First Quarter Results as of 31 March 2006

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DIRECTORS AND AUDITORS

Board of Directors

Chairman

Vittorio Serafino

CEO

Tommaso Pompei

CFO

Massimo Cristofori

Directors

Victor Bischoff

Francesco Bizzarri

Gabriel Pretre

Gabriele Racugno

Mario Rosso

Board of Auditors

Chairman

Aldo Pavan

Statutory Auditors

Piero Maccioni

Massimo Giaconia

Deputy Auditors

Andrea Zini

Rita Casu

Independent Auditors

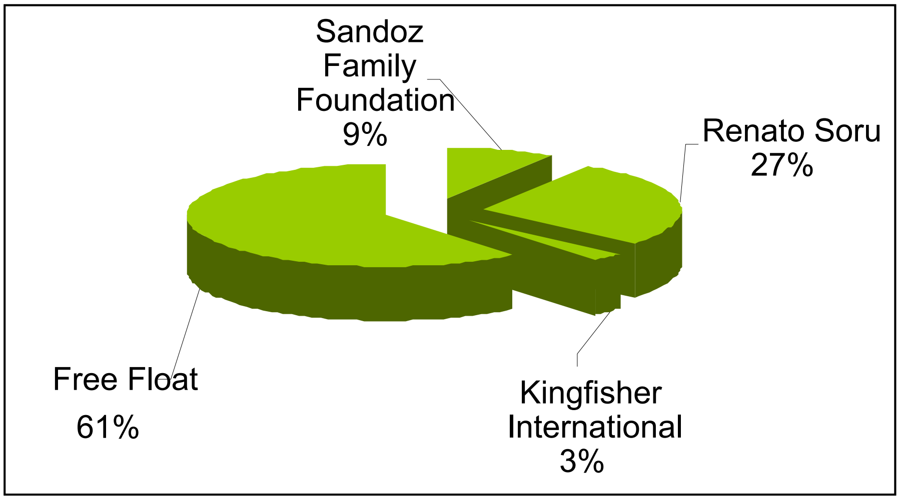
Deloitte & Touche S.p.A.

TISCALI SHARES

Tiscali shares are listed on MTA segment of the Italian Stock Exchange (TIS). As of March 31st 2006, the Company had a market capitalization of EUR 1,067 million. In March, Tiscali stock was reinserted in the Blue Chips segment and in the MIDEX index.

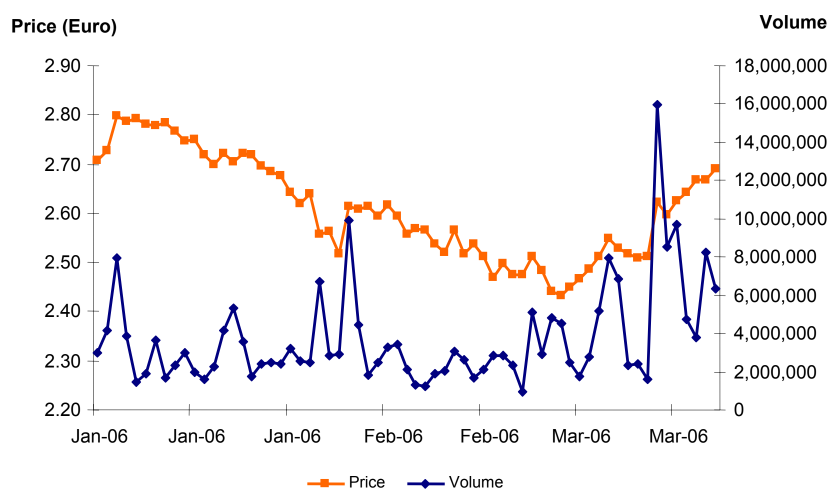
The share capital corresponds to 396,738,142 shares. This figure and the shareholding breakdown are stable compared to December 31st 2005.

The chart below illustrates Tiscali's shareholder base as of March 31st 2006:



In stock market terms, the negative trend of the beginning of the quarter was offset by the positive trend registered in the second half of the quarter, following the publication of the fourth quarter and 2005 full year results.

