

Tiscali's Board of Directors approves results for the first quarter 2007

- Revenues in the quarter at EUR 193.2 million, up 25% YoY. Broadband revenues accounted for over 67% of the Group's revenues
- Growth of the voice revenues (+ 67%) due to the success of the double play offer
- EBITDA in the quarter at EUR 25.2 million, showing a 36% growth as compared to EUR 18.5 million of 1Q 2006.
- 100 thousands new ADSL customers, totalling over 1.9 million customers, of which over 700,000 subscribers with direct access (*unbundling*)

Cagliari, 10 May 2007

The Tiscali's Board of Directors met today and approved the results for the quarter ended on 31 March 2007.

Continuing the positive trends of the previous quarters, first quarter 2007 shows a particularly positive growth increase, most of all in terms of ARPU and of development of the services offered to broadband customers. The Tiscali Group has achieved ca 100,000 new DSL subscribers in the quarter, bringing the total of DSL users to over 1.9 million, of which more than 700,000 ULL users (*unbundling - ULL*).

In first quarter 2007 the Tiscali Group's revenues related to the activities in Italy and the United Kingdom and to those of certain subsidiaries (among which TInet) stood at EUR 193.2 million, up 25% as compared on a homogeneous basis to the EUR 154.8 achieved in 1Q 2006. Such growth was due to an acceleration of ADSL revenues (+34%) and of voice revenues (+67%), thanks to the success of the double play offers, particularly in Italy. Revenues from direct access were fourfold as compared to the first quarter of financial year 2006), while revenues from media services and values-added services showed a growth exceeding the Group's average (+30%) .

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■ Revenues by geographical area

Italy: ADSL revenues + 43%

Tiscali Italia SpA has achieved in first quarter 2007 EUR 60.7 million revenues, as compared to EUR 51 million of the same period in 2006, thus showing a 19% increase. Within the general growth trend revenues related to ADSL access services stood at EUR 22.8 million, up 43% as compared to EUR 15.9 of 1Q 2006. Over 50% of ADSL revenues were generated by direct customers, that is customers connected to the Tiscali network infrastructure (ULL). The quarter also saw a significant increase of the voice revenues that, including the expansion of the VoIP services (over EUR 5.6 million in the period), amounted to EUR 13.9 million, up 68% as compared to the first quarter of financial year 2006.

In first quarter 2007 Tiscali's activities in Italy saw a net increase of more than 38,000 new ADSL subscribers, bringing the total number of these customers to over 470,000, up 33% as compared to the end of first quarter 2006. Of these ca 270,000 are already connected to the Tiscali network infrastructure (*unbundling*). Customers subscribing in the quarter the double play service offer (data and voice through the Internet) are over 30,000, bringing the total number of VoIP customers in Italia to over 111,000. The ARPU related to dual-play customers stood at over EUR 41 in the quarter.

The new offers already presented in the last financial year (ADSL and voice - Tiscali Tandem), that is a series 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, prompted an acceleration of revenue and ARPU dynamics.

Notwithstanding the physiologic slowdown of this market segment, the user's base using dial-up (narrowband) access services still is still significant with over 584,000 customers.

United Kingdom: ADSL revenues + 34%

Also continuing is the growth of **Tiscali UK Ltd**, including VNL. The company achieved in the quarter EUR 128 million revenues, up 28% as compared to 1Q 2006 (EUR 100.3 million). Such performance is mainly due to a growth of ADSL access services achieving EUR 81.2 million revenues (63% of total revenues) in the quarter, as compared to EUR 60.5 million of 1Q 2006, up 34%. The voice services, also including analogical products sold in association to ADSL services generated EUR 24.7 million revenues (EUR 15.2 in the same period of financial year 2006) and an ARPU of ca EUR 37.

ADSL users subscribing in first quarter 2007 were approximately 62,000. As at 31 March 2007 broadband users were therefore over 1.48 million, of which about 437,000 direct customers, that is already connected to the unbundling Tiscali network whose implementation started in first half of financial year 2006.

