as VPNs, housing, hosting, domain names and leased lines while Internet access revenues (both dial-up and ADSL) generated by business users have been reclassified in access revenues.

In full year 2005, business to business revenues stood at EUR 59.4 million, up 21% compared to full year 2004 (EUR 49.1 million).

In 4Q05 **media and value added services** reached EUR 12.8 million (6% on revenues), compared to EUR 6.8 million (+87%) in 4Q04. Compared to 3Q05 (EUR 6.4 million), they were almost doubled.

The Group's strategy foresees an increasing focus on value added services (VAS) and on content offer. For example, during 4Q04, we launched the games channel "Tiscali Giochi" and we enhanced the offer of music download on our Italian portal. Revenues trend was positively impacted by the increasing number of partnerships with distribution channels such as search engines (e.g. Google).

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Media and value added services revenues in full year 2005 were EUR 33.8 million (5% on total revenues), compared to EUR 28.8 million (+17%) in full year 2004.

FY2005 performance by geographical area

In 2005, revenues in **Italy** stood at EUR 196.4 million, essentially due to Tiscali Italia S.r.l.. The growth compared to full year 2004 (EUR 180.8 million) is 9%. Broadband revenues in the year, registered a positive performance (+29%), driven by users evolution (+77%), compared to a market growth (active lines) of around 55%. Net adds in the quarter were around 45,000, taking ADSL users at 31 December 2005 to around 303,000, and revenues in 4Q05 at EUR 53.3 million (EUR 40.2 million in 4Q04). Tiscali Italy broadband market share was 5%. Unbundled customers as of 31.12.2005 reached 107,000. ADSL product, with a bandwidth of 2 Mb/s and including VoIP at EUR 19.95 per month, launched during 4Q05, was the main driver of the growth. Moreover, in 4Q05 the product with a bandwidth of 24Mb/s was launched, thanks to the implementation of the unbundling network (ULL) developed with ADSL2+ technology. Thanks to the increased coverage of unbundling network in Italy, reaching 40% of households, we expect a sound increase of ADSL users taking direct access (unbundling services).

The **UK** subsidiary closed year end 2005 with revenues at EUR 324.9 million, up 28% compared to 2004 (EUR 254.5 million). Broadband revenues registered a strong performance (+89%), driven by a growth of active lines of 141%, while the market grew 52%.

Tiscali UK market share in broadband market as of 31.12.2005 was 10%. Also in 4Q05 the subsidiary continued to perform an extraordinary growth of ADSL users, that reached 934.4 thousands lines at year end. 4Q05 users performance (+22%), generated EUR 93.7 million revenues (EUR 70.2 million in 4Q04) thanks to a successful product offering (great price per bandwidth ratio) and to marketing investments oriented and extremely focused on the ADSL product. The launch of the 1 and 2 Mb products as well as the bundled services (voice and data) are the drivers of revenue growth. The UK started the implementation of the unbundling network at year end 2005 covering 26 local exchanges. The great part of the investments will be covered in 2006.

As of 31 December 2005, the **Dutch** subsidiary generated revenues for EUR 109.9 million, up 18% compared to previous year (EUR 93.1 million). ADSL users, totally *unbundled*, were 249 thousands, up over 30 thousands compared to 3Q05. Revenues in 4Q05 stood at EUR 24.7 million, while broadband market share stood at 7%. Dutch broadband market is one of the most mature in Europe with a growth of around 23% YoY (YE04 vs YE05). In such market environment it is notable and the 51% growth of ADSL users and the 59% growth in ADSL revenues. ARPU (Average revenues per user) is one of the highest in Europe.

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As of 31 December 2005, Tiscali **Germany's** revenues stood at EUR 87.9 million, slowing down (-7%) compared to EUR 94.8 million registered in 2004. In 4Q05 revenues were EUR 23.5 million (EUR 24.1 million in 4Q04). As of 31 December 2005 ADSL users stood at 215 thousands units. Reasons for the slow down are attributable to the situation in the German market for ADSL, with a predominant wholesale offer which has brought the Company to reduce marketing expenses. In 4Q05 we started the first selective investments in unbundling, which could bring, through a local and selective approach, to an improvement in the activities in Germany.

