

Tiscali's Board of Directors approves 1Q2006 results and new financing

- Revenues at EUR 202.7 million, +17% YoY
- EBITDA at EUR 29.2 million (14% of revenues), +9% YoY
- 211,000 new ADSL customers in 1Q06, a total of over 1.9 million, of which 435,000 ULL
- New sources of funding for ca EUR 250 million

Cagliari, 12th May 2006

The Board of Directors of Tiscali has approved the results for the quarter ended on 31st March 2006.

Confirming the positive trend shown in the previous quarters, ADSL subscribers grew also in 1Q06, this being the key factor in the revenue growth and in the improvement of financial results. With 211,000 new subscribers as of 31st March 2006 the Tiscali Group reached over 1.9 million ADSL customers, of which over 435,000 receiving unbundled services, which will determine a meaningful improvement in profitability. The focus on key markets and the further development of the unbundling network has allowed Tiscali to increase the offer of voice over IP and other value added services. VoIP customers were in fact over 100,000 at the end of March 2006.

In the first quarter of 2006, Tiscali Group consolidated revenues stood at EUR 202.7 million, up 17% vs 1Q05 (EUR 173.8 million).

The significant further increase of ADSL subscribers in the UK and the accelerating growth trend of DSL users in Italy have been the key factors explaining the Group's revenue increase.

- **Revenues by geographic areas**

The first quarter of 2006 saw a significant increase of ADSL customers in **Italy**, with approximately 50,000 new activations in the quarter. As of 31 March 2006 ADSL customers were over 350,000, ULL users 143,000. Revenues from ADSL/*broadband* services (EUR 16 million, 43% of access revenues) grew by 40% as compared to EUR 11.4 million (36% of access revenues) recorded in the 1Q05. Such positive performance was due to the growth of active users (+64%), at a rate higher than the market. Dial-up customer base, though decreasing, was still significant with a user base totalling approximating 900,000 customers. Revenues in Italy stood at EUR 51.7 million, +6% vs 1Q05 (EUR 49 million).

The quarter saw a strong focus on “*double play*” products, thus confirming Tiscali strategy of developing voice over IP services. The VoIP service has achieved a significant user base (approximately 40,000 customers), generating over EUR 1.2 million revenue 1Q06.

The subsidiary operating in the **United Kingdom** (Tiscali UK) closed the first quarter 2006 with a 43% revenue increase (EUR 100.4 million) vs 1Q05 (EUR 70.4 million). Revenues generated by broadband services showed a remarkable performance (+89%), supported by a growth of active DSL lines of 116% vs 1Q05, with the reference market which grew by 68%. As of 31 March 2006 ADSL users were over 1 million with a net users’ increase of over 150,000 in 1Q06. The strong increase of ADSL subscribers registered in the past quarters is continuing in 2006 and therefore offers excellent prospects over the whole 2006 financial year. DSL revenues were EUR 60.5 million, 81% of access revenues (vs EUR 32.7 million, 61% of access revenues in 1Q05). This performance was mainly due to the optimal price-bandwidth ratio in the product offers and to marketing investments targeted and highly focused on the ADSL product. Consistently with its strategy of further growth and consolidation, the UK subsidiary is continuing in 2006 the investments in the unbundling network, started at the end of the previous financial year. A significant migration of customers to the unbundling mode is expected starting from the second quarter 2006.

In the first quarter 2006 revenues generated by the subsidiary operating in the **Netherlands** (Tiscali BV) were approximately EUR 25.5 million, up 19% versus 1Q05 (EUR 21.5 million on a pro-forma basis, net of revenues resulting from the disposal of the “*resell-wholesale*” ADSL customers to KPN). ADSL users, 100% unbundled, were over 265,000, 15,000 net addition vs FY05, with revenues in the same period equal to EUR 18.3 million (76% of access revenues), up 16% vs EUR 15.8 million (69% of access revenues) of 1Q05. The Dutch market is among the most mature in Europe, therefore the growth shown by the Dutch subsidiary, also considering the broadband service revenues, should be considered a positive result. Thanks to Tiscali’s extensive ULL network, covering 60% of households, the users that at the end of March 2006 had subscribed bundled data and VoIP services were approximately 43,000, with revenues in the quarter at EUR 1.4 million.

