

Tiscali Shareholders' Meeting approves 2005 accounts

Cagliari, 18 May 2006

■ Approval of 2005 accounts

Tiscali Shareholders' Meeting, held today in Cagliari, has approved the annual accounts for the year ending 31 December 2005, confirming the figures approved by the Board of Directors on 30 March 2006.

2005 consolidated results show a significant improvement in market share, revenues and profitability.

In summary:

- **Revenue growth:** EUR 736.2 million, +12% YoY: acceleration of growth in UK, the Netherlands and Italy
- **ULL ADSL subscribers' growth:** 4.7 million active users, of which 1.7 million ADSL users, +682,000 new customers in FY05. Over 360,000 unbundled lines (ULL), doubled compared to 2004.
- **Profitability improvement:** FY Gross Operating Result (EBITDA) at EUR 117.1 million (16% on revenues), +51% YoY
- **Net result strong improvement:** Net loss at EUR 12.8 million, compared to FY04 net Loss of EUR 134.2 million

FY05 was a very meaningful year for the Tiscali Group: the implementation of the Group's strategic plan, aimed at focusing in the countries with the highest potential of value creation and at the implementation of the unbundling network infrastructure in the key countries, led to a strong growth in terms of ADSL users, revenues and profitability.

Such growth trend accelerated in the first quarter of 2006, with an increase of around 211 thousands ADSL customers (over 1.9 million total ADSL customers of which 435.000 were unbundled).

FY05 Group's revenues stood at EUR 736.2 million, up 12% compared to FY04 result (EUR 655.1 million).

This increase was mainly due to the strong growth of ADSL users (+66%) and, consequently, of access revenues (+14%) with ADSL revenues growing by 54%. The concentration on key countries brought about an optimization of the infrastructural resources and a more efficient management. Such dynamics drove the meaningful revenue growth also in the other line of business (business services +21%, media and VAS +17%).

ADSL net additions in 2005 were over 682,000, bringing ADSL customers as of 31 December 2005 to over 1.7 million (+66% compared to 31 December 2004), of which over 360,000 received direct access through the Group's ULL network, doubled versus 31st December 2004. The evolution of ADSL customers was mainly driven by the growth in the UK and Italy.

In 2005, revenues in **Italy** stood at EUR 196.5 million, 26% of Group's revenues, up 9% compared to full year 2004 (EUR 180.8 million, 28% of Group's revenues).

The **UK** subsidiary closed 2005 with revenues at EUR 324.9 million, 44% of Group's revenues, up 28% vs 2004 results (EUR 254.5 million, 39% of Group's revenues).

As of 31 December 2005, the **Dutch** subsidiary generated revenues for EUR 109.3 million (14% of Group's revenues), up 17% compared to previous year (EUR 93.1 million, 14% of Group's revenues).

As of 31 December 2005, Tiscali **Germany's** revenues stood at EUR 88.8 million (12% of revenues), down 6%, compared to EUR 94.8 million (14% of revenues) registered in 2004, as a result of the decrease of the dial-up customer base. Furthermore, the roll-out of the ULL network in the Frankfurt area, started only in the first quarter of 2006.

In 2005, **Czech Republic** revenues stood at EUR 16.8 million, representing 2% of the Group's revenues, down 18% vs 2004 revenues, mainly due to the decrease in the dial-up customer base.

As of 31 December 2005, **Gross Operating Result**, before amortisation, depreciation, provision and write downs (**EBITDA**), was EUR 117.1 million (16% on revenues), up 51% vs FY04, EUR 77.5 million, 12% of revenues.

The trend shown by variable costs related to the increase of ADSL *unbundled* customers, with a better control of the service offering as well as a wider product and service range, determined the improvement also at **Gross Margin** level, which stood at EUR 387.4 million, 53% of revenues, a strong improvement (+17%) vs FY04 when the figure was EUR 331.6 million, 51% on revenues.

Personnel costs and other indirect operating costs, declined from EUR 152.8 million in 2004 (23% of revenues) to EUR 147.5 million (20% on revenues). Marketing costs, instead, registered an increase of 41% as a result of the commercial effort to support the new ADSL offers.

As of 31 December 2005, **Operating Result (EBIT)** was negative for EUR 74.3 million, a significant improvement (+38%) vs the loss of EUR 120.8 million of previous year.

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2

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This highlights that Tiscali is getting closer to the operational break-even, despite the significant investments.

Amortisation of tangible and intangible assets stood at EUR 135.6 million, compared to EUR 129.2 million in FY04. The increase was due to the significant investments during 2005 to develop the *unbundling* network mainly in Italy and was affected significantly by ADSL users growth and related costs (modem and activation costs).

Provisions for risks and **write-downs** (together with certain restructuring costs) stood at EUR 55.9 million, vs EUR 69.1 million in FY2004. FY05 figure relates mainly to provisions attributable to bad debts (approximately EUR 24 million), as well as some provisions for risks and write downs related to litigations and restructuring activities.

The **profit and loss** as of 31 December 2005 posted a net loss of EUR 12.8 million, compared to the net loss of EUR 134.2 million in FY04.

Net result of the period includes net taxes for approximately EUR 24.8 million, originated by taxes relating to FY2005 for EUR 54.9 million less EUR 30.1 million deferred tax assets booked at the end of the financial year 2005.

In particular, the tax charges were generated by the taxable income of the parent Company Tiscali S.p.A., by the Dutch subsidiary Tiscali International BV, and by Tiscali UK. Such charges did not determine a cash disbursement owing to the utilization of deferred tax assets accounted for in the previous year as a result of tax losses carried forward.

As of 31 December 2005, **investments** amounted to EUR 169.2 million (23% of revenues), an increase compared to FY04 figure (EUR 129.9 million, 20% of revenues). Investments in intangible assets were EUR 110.3 million, mainly due to the signing of new IRU contracts (*Indefeasible Rights of Use*), for the acquisition of bandwidth, and to activation costs related to ADSL services.

Investments in tangible assets, around EUR 58.9 million were due to the development of unbundling network and related equipment (*servers, routers* and *DSLAMs*) necessary to the implementation and maintenance of the infrastructure.

■ Appointment of a Board member

The ordinary Shareholders' Meeting has also confirmed the appointment of Tommaso Pompei as member of the Board and Chief Executive Officer.

■ Appointment of the Board of Statutory Auditors

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3

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The Shareholders' Meeting has also appointed the Board of Statutory Auditors and its Chairman. The former board's mandate ceased with the approval of the 2005 accounts. The new Board of Statutory Auditors, which will remain in office for the three-year period 2006 to 2009, is composed by Aldo Pavan, Massimo Giaconia, Piero Maccioni as Auditors, while Andrea Zini, and Rita Casu have been appointed as Deputy Auditors. The chairmanship of the Board of Statutory Auditors has been assigned to Aldo Pavan.

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4

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