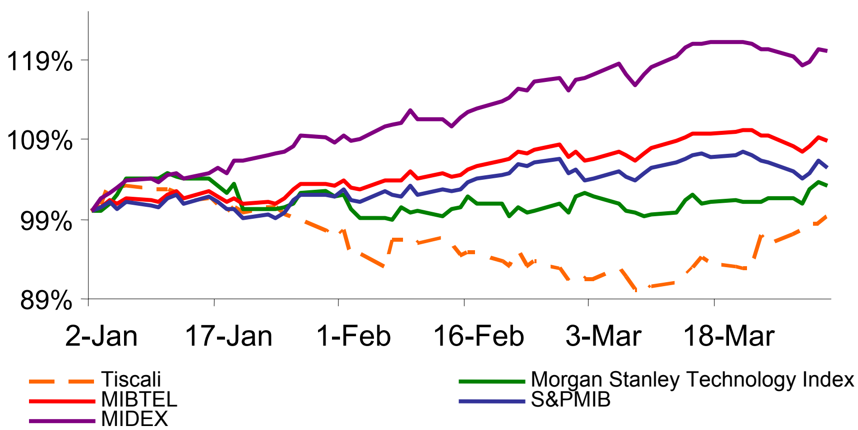
The graph below illustrates Tiscali stock trend during first quarter 2006.

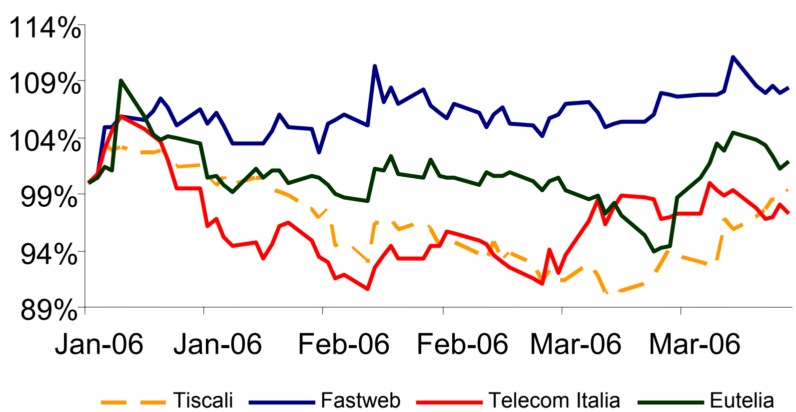


The average price in the quarter is EUR 2.61. The maximum price in the period, EUR 2.80, was registered on January 4th while the minimum price, EUR 2.43, on March 9th 2006.

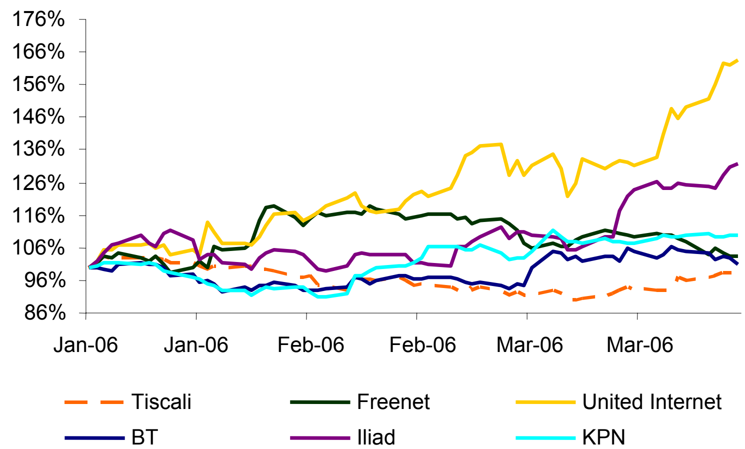
In the quarter, Tiscali stock registered a performance below the other main indexes, MIBTEL, MIDEX, Morgan Stanley Technology Index and S&P Mib, but substantially in line with Telecom Italia stock performance.

The graphs below describe Tiscali stock performance vs market indexes and its Italian competitors.





The following graph describes Tiscali stock performance vs European telecommunication operators:



Trading volumes stood at a daily average of 3.7 million shares over the quarter for an average daily value of EUR 9.6 million. In the quarter, the average value of trades was EUR 569.1 million.