As of 31 March 2006 revenues generated by subsidiaries operating in **Germany** (*Tiscali GmbH* and *Tiscali Business*), stood at EUR 19.1 million, down (-16%) vs EUR 22.8 million registered in the first quarter 2005. Revenues from the ADSL services for the period were EUR 7.2 million, down vs 1Q05 (EUR 8.4 million). At the end of March, ADSL users are approximately 212,000, of which about 20,000 subscribed access and VoIP services. The peculiarity of the German market, also from the regulatory viewpoint, allowing to offer the ADSL services mainly in the *wholesale* mode, is still negatively affecting Tiscali’s performance in this geographic area. Tiscali Germany has

Investor Relations

Tel. 02 309011 – ir@tiscali.com

2

Ufficio Stampa

Image Building

Mara Baldessari – Simona Vecchies

Tel: 02 89 01 13 00 – info@imagebuilding.it

started the first selective investment in the ULL network, the results of which will be assessed during the current financial year.

As of 31 March 2006 the revenues of the subsidiary operating in the **Czech Republic** stood at EUR 3.6 million, representing 2% of Group's revenues, down 24% versus 2005 revenues (EUR 4.7 million), mainly due to the decrease of dial-up users as compared to the previous financial year.

■ Revenues by business line

ACCESS

In the first quarter of 2006 access revenues, amounting to EUR 152.1 million and representing the 75% of the Group's revenues, were the main driver of Tiscali's revenue growth. As compared to the first quarter of 2005 (EUR 130.1 million) they showed a 17% increase.

The **ADSL/broadband** segment, representing 67% of access revenues, is the most important contribution to the access business line. The ADSL revenues in 1Q06 amounted to EUR 102.6 million, with a significant growth (+51%) as compared to the first quarter 2005 (EUR 68.1 million). The net increase of ADSL users activated in the first quarter was 211,000, bringing the total number of ADSL subscribers as of 31 March 2006 to over 1.9 million (+12% versus 31 December 2005), of which over 435,000 receiving *unbundling* services.

The 1Q06 **Dial-up/narrowband** revenues (EUR 49.5 million, 33% of access revenues) were unavoidably affected by technological developments which particularly over the last two years, has led to an extraordinary growth of broadband products with the consequent decline of dial-up revenues. These decreased by 20% vs 1Q05 2005 (EUR 62.1 million). Active dial-up users as of 31st March 2006 were over 2.6 million.

VOICE

Voice revenues stood at EUR 23.8 million (12% of total revenues), as compared to 1Q05 EUR 21.5 million. It should be pointed out that the decrease of analogical telephony revenues (CPS) has been offset in the period by of the increase of VoIP services (approximately 100,000 users at the end of March 2006) and by the consequent increase of revenues generated, ca. EUR 3 million in 1Q06. Market developments and network investments led Tiscali to qualify its offer also as a provider of voice services through the IP protocol, a business line representing one of the most significant growth factors in 1Q06 and a pillar in the Group's future strategy.

BUSINESS

In the first quarter of 2006 revenues from **business services** stood at EUR 14 million (7% of total revenues), stable as compared to 1Q05 (EUR 14 million). These revenues only include services provided to business customers (such as VPN, housing, hosting, domain names and leased lines) while Internet access revenues (both dial-up and ADSL) generated by business users are accounted for in the access revenue line. Adding to such revenue line also revenues generated by the business ADSL users (EUR 21.6 million), currently accounted for in the access segment, the figure would be equal to approximately EUR 35.6 million (17% of revenues).

MEDIA AND VALUE ADDED SERVICES

As of 31st March 2006 **media and value added services** stood at EUR 10.8 million (5% of revenues), up 72% as compared to EUR 6.3 million (4% of revenues) of the same period in 2005. The significantly positive trend of revenues is mainly due to partnership agreements with distribution channels (above all Google) and to the development of the online advertisement market. The Group's strategy foresees an increasing focus on value added services (VAS) and on content offers like the launch in the first quarter, on the Dutch portal, of the browser "Tiscali Kids". The music download offer has also been enhanced on all the Group's portals.

■ Gross Operating Result (EBITDA)

As of 31 March 2006 the **Gross Operating Result (EBITDA)**, before amortisation, depreciation and write downs, was EUR 29.2 million, up (+9%) as compared to the performance of the same period in the 2005 financial year (EUR 26.8 million). Notwithstanding a quite significant increase of marketing investments such result has been achieved both thanks to the positive trend of revenues and to the control of costs and efficiencies.

