

**Tiscali's Board of Directors approves 1H2006 results:
Growth of economic results and DSL users**

- Revenues at EUR 412.5 million, +17% YoY
- Gross Operating Result (EBITDA) at EUR 63.8 million, + 22% YoY
- 360,000 new ADSL customers, bringing total broadband customers to over 2 million, more than one quarter receiving ULL services

Cagliari, September 14, 2006

The Board of Directors of Tiscali has approved the results of the first half year ending on 30 June 2006, confirming the positive trend of Tiscali Group's economic and financial results.

In the first six months of 2006, the Tiscali Group's revenues stood at EUR 412.5 million, up 17% compared to the same period of 2005 (EUR 353.7 million), thanks in particular to the continuously growing trend of revenues from ADSL access services.

Revenues by geographical area

In the first six months of the 2006 financial year **Tiscali Italia** has seen an acceleration of the growth of its ADSL user base. Over 81,000 net activations at the end of June 2006 bring the total number of ADSL subscribers to approximately 384,000, with a growth of 27% as compared to the end of the 2005 financial year (approximately 303,000 ADSL subscribers). Users connected through the Tiscali's ULL proprietary network infrastructure (ULL) of 440 colocations were 153,000, up 47% as compared to the end of December 2005 (104,000 units). As compared to December 31 2005, the users subscribing to Double Play services (data and voice) are more than tripled, reaching approximately 50,000 units. Dial-up users, approximately 931,000, showed a physiological slowdown.

The Group's revenues in Italy amount to EUR 106.2 million, showing an increase of 7% as compared to the same period of the previous year (EUR 99.1 million). The turnover generated by the Italian subsidiaries accounted for 26% of the Tiscali Group's revenues. The revenues generated by the ADSL access services, EUR 33.4 million, increased by 34% (EUR 25,0 million in the first six months of 2005). The weight of ADSL revenues on access revenues is increasing: from 38% of the first six months 2005 to the current 48%. Revenues generated by the voice services are EUR 18.1 million of which EUR 3.3 million from VoIP services.

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The growth of the user's base in the first six months of the year was fostered by the quality of Tiscali products and commercial offers. Two products have been launched during the first three months of 2006: the 24 Mb/s product for residential customers (already available since October 2005 for business customers) and the ADSL access product 4 Mb/s "Double Play" including VoIP (Voice over IP) at the price of EUR 19.95, which was well received by the market. In May Tiscali Italia launched a new ADSL and voice offer – called Tiscali Tandem – that is a range of "flat" solutions allowing to navigate and call fixed network numbers without limits, all over Italy, both in the areas covered by the unbundling network and in those not yet covered.

The subsidiary operating in the **United Kingdom (Tiscali UK)** continued its extraordinary growth in the first six months of 2006. The period saw over 266,000 net activations of ADSL services, with a growth rate of 28% of the ADSL user base as compared to the end of the previous financial year (934,000 units). At 30 June the Tiscali ADSL user base in the United Kingdom was approximately 1.2 million users. The six-month span also saw the successful roll-out of the ULL network, with the consequent migration of existing customers. Subscribers with direct access (*unbundling*) were approximately 85,000. Colocations activated at 30 June 2006 were 217. The dial-up user base is 928,000 units.

The most successful product in this market in these first six months of the year was the unlimited 1 Mb access, offered at a monthly rate of at GBP 14.99.

The revenues generated by the British subsidiary are EUR 205.7 million, up 39% as compared to EUR 148.4 million of the first half 2005 (50% of Group revenues). Revenues generated by ADSL access services amount to EUR 127.6 millions (83% of revenues of the access segment), a 76% increase as compared to the first six months of 2005 (EUR 72.4 million – 65% of access revenues).

On 12th August 2006 Tiscali and Video Networks International Ltd have reached an agreement to integrate Video Networks in Tiscali UK. Thanks to this agreement, which came into effect on 26th August, Video Networks International Ltd (VNIL) will contribute 100% of its UK activities in Tiscali UK Ltd. As a result, Tiscali SpA will control 88.5% of Tiscali UK and VNIL 11.5%. Following the integration, with a strategic value in positioning the Tiscali Group as a Triple Play operator, Tiscali UK will immediately reach over 1.3 million DSL customers, of which 350,000 double play customers (access and VoIP) and 45,000 IPTV subscribers and will own a ULL network covering over 300 Colocations with over 220,000 customers connected.

In **The Netherlands**, Tiscali Group performed well considering the maturity of the broadband market. The first six months of the year saw 26,000 net activations. At the end of June the user base registered 276,000 users with an increase of 10% as compared to 31 December 2005 (250,000). Please note that since the fourth quarter of 2005 all Dutch subscribers were connected on the Group's ULL network infrastructure. The users that subscribed a data and voice *bundled* offer were approximately 49,000. Dial-up users were 126,000.