Average daily trades of Tiscali shares on the Italian Stock Exchange

	Price (EUR)	Number of shares
January	2.73	3,020,534
February	2.56	3,062,642
March	2.54	4,959,209
Daily average	**2.61**	**3,680,795**

PREPARATION CRITERIA

In accordance with the provisions of art.82 of Consob regulation 11971/1999 and subsequent amendments and additions, and in particular the amendment pertaining to Consob regulation n.14990 of 14 April 2005, the quarterly report as of 30 March 2006, has been prepared adopting the standards for measurement and valuation established by International Financial Reporting Standards (IFRS – International Financial Reporting Standards) in particular the IAS 34 relative to the interim financial disclosure.

Starting with the financial year 2005, with the above mentioned European Regulation n.1606/2002 coming into effect, the Tiscali Group has adopted the new International Financial Reporting Standards (IFRS – International Financial Reporting Standards) issued by 'IASB' (International Accounting Standards Board) and endorsed by the European Union, as well as the interpretations included in the documents of the International Financial Reporting Committee ('IFRIC'), previously known as Standing Interpretation Committee ('SIC') that are considered applicable to the Tiscali Group's operations starting from the current financial year.

The comparable financial statements of the first quarter 2005 at the time disclosed according to the Italian accounting standards have been restated according with the International Financial Reporting Standards (IFRS/IAS). The Appendix 'Transition to International Financial Reporting Standards includes the reconciliation statements provided by the IFRS 1 principle, together with the necessary explanatory notes relating to the effects deriving from the adoption of such principles.

The IFRS accounting principles adopted are in line with those of the Annual Report as of December 31st 2005, to which we refer. In First Quarter there were no variations in the consolidation area. Below the specifics criterias adopted for the preparation of the interim results, as well as the main decisions relating to the accounting principles and in the use of forecasts.

SPECIFIC CRETERIA FOR THE PREPARATION OF INTERIM RESULTS

Seasonality
First quarter profit and loss is not affected significantly by business seasonality effects. Such effects, related to revenues performance, mainly affect third quarter which is interested by summer holidays.

Taxation
Taxes are calculated on the result of the period, on the bases of the tax rate that will be applied for full year result.

Costs
Costs realized not homogenuisly in the course of the year, such us marketing campaigns, are anticipated and/or deferred at the end of the quarter only in mesure in which he anticipation and / or the deferment of the same is based on accounting principles used for the preparation of full year accounts.

CRITICAL DECISIONS IN APPLYING ACCOUNTING PRINCIPLES AND IN THE USE OF ESTIMATES

In the process of applying the accounting principles, Tiscali's Directors made some significant decisions in view of the recognition of amounts in the quarterly report. The directors' decisions are based on historical experience as well as on expectations associated with the realisation of future events and considered reasonable under the circumstances.

Assumptions for the application of accounting principles

Revenue recognition criteria
Revenues related to the activation of broadband services (ADSL) are deferred as the underlying benefits affect the entire duration of the customer contracts. The Directors have deemed appropriate to differ the recognition of these revenues (consistently with the corresponding activation costs that have been capitalised among intangible assets) for a period of twelve months notwithstanding a significantly longer expected duration of the customer contract. The assumption adopted in applying IAS 18 'Revenue Recognition' reflects a cautious interpretation of such principle considering that the customer may not renew his contract once the minimum period of twelve months has elapsed.

Accounting estimates and relevant assumptions

Impairment of Goodwill
Goodwill is tested for impairment every six months or more frequently during the financial year, in case of impairment indicators requiring an immediate valuation of eventual losses. The ability of each 'unit', identifiable in this case with the subsidiary, to generate cash flows such as to recover the goodwill allocated to the unit, is determined on the basis of the business plans and economic and financial data concerning the unit to which goodwill refers. The development of such data, as well as the determination of an appropriate discount rate, requires a significant use of estimates.

Income taxes
The determination of income tax, in particular with reference to deferred taxes, involves the use of estimates and assumptions to a significant extent.