The trend shown by variable costs, mainly due to the increase of ADSL unbundled users and to the overall plans for the improvement of direct cost dynamics, including those related to regulations (associated to 'traffic'), has allowed a satisfactory performance in absolute terms also at Gross Margin level (figure not reported in the Income Statement, as not required by the IAS/IFRS standards, but provided as additional information). In the first quarter 2006 this stood at EUR 101.2 million (50% of revenues).

Operating profitability is still affected by the decline of dial-up users and revenues, with a Gross Margin of approximately 60% of revenues, which is not completely

Investor Relations
Tel. 02 309011 – ir@tiscali.com

4

Ufficio Stampa
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – info@imagebuilding.it

compensated by the ongoing migration of DSL customer base to Tiscali's own ULL infrastructure, which yields a Gross Margin of over 80% of revenues.

Operating costs (indirect costs) in 1Q06 stood at EUR 72.5 million, up 12% vs 1Q05 (EUR 64.5 million). The increase of indirect operating costs is attributable to marketing and sale costs, though the control of the structure of other indirect costs has offset such dynamics with a consequent decrease of overall indirect costs as a percentage of revenues (36% in 2006 vs 37% in 2005).

Marketing costs, also including sale, distribution and retention expenditure, stood at EUR 31.4 million (16% of revenues), showing a significant increase as compared to EUR 22.9 million of the previous year. Investments were mainly aimed to the promotion of ADSL products in the United Kingdom and Italy and generated positive results, as shown by the positive trend of ADSL users during the period.

Personnel costs were EUR 28.1 million, substantially stable in absolute terms compared to EUR 27.7 million of the first quarter 2005, with an improvement as a percentage of revenues (from 16% to 14%). As of 31st March 2006 employees were 1,944.

Other indirect costs amounted to approximately EUR 13.0 million, down (-7%) as compared to EUR 13.9 million of 1Q05, with a parallel decline as a percentage of revenues (from 8% to 6%).

■ Operating result (EBIT)

As of 31 March 2006, the Operating Result (EBIT) was negative for EUR 12.1 million, a significant improvement (+14%) vs the loss of EUR 14.1 million of the previous 2005 quarter. Such performance was achieved thanks to the significant increase in gross operational profitability and despite the incidence of amortisation.

As of 31 March 2006 amortisation of tangible and intangible assets stood at EUR 36.3 million as compared to EUR 35.0 million in 1Q05. The increase is due to the significant investments made in the period to develop the "unbundling" network and the offer to ADSL services (modem and activation costs) particularly in the United Kingdom and in Italy.

Provisions for risks and write-downs (together with certain restructuring costs) stood at EUR 5 millions, vs EUR 5.9 million in 1Q05. The 1Q06 figure relates mainly to provisions attributable to bad debts (approximately EUR 4 million) as well as some provisions for risks and write downs related to loss on credits (approximately 2% of revenues). This decrease shows that the Group is successfully rationalising its client portfolio, also from the quality viewpoint, and its risk management on litigation.

Investor Relations
Tel. 02 309011 – ir@tiscali.com

5

Ufficio Stampa
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – info@imagebuilding.it

■ **Geographic breakdown of EBITDA in the first quarter 2006**

Italy closed 1Q06 with a gross operating result before amortisation and depreciation of EUR 6.9 million (13% of revenues). The result decreased as compared to 1Q05 (EUR 8.9 million, 18% of revenues) due to the significant marketing investments to support ADSL services (EUR 8.6 million), showing a marked increase (170%) as compared to marketing and sales costs in 1Q05. The operating result was negative for EUR 2.1 million vs a loss of EUR 0.6 million of the first quarter 2005.

The gross operating result of Tiscali UK (**United Kingdom**) in 1Q06 was positive for EUR 15.7 million and represented 16% of revenues (EUR 12.2 million in 1Q05, substantially stable percentage on revenues). The gross operating result before amortisation and depreciation is negative for EUR 3.9 million (negative for EUR 2 million in the same period of the previous financial year). The British subsidiary performed well even if it had to face significant investments in marketing and higher amortisation charges to sustain the strong increase of users and revenues of the period as well as investments to implement the ULL network.