In the fourth quarter, Gross Operating Profit (EBITDA), before amortisation, depreciation, provision and write downs was EUR 32.9 million, up 3% vs 4Q04 (EUR 31.9 million) and vs 3Q05 (EUR 31.7 million), which included non recurring revenues for about EUR 7 million deriving from the sale of the wholesale customer base in the Netherlands.

In FY05, Gross Operating Result (EBITDA) grew by 51%, reaching EUR 116.9 million (16% of revenues) vs EUR 77.5 million (12% of revenues) registered in 31.12.2004, outperforming the target announced to the market.

Such positive operating results were due both to the positive trend of revenues and to the control of costs and efficiencies. The trend shown by variable costs linked to the increase of ADSL ULL customers within access segment determined the improvement also at Gross Margin level (Figure non reported in the P&L statement, as not included in the IAS/IFRS standards, but given as additional information) which in 4Q05 stood at EUR 101.3 million, representing 51% of revenues. Such improvement was determined by the significant weight reached within the ADSL access segment by the ULL customers. In FY05, Gross Margin was EUR 389.8 million, 53% of revenues.

Operating costs in 4Q05 amounted to EUR 61.7 million (31% of revenues), broadly flat vs EUR 61.9 million (35% of revenues) in 4Q04, slightly decreasing vs 3Q05 (EUR 63.5 million, 34% of revenues).

In FY05, operating costs stood at EUR 265.2 million, up 12% in absolute terms vs FY04 (EUR 236.5 million – 36% of revenues). We highlight the personnel and G&A cost reduction, in line with targets announced to the market.

In particular:

Marketing costs which included sale, distribution and retention costs in 4Q05 stood at EUR 29.5 million (15% of revenues), registering a significant vs 4Q04 (EUR 26.4

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million) and to the 3Q5 (EUR 24.0 million). Investments were mainly dedicated to the promotion of ADSL products in UK and in Italy.

In FY05, marketing costs were EUR 118.5 million, increasing significantly (+42%) vs FY04 (EUR 83.7 million), which were reflected in the increase of DSL users.

Personnel costs amounted to EUR 23.3 million, stable in absolute terms vs to EUR 22.9 million in Q04, with an improvement as a percentage on revenues from 13% to 12%. This figure is significantly decreasing vs 3Q05 (EUR 28.4 million, -18%) thanks to the capitalisation of certain personnel costs dedicated to the development of new products. Employees at the end of December were 1,897.

In FY05, personnel costs, at EUR 106.0 million were flat vs EUR 106.3 million of FY04, decreasing as a percentage of revenues from 16% to 14%.

Others operating costs in the 4Q05 amounted to EUR 8.9 million, decreasing (-29%) vs EUR 12.6 million in 4Q04, corresponding to a decrease in percentage on revenues from 7% to 4%. Such costs decreased by 19% vs 3Q05 (EUR 11.1 million, 6% of revenues)

Other operating costs on FY05 were EUR 40.8 million with a decrease by 12% vs FY04 when they amounted to EUR 46.5 million. This trend shows a decline of operating cost both as a percentage on revenues and also in absolute terms.

The EBIT in 4Q05 stood at a loss of EUR 14.5 million, in significant improvement (+68%) vs the loss of EUR 45.8 million in 4Q04. Such performance was achieved thanks to the significant increase in gross operational profitability analyzed in the previous paragraphs. FY05 EBIT loss stood at EUR 68.7 million, significantly reduced from the loss of EUR 120.8 million of the previous year. This is the evidence that Tiscali is getting closer to the operational break-even, despite the significant investments.

In 4Q05, amortisation of tangible and intangible assets stood at EUR 33.5 million vs EUR 39.3 million posted 4Q04. In FY05 amortisation of tangible and intangible assets was EUR 134.8 million vs EUR 129.2 million in FY04. The increase was due to the significant investments during 2005 to develop the unbundling network and the offer of ADSL services (modem and activation costs).

Provisions for risks and write-downs (together with certain restructuring costs) in 4Q05 amounted to EUR 13.9 million vs EUR 38.4 million in 4Q04. The 4Q05 figure relates

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mainly to provisions attributable to bad debts as well as some provisions for risks and write downs.