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2

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Revenues generated by Tiscali BV in the first semester amounted to EUR 52.2 million, up 5% as compared to EUR 49.8 million of the first six months 2005. The Dutch subsidiary contributed 13% to the Group's turnover. The ADSL access revenues amounted to EUR 36.4 million, up 8% as compared to EUR 33.6 million revenues of the first six months of 2005. Access revenues as a percentage of total revenues increase from 72% to 84% year on year. VoIP revenues amounted to EUR 3.2 million.

The characteristics of the **German** market, with regards to regulatory and competitive environment, have led the Tiscali Group to limit infrastructural and marketing investments. This had a significant impact on the German subsidiaries performance in the first six months of the year. At the end of June the ADSL subscribers were 205,000, down as compared to 215,000 users in the first six months of 2005. A positive trend is shown by Double Play (data and voice) service subscribers which totalled 22,200, nearly doubled as compared to 31 December 2005. The dial up customer base counted 324,000 users.

Revenues generated by subsidiaries operating in Germany amounted to EUR 36,4 million, down 14% as compared to EUR 42.1 million of the end of June 2005. The German subsidiaries' revenues represented 9% of the Group's revenues. ADSL (broadband) revenues amount to EUR 12.0 million, equal to 50% of access revenues, down compared to the first six months of 2005 (EUR 14.4 millions– 46% of access revenues). The VoIP revenues stood at EUR 1.6 million.

At 30 June 2006 the subsidiary operating in the **Czech Republic** has approximately 9,000 ADSL subscribers (+40% compared to 31.12.2005) and 74,000 dial-up users. Revenues from such subsidiary amount to EUR 6.9 million, approximately 2% of the Group's revenues, down 24% as compared to the same period of the 2005 financial year (EUR 9.1 million).

Revenues by business area

In the first six months of 2006 Group's **access revenues** amount to EUR 293.5 million, with a 12% increase as compared to the same period of the 2005 financial year (EUR 262.6 million, 74% of Group's revenues). Access revenues accounted for the majority (71%) of total Group's revenues.

The weight of the ADSL/broadband segment (72%) prevailed within the access business line. In the six-month span revenues generated by the broadband access stood at EUR 210.6 million, up 44% compared to the same period of 2005 (EUR 146.2 million, 56% of access revenues). Net activations posted in the first six months of the year are approximately 360,000 (+ 21% as compared to 31 December 2005). In these six months the number of ADSL subscribers increased from 1.715 million to 2.073, million at the end of June 2006. Of these subscribers more than 25% had direct access to Tiscali's ULL network (+39% as compared to 369,000 at 31 December 2005).

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3

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As opposed to and as a result of the growth of broadband access, dial-up services are decreasing in all market: dial-up revenues over access revenues dropped from 44% to 28%. Revenues stood at EUR 82.9 million, down 28% as compared to EUR 115.8 million posted in the first six months of 2005. At 30 June 2006, the dial-up users were approximately 2.4 million, with a 21% decrease as compared to 31 December 2005 (3 million).

The **voice** revenues at 30 June 2006 amounted to EUR 57.6 million, showing an increase compared to the same period of the previous financial year (EUR 44.0 million, 12% of total revenues), representing 14% of total revenues. Revenues generated by voice services benefited from the development of voice over internet protocol (VoIP), available in 4 main countries where the Group operates. In the first six months of the year VoIP posted revenues of EUR 8.1 million with over 120,000 subscribers. In the United Kingdom the VoIP has been launched only at the beginning of the second half.

In the first six months of 2006 the revenues of the **business services** line, including VPN, housing, hosting, domain services and leased lines, stood at approximately EUR 33.1 million, +16% as compared to the same period of 2005 (EUR 28.5 million). The 8% weight over Group's revenues remained stable. Revenues deriving from B2B Internet access (both dial-up and ADSL) are included in access revenues: if revenues generated by ADSL business users (EUR 49,4 million), classified in the Access segment, were also to be added, business services revenues would be equal to approximately EUR 82.5 million.

In the first six months the revenues generated by **media and value-added services** amounted to EUR 22.0 million (5% of total revenues) compared to EUR 14.6 million (4% of total revenues) posted last year. In these six months. The strong performance of this business line (+50%) was due to an increasing focus on value-added services and on content. Partnership agreements (e.g. Google) and the increase of online advertising are represent key point. In order to strengthen the development of services in this segment and to promote innovation the 'Tiscali Lab' structure has been launched in May.

At 30 June 2006, the **Gross Operating Result (EBITDA)**, before provisions for risks, write downs and depreciation, stood at EUR 63.8 million, showing a 22% improvement as compared to EUR 52.4 million of the first half 2005. The gross operating result margin increased from 14.8% to 15.5%.