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Tiscali UK confirmed in first quarter a growth trend, despite the VNL integration process and a reference market characterised by strong competition, also in terms of service prices. A further boost to growth is also expected from the launch of the IPTV offer, started on March 1st and expected to cover the whole Tiscali ULL network within 2008. The Tiscali television offer is proposed as a supplement to the access and voice broadband offers, allowing customers to choose premium content in addition to the basic package.

■ **Revenues by business segment**

Access: direct user revenues more than fourfold

This segment, including revenues from Internet access services through narrowband (dial-up) and broadband (ADSL), generated in the quarter EUR 128.2 million revenues, approximately accounting for 67% of the total Group's revenues in the quarter and showing a 17% growth as compared to the same period of financial year 2006 (EUR 109.3 million). The figure reflects the physiological slowdown of narrowband revenues, though the analysis of isolated ADSL revenues shows a revenue increase in 1Q 2007 amounting to 34% as compared to 1Q 2006 (EUR 103.9 million versus EUR 77.8 million). In particular, revenues from the direct access segment are more than fourfold as compared to the first quarter of the previous financial year, rising from EUR 8.3 million to over EUR 35 million.

The ADSL user base acquired in first quarter is 100,000, bringing the total of customer accessing such service to over 1.9 million of which more than 700,000 already activated as direct customers, that is connected to the Tiscali network with unbundling access (ULL).

Voce: 67% growth in the quarter, double play offers greatly successful

The development of voice services is a significant factor in the plan that sees Tiscali as a provider of integrated telecommunication services and the quarter performance shows that the Group is in line with its targets. These services, proposed both in the analogical and VoIP mode in association to access services, generated a revenue growth in the first quarter of the financial year (+67%). In absolute terms the voice revenues grew from EUR 23.5 million in first quarter 2006 to EUR 39.2 million in first quarter 2007, of which EUR 26 million related to VoIP services.

Business services: up 17%

Revenues generated by business services (VPN, housing, hosting, domain services and leased lines), therefore excluding revenues pertaining to access and/or voice products for business customers, which are included in the relevant business lines, stood in first quarter 2007 at EUR 13 million, up 17% as compared to EUR 11.1 million in first quarter 2006.

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Media and values-added services: the 30% growth rewards the Group's strategy

In first quarter 2007 the revenues generated by this segment amount to EUR 12.4 million, up 30% as compared to first quarter 2006 (EUR 9.6 million). This result highlights and confirms the upturn trend of the online advertising market for which a further significant expansion is expected, considering the remarkable penetration of Internet in the advertising market, also to the detriment of more traditional channels. From this standpoint, the Group's strategy to develop the services offered through its portals in Italy and UK and to concentrate on outstanding partnerships, has been rewarded.

■ **Gross Operating Result (EBITDA): up 36% on an annual basis**

First quarter Gross Operating Result (EBITDA), before provisions for risks, write downs and depreciations, stood at EUR 25.2 million, therefore showing a 36% growth as compared to EUR 18.5 of 1Q 2006. In terms of percentage of revenues this result is in line with the same period of the previous financial year.

Concerning the *Gross Margin* (a calculation which is not reported on the P&L account, as it is not required by the IAS/IFRS standards, but which is provided as additional information) Tiscali Group's performance in 1Q 2007 was stable as compared to 1Q 2006 (46% of revenues), notwithstanding the competitive pressure on prices, above all in the UK market. In absolute terms the first quarter 2007 Gross Margin reaches EUR 88.2 million, up 23% as compared to the first quarter of financial year 2006 (EUR 71.6 million).

First quarter **indirect operating costs** stood at EUR 64 million (33% of revenues), slightly lower in terms of percentage on revenues as compared to 1Q 2006 (EUR 53.2 million, 34% of revenues).