In 1Q06 **Tiscali Netherlands** registered a positive gross operating result (EUR 10.1 million, equal to 40% of revenues) up as compared to the positive result of EUR 6.8 million (28% of revenues) of the first quarter 2005. The operating result is positive for EUR 3.4 million, vs a negative operating result of EUR 2.2 million in the same period of 2005.

The slow down of revenues in **Germany** has caused a decrease of the gross operating result and of the operating result. As of 31 March 2006 the gross operating result, though being positive for EUR 1.1 million (6% of revenues), was lower than that achieved at 31 March 2005 (positive for EUR 2.8 million). The operating result was still negative for EUR 2.8 millions, vs EUR 0.9 million in 1Q05.

In 1Q06 **Czech Republic** showed a positive gross operating result for EUR 0.4 million (1% of revenues), in line with 1Q05 (EUR 0.4 million). Operating result was negative for EUR 0.7 million, vs EUR -0.1 million in 1Q05.

■ **Result before tax**

In the first quarter 2006 the result before tax for continuing operations after financial charges was negative for EUR 19.1 million, vs the loss of approximately EUR 23 million of the first quarter 2005, showing a marked improvement.

■ **Net result**

Investor Relations
Tel. 02 309011 – ir@tiscali.com

Ufficio Stampa
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – info@imagebuilding.it

Tiscali Group closed the first quarter 2005 with a net loss of EUR 19.3 million compared to the net loss of EUR 13.7 million of the same period in 2005. If we did not consider the result of discontinuing operations which, in 1Q06 was positive for EUR 0.1 million (due to the result of the Spanish activities) and in 1Q05 it was positive for EUR 9.2 million (due to capital gains relating to the disposals of South Africa and Denmark and to the results of Liberty Surf), net result would be improving from a EUR 22.9 million loss in 1Q05 to a EUR 19.4 million loss in 1Q06.

■ Financial position

As of 31 March 2006, Tiscali Group's cash available totalled EUR 17.3 million, while net debt stood at EUR 313.6 million (EUR 290 million at 31 December 2005), with an increase of the net debt of approximately EUR 24 million.

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

(EUR million)	31 March 2006	31 December 2005
Cash	17.3	30.0
Other financial assets (a)	33.8	34.3
<i>Of which</i>		
Escrow accounts	17.4	18.0
Tax credits and other financial assets	16.4	16.2
Cash and cash equivalents	51.1	64.3
Bonds (Equity Linked Bonds) – September 2006	213.4	211.0
Total bonds	213.4	211.0
Payable to banks medium/long term (b)	90.2	89.2
Payable to banks short term	29.8	19.7
Total payable to banks	120.0	108.8
Obligations under finance leases	31.3	34.5
Total Gross Debt (c)	364.7	354.4
Total net debt	(313.6)	(290.1)

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

(b) The figure includes interest accrued at the date and includes valuation of debt according to the IAS/FRS standards on amortised cost

(c) Excludes shareholders loans (EUR 28,2 million at 31 March 2006)

Investor Relations
Tel. 02 309011 – ir@tiscali.com

7

Ufficio Stampa
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – info@imagebuilding.it

PRESS RELEASE

In the first quarter 2006 the Free Cash Flow, including financial charges, was negative for approximately EUR 12.7 million. The result of the first quarter was affected mainly by the significant investments implemented (EUR 45.8 million) for the development of the user base and of the “*unbundling*” network infrastructure, as well as by financial charges (EUR 2.4 million).

■ Investments

The development of the *unbundling* network and the investments related to the connection and activation of new ADSL customers, generated in the period investments for approximately EUR 45.8 million, of which EUR 37.1 million attributable to investments in intangible assets and about EUR 8.7 millions in tangible assets. Investments in intangible assets were mainly related to costs associated to the activation of ADSL customers, as well as to the signing of IRU agreements (Indefeasible rights of use) for the acquisition of rights and bandwidth, while investments in tangible assets were related to the development of the *unbundling* network, including the related equipment. In particular, EUR 25.5 million related to ULL network investments, EUR 20 million to customer driven activation costs and expenses. These investments allowed to reach and activate 53 ULL sites in the United Kingdom (concentrated in the London area), about 440 sites in Italy and to upgrade to ADSL 2+ the current infrastructure in the Netherlands.