In the first six months of 2006 the Gross Margin (*a calculation which is not reported on the P&L account, as it is not required by the IAS/IFRS, but which is provided as additional information*) amounted to EUR 202.7 million, with an incidence on revenues exceeding 49%. The control of variable costs (among which particularly significant are regulations related to 'traffic') and the migration of the DSL users from indirect access

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(wholesale) to direct access (ULL), permitted to maintain a good performance level, despite strong competition on service sale prices.

Indirect operating costs amount to EUR 141.1 million, decreasing from 40% to 34% as a percentage of revenues. In the first six months of 2005 indirect operating costs were EUR 140.0 million.

Marketing costs, also including sales and distribution expenses, in the first six months of 2006 amounted to EUR 56,2 million (14% of revenues) compared to the EUR 55.9 million (16% of revenues) of the first half of 2005.

Personnel costs stand in 1H06 stood at EUR 57.3 million, with an increase of approximately EUR 1.0 million in absolute terms as compared to 30 June 2005 and a decrease of the incidence of this cost on revenues (decreasing from 16% to 14%). Headcount of Tiscali Group at 30 June 2006 was 1,728.

In the first six months of the financial year Other indirect costs amounted to EUR 27.6 million, substantially stable in absolute terms, but decreasing (from 8% to 7%) as a percentage of revenues. In the first six months of 2005 other indirect costs stood at EUR 27.8 million.

Operating result

The operating result of the first six months of 2006 was negative for EUR 28.5 million showing a further and significant improvement (+39%) compared to the operating loss of EUR 46.4 of the first half 2005, confirming the positive trend towards achieve the operating break-even at Group's level.

Operating result by geographical area

The gross operating result of Tiscali in **Italy** stood at EUR 14.5 million (14% of revenues), versus EUR 15.5 million of the first half of 2005. This result reflects higher marketing expenditures than in the first half 2005. The operating result was negative for EUR 8.7 million versus EUR - 3.4 million in 1H05. The current financial year 1H result discounted higher amortisation related to infrastructure investments and to the growth of customers.

The marked growth of revenues and the management of cost structure permitted a significant increase in absolute terms of the gross operating result of Tiscali UK (**United Kingdom**) in the first six months of 2006, i.e. EUR 34.5 million (17% of revenues), versus EUR 22.1 million (15% of revenues) of the first half 2005. The operating result, net of depreciation/amortisation and write-downs, was still negative at

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EUR 6.6 million (negative at EUR 3.7 million in 1H06); this performance was affected by amortisation related to the investments or the development of Tiscali UK own ULL network infrastructure

At 30 June 2006, **The Netherlands** registered a positive gross operating result (EUR 23.1 million, equal to 44% of revenues) up compared to the positive result of EUR 12.2 million (24% of revenues) of the first half 2005. Consistently with the business model to bring customers to its own network infrastructure, thus achieving higher margins, the subsidiary has achieved positive results also in terms of operating results (EUR 9.7 profit versus a negative operating result of EUR 5.8 million in the same period of 2005).

At the end of June 2006, the gross operating result in **Germany** was close to break even, though lower than the result at 30 June 2005 (positive at EUR 5.7 million). The operating result, also affected by a restructuring process, was negative at EUR 10.5 million, versus the loss of EUR 2.3 million of the corresponding period of 2005. The market scenario is still uncertain and is currently under assessment by Tiscali.

In the first six months of 2006 the **Czech Republic** showed a negative gross operating result of EUR 301,000 as compared to a gross operating result of EUR 446,000 at 30 June 2005. The operating result at the end of June 2006 is negative for EUR 1.9 million, versus a loss of EUR 1.2 million in the corresponding period of 2005.

The Group's operating result, net of the one-off EUR 30 million write down of the German goodwill ('impairment') discounting difficult market conditions was negative for EUR 58,5 million.

Result from continuing operations

In the first six months of 2006 the result from continuing operations was negative at approximately EUR 70.5 million, compared to the loss of EUR 111.2 million of the first half 2005.

Net result

The net loss stood at EUR 74.1 million, compared to the net profit of EUR 14.5 million of the first six months of the preceding financial year, essentially due to the result of discontinued operations, positive for EUR 125.7 in 2005. In 1H06 no extraordinary operations related to participations were performed.

As of 30 June 2006, no further allocations and/or utilisation of deferred tax assets were justifiable. A further assessment will be made during the second half of the year.

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6

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Investments

Tiscali Group's investments in the first six months of 2006 were approximately of EUR 92 million of which EUR 70.5 million attributable to intangible asset investments and approximately EUR 21.5 million to tangible asset investments. Such investments are related to the expansion of the unbundling network, mainly in the United Kingdom, and to operating investments related to the connection and activation of new customers in the various countries.