Provisions for risks and charges
Provisions for risks and charges related to potential legal and fiscal liabilities are established following estimates performed by directors on the basis of judgements developed by the Group legal and fiscal advisers, concerning the charges that are reasonably deemed to be incurred in order to settle the obligation. Any differences in the final determination of such obligation amounts differs from the recognised provision will be reflected in the Group's profit and loss account.

KEY FIGURES

Income Statement (EUR - ml)	*31st March 2006 1st Quarter*	*31st March 2005 1st Quarter*	
• Revenues	202,669	173,776	
• Gross Operating Result	29,168	26,851	
• Operating Result	(12,110)	(14,093)	

Balance Sheet (EUR - ml)	*31st March 2006*		*31st December 2005*
• Total Assets	1,048,235		1,043,115
• Net Financial Debt	313,564		290,129
• Shareholders Equity	289,373		308,767
• Capex	45,763		77,162

Non financial figures (000)	*As of 31st March 2006*	*As of 31st December 2005*	Net ADSL users additions 1st Quarter
Access Users	4,529	4,723	(194)
ADSL users (broadband)	1,926	1,715	211
ADSL users (unbundling)	436	362	74

REPORT ON OPERATIONS

PREFACE

The First Quarter 2006, following the trend of the previous financial year was characterized by the constant and significative growth of ADSL users. Such phenomena represented the main driver of the revenue growth and the improvement of operating results. Tiscali Group as of March 31st 2006 reached 1.926 million ADSL users of which over 435 thousands were unbundling customers. The migration of users to its own ULL network has enabled Tiscali to improve profitability.

The refocusing process in the core markets and the roll out of an unbundling network have enabled Tiscali Group to widen its product offering taking advantage of the opportunities of a dynamic market in fast evolution in which the bundled service offering are one of its core elements.

In this context, is extremely relevant in the first quarter 2006 the performance registered by VoIP services (Voice over IP) with over 100 thousands users at the end of March 2006, allowing Tiscali Group to achieve a significant position also in the voice segment.

REPORT ON OPERATIONS

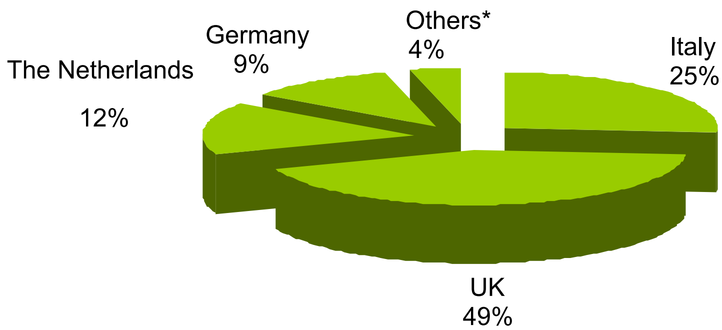
Income Statement	31.03.2006	31.03.2005	Variazione %
(EUR - 000)			
Revenues	202,669	173,776	17%
Other operating income	966	919	5%
Purchase of material and external services	144,450	117,147	23%
Personnel Costs	28,125	27,739	1%
Other Operating expenses	1,892	2,957	(36%)
Gross Operating Result	**29,168**	**26,852**	9%
Restructuring costs, other provisions and write downs	4,993	5,906	(15%)
Amortisations	36,285	35,038	4%
Operating Result	**(12,110)**	**(14,092)**	14%
Share of the profit or losses of associates accounted for using the equity method	**(139)**	**(26)**	-
Net financial income (expenses)	**(6,848)**	**(8,845)**	(23%)
Income (loss) before taxes	**(19,097)**	**(22,963)**	17%
Taxation	335	32	(947)
Income (loss) from continued operations	**(19,432)**	**(22,995)**	15%
Income (loss) from discontinued operations	146	9,249	
Net Income (loss)	**(19,286)**	**(13,767)**	

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 dynamics is mainly due to the continuing growth of ADSL revenues (Access segment) confirming the trend started in 2005. In particular, 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.

Geographical breakdown of revenues

The graph refers to the 1Q06 results:



** Includes revenues from the Czech subsidiary and Tinet IP.*

Italy

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, of which 143,000 ULL users. 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 (active lines). 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 mainly coming from Tiscali Italia S.r.l., up 6% vs 1Q05 (EUR 49 million).