Within indirect operating costs, **personnel costs** in first quarter 2007 amounted to EUR 25.2 million (13% of revenues): these costs reflect the acquisition of VNL by the British subsidiary Tiscali UK. It is to be highlighted that the restructuring plan of Video Networks, with the reduction of employees from 580 to 121, has now been completed. **Marketing costs**, including sales and distribution costs stood at EUR 24.8 million (13% of revenues). **Other indirect operating costs** for first quarter 2007 amounted to EUR 13.9 million (7% of revenues).

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■ **Operating result (EBIT): higher depreciation**

Due to higher depreciation affected by significant investments in the period for the development of the unbundling network and of the ADSL service offer (modem and customer activation costs) and higher provisions for risks, the Operating Result went from a loss of EUR 12.3 million in 1Q 2006 to a loss of EUR 16.8 million in 1Q 2007. This includes a non-recurring effect of depreciation rate adjustment in Tiscali UK, of approximately EUR 3 million.

Restructuring costs, provisions for risks and write-downs totalled in first quarter 2007 EUR 5.9 million (EUR 3.2 million in the same period of 2006). Credit write-down amount in first quarter to EUR 4.9 million (EUR 3.0 million in first quarter 2006), in line with the revenue increase.

Amortisation and depreciation amounted in 1Q 2007 to EUR 36.0 million (EUR 27.7 million in 1Q2006).

Operating result by geographical area: + 34% EBITDA Italy, +22% EBITDA UK

Tiscali Italia SpA closed first quarter 2007 with a gross operating result, net of intragroup costs related in particular to *information technology* services provided by Tiscali Services SpA, equal to EUR 7.1 million (12% of revenues), showing a 34% growth as compared to EUR 5.3 million of 1Q 2006 (10% of revenues).

The operating result of Tiscali Italia SpA in first quarter 2007 is negative at EUR 4.5 million which compares to the loss of EUR 1.9 million in 1Q 2006, due to higher depreciation.

The gross operating result of Tiscali UK (United Kingdom) in 1Q 2007, that included the quarterly results of Video Networks Ltd (VNL) and intragroup costs for information technology services provided by Tiscali Services SpA, stood at EUR 17.1 million (13% of revenues) (EUR 14.0 million in 1Q 2006, 14% of revenues). The gross operating results is therefore substantially stable in terms of percentage on revenues.

The operating result performance of first quarter 2007 was negative at EUR 8.5 million, as compared to the negative figure of EUR 3.8 million in first quarter 2006. The quarter results were heavily affected by depreciation (EUR 22.2 million) associated to the development of the user base as well as to that of the unbundling network infrastructure, started in financial year 2006.

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Results from continuing operations: non recurring effects

Excluding the results of operations held by Tiscali in the Czech Republic, Germany, The Netherlands and Spain, this figure was negative at EUR 42.9 million, as compared to the EUR 19.6 million loss in 1Q 2006. This figure includes non recurring items as described in the section "Net Income".

Results of assets held for sale

In 1Q 2007 the net results of assets held for sale was negative at EUR 1.1 million, versus the positive result of EUR 0.3 million in the same period of 2006. To provide better understanding of such result please see below the detailed breakdown by geographical area of the relevant operations:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR thousands)	First quarter 2007	First quarter 2006
Czech Republic	(1,033)	(592)
Germany	(1,745)	(2,116)
The Netherlands	3,775	3,699
Other operations	(2,067)	(641)
Result of discontinued operations and/or assets held for sale	(1,070)	350

Please note that activities related to residential and business customers in Tiscali Germany were sold in January/February 2007 and the period result shows the relevant capital gain.

Net result: non-recurring effects

The net result of first quarter 2007 is negative at EUR 44 million, as compared to the net loss of EUR 19.3 million in first quarter 2006. This result is affected by the non-recurring items of EUR 17 million, related to the early reimbursement and restructuring of Silver Point facility.

■ **Financial position: more solid debt position**

As at 31st March 2007 the Tiscali Group cash and cash equivalents totalled EUR 15.1 million, while at the same date 2006 the net financial position related to continuing operations was negative at EUR 430.8 million (EUR 397.2 million at 31 March 2006).