Intangible asset investments were mainly related to ADSL customer activation costs, and to new IRU contracts (Indefeasible rights of use), related to the acquisition of rights to use network and bandwidth. Tangible asset investments refer to the acquisition of equipment for the development of the *unbundling* network. Such investments allowed to reach and activate 217 ULL sites in the United Kingdom (18% of the households). In Italy and The Netherlands, active co-locations were respectively 440 (40% of households) and 250 (60% of households).

FINANCIAL POSITION

As of 30 June 2006, the Tiscali Group's cash and cash equivalents totalled EUR 23.5 million, while the net financial position at the same date is negative at EUR 334.4 million (EUR 290.1 million at 31 December 2005).

EUR (ml)	Note	30 June 2006	31 December 2005
Cash		23,5	30,0
Other financial assets		28,4	34,3
<i>Of which</i>			
Escrow accounts		12,0	18,0
Tax receivables and other financial assets		16,4	16,3
Total cash and other financial assets		51,9	64,3
Bonds (Equity Linked Bonds) – September 2006		216,0	211,0
Total bonds		216,0	211,0
Long and medium term loans	(a)	101,1	89,2
Bank overdraft and short term loans		41,0	19,7
Total bank debts		142,1	108,8
Payables to other lenders (leasing)		28,3	34,5
Total gross debt	(b)	386,3	354,4
Total net debt		334,4	290,1

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7

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- (a) The value includes the interest due at that date and includes the measurement of the debt amortised according to the amortised cost methodology set forth by IAS/IFRS
(b) Does not include shareholders loans (EUR 30.7 million at 30 June 2006, including interests)

The change in net financial position in the first six months of 2006, including financial charges, was negative at EUR 44 million. This was mainly due to the use of cash for operations and to the increase of financial debt, particularly in relation to the medium/long term operation agreed with Silverpoint.

Cash variation in the first six months of 2006, including financial charges, was negative for approximately EUR 7 million. This result discounted significant investments (EUR 92 million) for the development of our customer base and of the “*unbundling*” network infrastructure, as well as to financial charges (EUR 10 million).

Equity Linked bonds maturing on September 26, 2006

Pursuant to the “soft mandatory” clause provided for in the Bonds, the execution of the capital increase will allow Tiscali Group to reimburse the Bonds, based on the current stock price, partially through new shares. This will allow to convert part of Tiscali’s debt in equity capital while limiting the cash out for the reimbursement and increasing the free float with institutional shareholders. At today’s share price, the portion of the Bonds to be repaid in shares would amount to ca EUR 65 million, whereas the cash top up would be ca EUR 145 million.

Business Plan

Tiscali’s new Business Plan, following the approval of the Board of Directors, will be presented to the market during the week of October 9th, 2006.

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8

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CONSOLIDATED INCOME STATEMENT	30 June 2006	30 June 2005	Change %
<i>EUR (000)</i>			
Revenues	412.467	353.651	+17%
Other operating income	3.754	3.986	-6%
Purchases of materials and external services	293.174	242.922	+21%
Personnel costs	57.287	56.253	+2%
Other operating expenses	2.004	6.051	-67%
Gross Operating Result	63.756	52.411	+22%
Restructuring costs, other provisions and write downs	17.524	30.458	-42%
Depreciation and amortisation expense	74.710	68.388	+9%
Operating result	(28.478)	(46.435)	+39%
Write down of the German goodwill	(30.000)	-	nm
Operating result net of goodwill write down	(58.478)	(46.435)	-26%
Share of the profit or losses of associates accounted for using the equity method	(224)	(696)	+68%
Net financial income (Expenses)	(11.130)	(19.018)	+41%
Income (loss) before taxes	(69.832)	(66.149)	-5%
Taxation	693	45.053	nm
Income (loss) from continued operations	(70.525)	(111.202)	+36%
Income (loss) from discontinued operations	(3.616)	125.741	Nm
Net income (loss)	(74.140)	14.539	Nm

CONSOLIDATED BALANCE SHEET (EUR (000))	30 June 2006	31 December 2005
Non-current assets	788.381	808.644
Current assets	214.819	217.764
Assets held for sale	7.767	16.707
Total Asset	1.010.967	1.043.115
Shareholder's Equity (Group)	234.500	308.767
Minority interests	2.563	2.553
Total Shareholder's equity	237.062	311.320
Non-current liabilities	212.592	186.375
Current liabilities	554.967	533.698
Liabilities directly related to assets held for sale	6.346	11.722
Total Shareholder's equity and liabilities	1.010.967	1.043.115

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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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10

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