In the quarter, the 4 Mb/s ADSL "Double Play" product including VoIP (Voice over IP) at EUR 19.95 was launched. The product was the driver of the user growth in the quarter. Furthermore, in January a 24 Mb/s access product was launched for the consumer market (already available since December 2005 for the business segment). The offer is available thanks to the implementation of the ULL network developed with the ADSL 2+ technology.

Confirming Tiscali strategy of developing the voice segment, Voice over IP services have achieved a significant user base (approximately 40,000 customers), generating over EUR 1.2 million revenue 1Q06.

The subsidiary operating in the **United Kindgdom** (Tiscali UK) has 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 32.1 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.

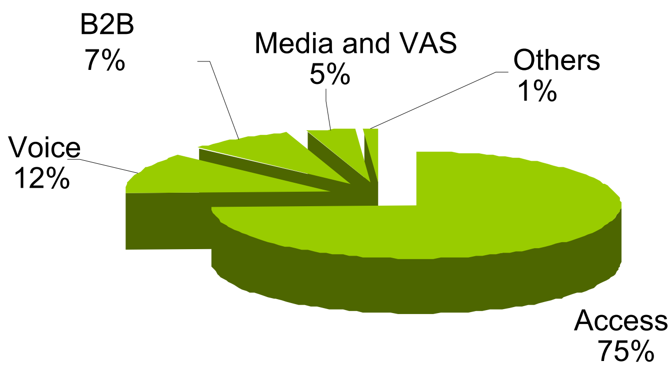
In the first quarter 2006 revenues generated by the subsidiary operating in the **Netherlands** (Tiscali BV) were approximately EUR 25.5 million, up 19% versus 1Q05 (EUR 21.5 million on a pro-forma basis, net of revenues resulting from the disposal of the *"resell-wholesale"* ADSL customers to KPN). 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 offering the ADSL services mainly in the *wholesale* mode, is still negatively affecting Tiscali's performance in this geographic area. Tiscali Germany has 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.

Breakdown of revenues by business line

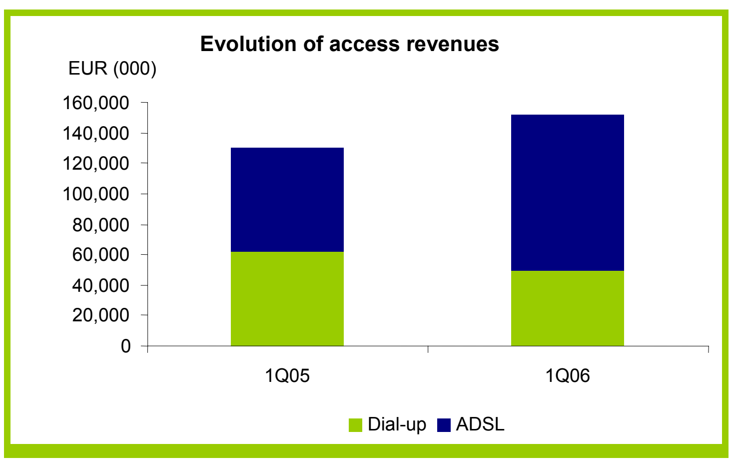
The graph refers to the 1Q06 results



ACCESS

In the first quarter of 2006 access revenues, amounted to EUR 152.1 million, representing the 75% of the Group's revenues, and being 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.

Breakdown of access revenues



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%) 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 user trend evolution is mainly due to the growth of the customer base in UK and Italy.
Thanks to its competitive product offering, the high quality level of its services and its start of the art network infrastructure, Tiscali is able to compete strongly and position itself in its market of reference.

The Tiscali offer is different for each market, thanks to its highly innovative products and the excellent ratio of quality and price. At country level, we underline that the success in Italy of double play product (data and VoIP) in the different bandwidth offers (4Mb/s and 24Mb/s) which allows users to eliminate the Telecom fixed monthly fee. Moreover, the implementation of the unbundling network infrastructure, in first quarter 2006 allowed Tiscali to launch the trial of the Triple Play. In the United Kingdom, Tiscali is considered a "first mover" in the introduction of products with greater bandwidths and value-added 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 (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 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.