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The financial position related to continuing operations is summarised in the table below:

EUR thousands	31 March 2007	31 December 2006
A. Cash and cash equivalents	15,154	3,824
B. Other liquid assets	17,063	11,494
C. Securities held for negotiation	-	-
D. Total cash and other financial assets (A) + (B) + (C)	32,217	15,318
E. Current financial assets	19,416	21,257
F. Current bank loans	92,003	374,787
G. Current part of non current debt	-	-
H. Other current financial debts (*)	23,389	12,302
I. Current financial debts (F) + (G) + (H)	115,392	387,090
J. Net current financial debt (I) – (E) – (D)	63,758	350,514
K. M/L term bank loans	276,348	-
L. Bonds issued	-	-
M. Other non current debts (**)	90,716	46,648
N. Non current financial debt (K) + (L) + (M)	367,064	46,648
O. Net financial debt (J) + (N)	430,823	397,163

(*) includes leasing debts

(**) includes leasing debts and debts towards shareholders

Note: In order to ensure consistency with data provided in former reports the above table includes VAT credits among current financial credits and securities among Other liquid assets.

Following the repayment of the credit line granted by Silver Point the mix of financial debt has changed considerably. Such debt consist now mainly in a long term bank loan from Intesa SanPaolo for EUR 276.4 million and in a current banking facility with Barclays for EUR 75.6 million.

Other developments were the redemption of the EDC financing (EUR 13.3 million) and of the mortgage loan (EUR 29.1 million), related to a *sale and lease back* operation concerning the Cagliari headquarters, totalling EUR 61 million (of which EUR 11.8 million included in financial debts and EUR 48.9 million included among other non current debts).

The variation of cash and cash equivalents in first quarter 2007, including financial charges, was positive at EUR 11.3 million. These results were mainly affected by the significant investments implemented (EUR 35.2 million) for the development of the user base and of the “*unbundling*” network infrastructure as well as by financial charges paid (EUR 19 million in the quarter).

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■ Investments

The expansion of the *unbundling* network and the relevant operational investments related to the connection and activation of new ADSL customers, have generated in first quarter new investments equal to EUR 35.2 million, of which EUR 24.9 million allocated to intangible assets and approximately EUR 10.3 million to tangible assets. The intangible asset investments are mainly related to costs for the activation of ADSL customers, as well as for the signing of IRU (Indefeasible rights of use) contracts, related to the acquisition of rights to use network and bandwidth, while the tangible asset investments are mainly related to the development of the *unbundling* network, including the relevant equipment.

As at 31st March 2007 Tiscali had reached and activated 443 sites in the United Kingdom and approximately 440 sites in Italy.

■ Targets for 2007

On the basis of the business plan the targets for 2007 are:

- Revenues: EUR 820 million
- Gross operating result (EBITDA): EUR 150 million
- Capex: EUR 200 million
- Free cash flow (FCF) positive from the fourth quarter Cash 2007

■ Significant events in the quarter

New financing

The Tiscali Group has signed a financing agreement with Intesa SanPaolo for EUR 280 million. The credit line, granted in February, has been mostly used to repay the existing Silver Point and Export Development Canada (EDC). The initial rate, equal to Euribor + 250 bps, and other terms of the credit line granted by Intesa Sanpaolo substantially improve the terms of the previous facility granted by Silver Point.

The Tiscali Group has moreover completed a so-called “*sale and lease back*” operation concerning the building located Cagliari, *headquarter* of the Group. After the mortgage re-payment and other costs the operation has generated approximately EUR 26 million net cash for the Group.

Sales

In first quarter the Tiscali Group sold the German B2C activities to Freenet AG and B2B activities to Ecotel Communication AG. The disposal of the activities in the Netherlands is still under the antitrust review.

New services

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On 1st March Tiscali launched its commercial offer TISCALI IPTV (television via Internet) in the United Kingdom. The service will cover the whole ULL network of Tiscali UK within 2008 – at the price of 19.99 pounds per month with the triple play offer. This operation is in line with Tiscali's philosophy that sees the television offer as a complement to the access and voice broadband service offer, with an option allowing users to choose premium content in addition to the access basic package.