■ New financing

Extension of the Silverpoint facility

Silver Point Finance LLP has committed to increase the existing senior secured facility granted August 2005 by EUR 70 million, bringing the total commitment to EUR 220 million, EUR 50 million of which was drawn last August.

The additional EUR 70 million facility, which matures 3 years after drawdown, together with the existing undrawn commitment will be available subject to certain standard conditions. Proceeds will be used for the repayment of the Equity-Linked Bonds due September 2006 and for general corporate purposes.

The rate has been initially set at EURIBOR +800bps, to reflect market conditions and the increased commitment by Silver Point. The security package includes, inter alia, a pledge over the shares of Tiscali’s operating subsidiaries.

Capital increase for the partial conversion of Equity-Linked Bonds 2006

Investor Relations
Tel. 02 309011 – ir@tiscali.com

8

Ufficio Stampa
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – info@imagebuilding.it

In addition to the new facility underwritten by Silver Point Group, the Board of Directors of Tiscali has decided to call and Extraordinary Shareholders' Meeting to approve a capital increase of up to ca 27.7 million shares (7% of the existing share capital) with waiver of pre-emption rights. Such capital increase, to be subscribed by the holders of the Equity-Linked bonds 2006 only, would be executed at market price in September 2006, at the maturity of the Equity-Linked Bonds. The EGM is expected to take place on June 20th 2006, first call.

The execution of the capital increase would allow the Tiscali Group to deliver shares and cash to the bondholders at the maturity of the Equity-Linked Bonds pursuant to the "soft mandatory" clause provided for in the Bonds. At today's share price, the portion of the Bonds to be repaid in shares would amount to ca EUR 80 million, the cash top up to ca EUR 130 million. In view of crystallising the value of the capital increase, Tiscali may be putting in place certain hedging structures. In relation to such hedging instruments, the main shareholders of the Tiscali Group may be granting a stock lending.

"The new financing, structured with Silver Point, is consistent with the strong acceleration of our broadband business, which in the past year has seen 60% growth in DSL users and over EUR 170 million of capital expenditures. The issuance of equity and debt capital largely in equal proportion enables us to meet our commitments with the market while providing us with the necessary short term operating flexibility" said Tommaso Pompei CEO of Tiscali S.p.A.

PRESS RELEASE

Investor Relations
Tel. 02 309011 – ir@tiscali.com

Ufficio Stampa
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – info@imagebuilding.it

CONSOLIDATED PROFIT AND LOSS ACCOUNT (Income statement)	31.03.2006	31.03.2005	% variation
(Euro thousands)			
Revenue	202,669	173,776	17%
Other income	966	919	5%
Purchase of materials and outsource services	144,450	117,147	23%
Personnel costs	28,125	27,739	1%
Other operating costs	1,892	2,958	-36%
Gross operating profit	29,168	26,851	9%
Restructuring costs, provisions for risk and write down	4,993	5,906	-15%
Depreciation and amortisation	36,285	35,038	4%
Operating profit	(12,110)	(14,093)	-14%
Share of profit of associates with equity method	(139)	(26)	-
Net financial income (charges)	(6,848)	(8,845)	-23%
Profit before tax	(19,097)	(22,964)	-17%
Income tax expense	(335)	(32)	
Net profit from continuing operations	(19,432)	(22,996)	-16%
Profit from operations disposed of and/or held for sale	146	9,249	
Net profit	(19,286)	(13,747)	39%

BALANCE SHEET (euro thousands)	31 March 2006	31 December 2005
<i>Non-current assets</i>	820,493	808,644
<i>Current assets</i>	212,455	217,764
Assets classified as held for sale	15,287	16,707
Total Assets	1,048,235	1,043,115
Shareholders' Equity (Group)	289,373	308,767
Minority interest	2,695	2,553
Total equity	292,068	311,320
<i>Non-current liabilities</i>	198,507	186,375
<i>Current liabilities</i>	546,818	533,698
Liabilities directly associated with assets held for sale	10,842	11,722
Total Equity and liabilities	1,048,235	1,043,115

Investor Relations
Tel. 02 309011 – ir@tiscali.com

10

Ufficio Stampa
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – info@imagebuilding.it

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.

PRESS RELEASE

Investor Relations
Tel. 02 309011 – ir@tiscali.com

Ufficio Stampa
Image Building
Mara Baldessari – Simona Vecchies
Tel: 02 89 01 13 00 – info@imagebuilding.it