B2B

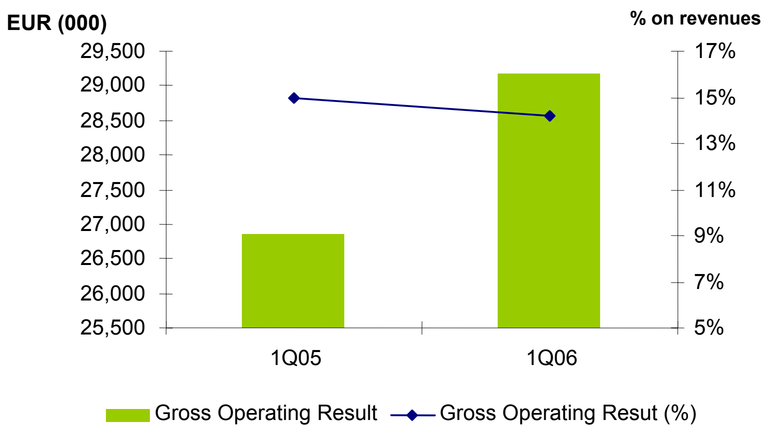
In the first quarter of 2006 revenues from **business services** stood at EUR 14 million (7% of total revenues), stable as compared to 1Q05 (EUR 14 million). These revenues only include services provided to business customers (such as VPN, housing, hosting, domain names and leased lines) while Internet 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% 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 compensated by the ongoing migration of DSL customer base from wholesale 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 meaningful increase 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%) 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.

Geographic breakdown of Operating result

The Operating result breakdown by geographical areas allows to analyse the performance of the different subsidiaries in each market of reference.

Italy closed 1Q06 with a gross operating result before amortisation and depreciation of EUR 6.9 million (13% of revenues). The result decreased 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 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 from continuing operations

In the first quarter 2006 the result from continuing operations after financial charges was negative for EUR 19.4 million, vs the loss of approximately EUR 23 million of the first quarter 2005, showing a marked improvement.

Net result

Tiscali Group closed the first quarter 2006 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. Such figure is net of the result from discontinuing operations which, in 1Q06 wasn't meaningfull (positive for EUR 0.1 million) due to the result of the Spanish activities). At the end of the first quarter 2006, net result from discountinuing operations 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.

We highlight that this quarterly report doesn't include deffered taxes (deferred tax assets) related to the one in the consolidated balance sheet as of December 31 2005. Such valutation will be taken into consideration while preparing half year accounts when will be available the full package of information.

SEGMENT INFORMATION (BY COUNTRY)

The activities of the Tiscali Group and the relevant strategies, as well as activities of subsidiaries, are articulated and defined by geographical segment, this being therefore the primary reporting segment for the purposes on segment information, as required by IAS 14. Geographical segments are represented in particular by the four main countries where the Tiscali Group operates (Italy, Germany, The Netherlands and the United Kingdom).

Lines of business (Access, Voice, Business, Media&VAS) represent the secondary segment of reporting.
This note reports the main results of these business segments analised in the previous section.

Income Statement

31 March 2006 *EUR Thousands*	Italy	UK	The Netherlands	Germany	Others	Segment results	Not allocated	Operating Assets
Revenues and other income								
From third parties	50,578	97,473	25,618	19,238	6,688	**199,595**	4,040	203,635
Inter-segment	1,176	2,880	**-**	473	1,691	**6,220**	(6,220)	-
Total revenues	**51,754**	**100,353**	**25,618**	**19,711**	**8,379**	**205,815**	**(2,180)**	**203,635**
Gross Operating Result	**6,932**	**15,666**	**10,111**	**1,067**	**1,690**	**35,466**	**(6,298)**	**29,168**
Operating Result	**(2,082)**	**(3,853)**	**3,378**	**(2,806)**	**(862)**	**(6,225)**	**(5,885)**	**(12,110)**

Other income, totalling EUR 1 million is essentially related to 'corporate' activities.