In FY05, provisions for risks and write-downs (together with certain restructuring costs) amounted to EUR 50.8 million, lower than EUR 69.1 million in FY04. This decrease shows that the Group is successfully rationalising its client portfolio and its risk management on litigations.

Full year operating result by country

The operating result by country allows to analyze the Group's performance for the full year in the different geographical areas. The figures below point out the significant improvement of the main subsidiaries at the gross operating level as well as on the net operating result which is the consequence of growth, of the improvement in profitability and of the control of indirect costs.

The Italian subsidiary closed FY05 with a gross operating result before amortization and depreciation (EBITDA) of EUR 26.0 million (13% of revenues), a sharp improvement vs FY04 (EUR 15.1 million, 8% of revenues).

The Gross operating result before amortization and depreciation of Tiscali UK in FY05 was positive for EUR 68.8 million and represented 21% of revenues (EUR 47.7 million in 2004). The subsidiary performed well even if it had to face significant investments in marketing and higher amortization to sustain the increase of users and revenues during the period.

In FY05, Tiscali Netherlands registered a Gross operating result before amortization and depreciation (EBITDA) of EUR 38.0 million (35% of revenues vs EUR 20.5 million in 2004).

The slow down of revenues in Germany attributable to the cancellation of products with negative marginality, mainly in the B2B segment, as well as the continuing reduction of operational costs enabled the gross operating result before amortization and depreciation to improve. In fact, as of December 31st, the Gross Operating Result was positive for EUR 7.3 million (8% of revenues). Such result was negative for EUR 5.2 million in FY04.

Result before tax and after interest from continuing operations in 4Q05 was negative for EUR 20.3 million (+62% YoY) vs the EUR 52.9 million loss registered in 4Q2004.

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The result before tax and after interest from continuing operations for the full year was negative for EUR 97.3 million but, as the operating result, showed a significant improvement vs the negative result of EUR 157.4 million of FY04.

If we added the income deriving from discounting operations (which is tax free) and which is mainly related to the EUR 144 million capital gain of Liberty Surf Group, net of the result from the operating subsidiaries and of one-off disposal costs, the total result before tax of the Tiscali Group for FY05 would be positive for EUR 8.1 million.

For 4Q05 results, no tax losses carried forward have been accounted for: such items are directly related to the business plan and have been deferred to FY05 annual consolidated accounts.

■ Investments

The expansion of the ULL networks and the other investments for the installation and activation of new ADSL customers, in 4Q05 generated capex for EUR 66 million, of which EUR 32.4 million related to investments in intangible assets and around EUR 33.7 million of tangible assets.

The investments dedicated to the implementation of the unbundling in 4Q05 were EUR 21.9 million. Such investments allowed to reach and activate 26 co-locations in the UK (mainly concentrated in London area), over 365 co-locations in Italy and over 220 co-locations in the Netherlands. At the end of 2005, the first investments in Germany to develop an unbundling network were initiated. These could determine a recovery of the activities in Germany.

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■ **Financial position**

As of 31 December 2005, the Tiscali Group's cash resources totaled EUR 30 million, while net debt stood at EUR 284 million (EUR 269 million as of 30 September 2005).

The Group's financial position is shown in the table below.

<i>(EUR ml)</i>	<i>Note</i>	31 December 2005	30 September 2005
Cash		30	39
Other financial assets	(a)	35	43
Bonds convertible in 2006	(b)	211	209
Total bonds		211	209
Long-term loans		89	92
Other short-term financial liabilities		20	18
Total payables to banks		109	110
Leasing		29	32
Gross debt	(c)	349	350
Net debt		284	269

(a) The figure includes exclusively escrows and tax credits (VAT)

(b) The figure as of 31 December 2005 includes interest accrued at end June 2005 and includes valuation of debt according to IAS/IFRS

(c) Excludes shareholders loans (EUR 28.2 ml as of 31 December 2005)

Operating cash flow in 4Q05, excluding sales of non-strategic assets, and including financial charges, was negative for EUR 16 million, improving vs the previous quarters (EUR - 46 million in 1Q05, EUR - 20 million 2Q05 and EUR - 23 million in 3Q05. 4Q05 cash flow included financial charges (mainly relating to the SilverPoint financing) for EUR 4 ml and cash investments for about EUR 44 million for the development of the "unbundling" network. FY05 cash flow is negative for EUR 105 million.