Tiscali has also launched in January the first European service of encrypted email, a significant solution for email privacy: Tiscali Secure Mail. The service, now available in Italy and soon in the UK, is meant for those wishing to ensure the safety of their e-mail messages.

■ **Significant events after 31st March 2007**

Stock Options Plan

The Shareholders' Meeting has approved on 3 May the stock option plan intended for the Chief Executive Officer Tommaso Pompei and a maximum of 40 employees of the parent company and of its Italian subsidiaries. Pursuant to this plan, the Board of Directors has assigned today to the CEO 3,593,143 options for the purchase of the same number of ordinary shares of the Company. The options will be exercisable from 4th May to 3rd November 2010 at a price of EUR 2.763 per share, which is the average of the Prezzi Ufficiali of the shares traded on the Italian Stock Exchange in the month preceding the AGM, in compliance with tax regulation. A maximum of 4,244,131 options will be allocated to employees for the subscription of the same number of newly issued ordinary shares of the Company, from a reserved capital increase approved by the same Shareholders' meeting. The employees stock option plan is also being implemented.

The terms and conditions of the stock option plan are the ones disclosed to the market on 20th March 2007.

Appointment of two Directors

The Tiscali Shareholders' meeting has also confirmed in its ordinary meeting the appointment of the two non executive Directors Arnaldo Borghesi and Rocco Sabelli, co-opted by the Board of Directors on 20 December 2006 following the resignation of Directors Victor Bishoff and Gabriel Pretre.

■ **Judgment of the Amsterdam Court of Appeal in relation to WOL**

After the conclusion of the Shareholders meeting Tiscali has been informed that concerning the proceedings started by VEB (a Dutch association of shareholders) against World Online with regard to the IPO of the company in March 2000, before Tiscali bought WOL - the Amsterdam Court of Appeal today, amending the decision rendered by the District Court in first instance, ruled that the IPO prospectus was in parts incomplete and that World Online should have corrected certain inaccurate views

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that existed in the media prior to the IPO with respect to Ms Brink's shareholding in World Online. World Online will review the full content of the judgment and consider a possible appeal to the Dutch Supreme Court.

The judgment by the Court of Appeal only concerns the question whether World Online can be held liable. The amount of damages incurred by plaintiffs as a result of the above, if any, should eventually be decided on in separate proceedings yet to be started.

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Profit and Loss (EUR 000s)	First Quarter 2007	First Quarter 2006
Revenues	193,189	154,755
Other operating income	1,216	259
Purchase of material and external services	143,767	117,917
Personnel Costs	25,181	17,674
Other Operating expenses	250	898
Gross Operating Result	25,207	18,524
Restructuring costs, other provisions and write downs	5,943	3,209
Depreciations and Amortisations	36,041	27,660
Operating Result	(16,777)	(12,345)
Share of the profit or losses of associates accounted for using the equity method	(142)	(139)
Net financial income (expenses)	(12,657)	(6,796)
Net financial income (expenses) other	(13,321)	-
Income (loss) before taxes	(42,897)	(19,280)
Taxation	44	356
Income (loss) from continued operations	(42,941)	(19,636)
Income (loss) from discontinued operations	(1,070)	350
Net Income (loss)	(44,012)	(19,286)

Consolidated Balance Sheet (EUR 000s)	31st March 2007	31st December 2006
Non Current Assets	912,320	876,465
Current Assets	241,111	195,641
Assets classified as held for sale	144,730	158,642
Total Assets	1,298,162	1,230,748
Shareholders' equity (Group)	196,690	242,829
Minorities	26,733	26,733
Equity	223,422	269,561
Non current liabilities	530,077	222,299
Current liabilities	471,490	673,957
Liabilities directly associated with assets classified as held for sale	73,171	64,932
Total liabilities and shareholders' equity	1,298,162	1,230,748