31 March 2005 *EUR Thousands*	Italy	UK	The Netherlands	Germany	Others	Segment results	Not allocated	Operating Assets
Revenues and other income								
From third parties	48,024	70,265	24,516	22,607	6,874	172,286	2,409	174,695
Inter-segment	1,370	110	-	376	2,469	4,325	(4,325)	-
Total revenues	**49,395**	**70,375**	**24,516**	**22,983**	**9,343**	176,611	**(1,916)**	**174,695**
Gross Operating Result	**8,873**	**12,178**	**6,787**	**2,751**	**2,379**	**32,968**	**(6,117)**	**26,851**
							-	
Operating Result	**(556)**	**(1,967)**	**(2,162)**	**(883)**	**(119)**	**(5,687)**	**(8,406)**	**(14,093)**

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

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

Consolidated statement of changes in shareholders' equity

(Euro thousands)	Share Capital	Share premium reserve	Translation reserve adjustment	Retained earnings	Shareholders' equity (Group)	Minority interest	Total
Balance at 1 January 2006	**198,369**	**953,717**	**3,975**	**(847,294)**	**308,767**	**2,553**	**311,320**
Capital Increases	-	-	-	-	**-**	-	**-**
Transfers covering losses	-	-	-	-	**-**	-	**-**
Conversion differences and other changes	-	-	128	(200)	**(72)**	-	**(72)**
Changes in consolidation area	-	-	-	-	**-**	-	**-**
Effects due to changes in consolidation following disposals	-	-	-	-	-	**-**	-
Loss due to minority interest attributed to the Group	-	-	-	-	**-**	106	**106**
Profit (loss) reported in shareholders equity	**-**	**.**	**128**	**(200)**	**(72)**	**106**	**34**
Net profit (loss) for the period	-	-	-	(19,322)	**(19,322)**	36	**(19,286)**
Total profit (loss) occurred in the period	**-**	**-**	**128**	**(19,522)**	**(19,394)**	**142**	**(19,252)**
Balance at 31 March 2006	**198,369**	**953,717**	**4,103**	**(866,816)**	**289,373**	**2,695**	**292,068**

ASSETS

Non Current Assets

Non current assets are mainly represented by goodwill, which value amounts to EUR 313.5 million unchanged on 31 December 2005.

Non current assets include investments in tangible assets (buildings, plant and equipment) and other intangible assets, amounting, respectively, to EUR 162.1 million and to EUR 182.6 million.

Investments

The expansion of the ULL networks and the other investments for the installation and activation of new ADSL customers, generated in first quarter 2006 investments for EUR 45.8 million of which EUR 37.1 million related to investments in intangible assets and around EUR 8.7 million due to investments in tangible assets. Investments in intangible assets are mainly due to ADSL customers activation costs and to new IRU contracts (Indefeasible Rights of Use), related to the acquisition of rights to use network and bandwidth. Tangible assets mainly refer to the acquisition of equipment for the development of the *unbundling.* Such investments allowed reaching and activating, 53 colocations in the UK (mainly concentrated in London area), and around 440 colocations in Italy and to up date into technology ADSL 2+ the existing ULL infrastructure in The Netherlands.

Current Assets

As of 31 March 2006 customer receivables totalled EUR 135.1 million, representing the most significant item of current assets. Among other receivables and other current assets are in particular included accrued income chiefly related to revenues from services in the access segment and deferred charges from costs for services as well as other receivables of which VAT credits.

LIABILITIES

Non current Liabilities

Togheter with the items of the financial position, detailed in the next paragraph, such liabilities include in particular, in the line Other non current liabilities, medium and long term debts towards suppliers for the acquisiton of IRU (Indefeseable Right of Use).

Current Liabilities

Current liabilities non related to financial position, mainly include debts towards suppliers, as well as, the line item Other current liabilities, to deferred charges related to the acquisition of access services and line rental.

FINANCIAL POSITION

As of 31 March 2006, the Tiscali Group's cash resources totalled EUR 17.3 million, while net debt stood at EUR 313.6 million (EUR 290.1 million as of 31 December 2005).