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■ **Significant events in 4Q05**

Tommaso Pompei new CEO of Tiscali Group

Tommaso Pompei was appointed following the resignation of Ruud Huisman.

Delisting from Euronext Parigi

The 23 December, the process of voluntary delisting of Tiscali S.p.A shares from Eurolist of Euronext Paris, was motivated by the low trading volumes of Tiscali in the French market, which accounted for less than 1% of total.

Disposal of international fibre optic network to Telecom Italia

On 1 November Tiscali finalized the disposal to Telecom Italia Sparkle of Tiscali's fiber optic network, Tiscali International Network SAS (TINet SAS), for a total consideration of EUR 8 million. The transaction does not include the sale of IP and Voice over IP national and international networks, which are owned by Tiscali International Network BV. The Tiscali Group will maintain ownership and control of these networks so that it may continue to offer high-quality IP and VoIP services to its own customers.

Disposal of certain activities in Spain

In December 2005 Tiscali sold its consumer ADSL customer base for a total consideration of ca EUR 3 million.

■ **Business plan**

The Tiscali Group will present its 2006-2008 business plan by April 2006.

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Consolidated Balance Sheet (EUR Thousands)	31 December 2005	30 September 2005	31 December 2004
Non Current Assets	776,369	755,230	802,437
Current Assets			
	220,495	223,915	270,226
Assets classified as held for sale	27,063	76,801	395,597
Total Assets	1,023,927	1,055,946	1,468,260
Equity	298,965	322,949	317,795
Non current liabilities			
	180,429	190,450	340,125
Current liabilities		-	
	532,591	492,224	599,157
Liabilities directly associated with Assets classified as held for sale	11,942	50,323	211,183
Total Equity and liabilities	1,023,927	1,055,946	1,468,260

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Income statement (EUR Thousands)	31 Dec. 2005 4Q	31 Dec.e 2004 4Q	change%	31 Dec. 2005 12M	31 Dec. 2004 12M	change%
Revenues	199,982	175,752	14%	739,288	655,133	13%
Other operating income	421	4,846		5,266	9,009	
Purchase of material and external services	132,738	113,074	17%	500,707	446,437	12%
Personnel Costs	25,825	22,899	13%	108,454	106,305	2%
Other Operating expenses	8,981	12,682	-29%	18,466	33,945	-46%
Gross Operating Result	32,859	31,943	3%	116,927	77,455	51%
Restructuring costs, other provisions and write downs	13,861	38,398	-64%	50,806	69,053	-26%
Depreciations and Amortisations	33,504	39,345	-15%	134,848	129,217	4%
Operating Result	(14,506)	(45,800)	68%	(68,727)	(120,815)	43%
Share of the profit or losses of associates accounted for using the equity method	-	869		(726)	640	
Net financial income (expenses)	(5,760)	(7,940)	-27%	(27,847)	(37,175)	-25%
Income (loss) before taxes	(20,266)	(52,871)	62%	(97,300)	(157,350)	38%
Taxation	(49)	110,747		(45,119)	110,614	
Income (loss) from continued operations	(20,315)	57,876		(142,419)	(46,736)	
Income (loss) from discontinued operations	(15,178)	(43,467)		105,428	(87,449)	
Net Income (loss)	(35,493)	14,409		(36,991)	(134,185)	

This press release contains certain forward-looking statements based on current expectations and projections in relation to future events. These forward-looking statements may be affected by known or unknown risks, uncertain events and cautious assumptions. This press release also contains unaudited pro forma data.

Tiscali does not undertake to publish updates or modify any forward-looking statements, either to provide new information or in response to future events or other circumstances. In light of the aforementioned risks, uncertainties and assumptions, the forward-looking statements contained in this press release may not come to fruition. Any statement relating to past performance or activities should not be considered a guarantee of future performance or of such activities continuing in the future.

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