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***
Of which		
Escrow accounts	17.4	18.0
VAT credits	16.4	16.2
Total cash and cash equivalents	**51.1**	**64.3**
Equity Linked Bonds – due in September 2006	213.4	211.0
Total Bonds	***213.4***	***211.0***
Medium / long term debts (b)	90.2	89.2
Short term debts	29.8	19.7
Total bank debt	***120.0***	***108.8***
Debt to other lenders (leasing)	***31.3***	***34.5***
Total Gross Debt (c)	**364.7**	**354.4**
Total Net Debt	**(313.6)**	**(290.1)**

(a) The figure includes exclusively escrows and tax credits (VAT)
(b) The figure as of 31 March 2006 includes interest accrued in the period and includes valuation of debt according to IAS/IFRS
(c) Excludes shareholders loans (EUR 28.2 ml as of 31 March 2006)

Operating cash flow in first quarter 2006, including financial charges, was negative for EUR 12.7 million. The result in first quarter was affected by the meaningful investments (EUR 45.8 million) for the development of the customer base and of the "*unbundling'* network infrastructure, as well as by financial charges (EUR 2.7 million).

CONSOLIDATED CASH FLOW STATEMENT	31 March 2006	31 March 2005
CASH GENERATED BY OPERATING ACTIVITIES	**26,111**	**(4,562)**
NET CASH USED IN INVESTING ACTIVITIES	**(46,549)**	**(33,766)**
NET CASH ARISING FROM /(USED IN) FINANCING ACTIVITIES	**6,894**	**(23,042)**
Result on activities disposed of and held for sale	146	9,249
Change of activities disposed of and held for sale net of cash	1,123	81,771
Change of liabilities related to activities held for sale	(880)	(50,172)
	-	-
INCREASE / (DECREASE) OF CASH AND CASH EQUIVALENTS	**(13,155)**	**(20,522)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		
Cash and cash equivalents of operating activities at the beginning of the financial year	30,005	83,120
Cash and cash equivalents of activities disposed of and held for sale at the beginning of the financial year	1,965	45,293
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE FINANCIAL YEAR	**31,970**	**128,413**
Effect of changes on foreign currency exchange rates	128	4,437
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		
Disp Cash and cash equivalents of operating activities at the end of the financial year	17,275	84,073
Cash and cash equivalents of activities disposed of and held for sale at the end of the financial year	1,668	28,255
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**18,943**	**112,328**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(13,155)**	**(20,522)**

SIGNIFICANT EVENTS

No significant events took place in first quarter 2006.

ONGOING DISPUTES, CONTINGENT LIABILITIES AND COMMITMENTS

The Tiscali Group is involved in a number of legal disputes. The group's management does not believe that these disputes will give rise to significant liabilities, or that an unfavourable outcome will have a significant negative impact on its financial position, assets, or economic position, or on future income from operations. We further specify that, unless explicitly indicated, no provisions have been set aside in the absence of certain and objective elements or if the negative outcome of the litigation is not considered likely. Below is a summary of the main pending disputes.

EVENTS TAKING PLACE AFTER THE END OF THE QUARTER

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 mainly 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

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".

OUTLOOK AND PROSPECTS

Financial year 2006 sees Tiscali focusing further its activities in the main markets. This process is designed to drive the growth of ADSL users through the development of its *unbundling* network infrastructure and to improve profitability as well as at fully effective management and control of service and content offers. Thanks to the changed economic conditions and improved regulations, the investments already started in financial year 2005, both in Italy and the Netherlands, are being expanded with development projects for *unbundling* network infrastructure in the United Kingdom and selectively also in Germany. These will continue in 2006, together with the initiatives for further expansion and strengthening of the Tiscali network in the Netherlands and Italy.

In the recently closed financial year the reference market development led Tiscali to qualify its offer also as a provider of voice services through the IP (VoIP), a business line representing one of the most significant growth factors and a pillar in the Group's strategic plan. The current expansion of VoIP services is however linked to the development of unbundling infrastructures, in view of providing customers the widest range of services. After an experimental phase, Tiscali also foresees to launch in FY2006 the IPTV services with the aim of offering 'Triple Play' services that is the contemporary delivery of voice, data and video over the Internet Protocol.

The market context in which Tiscali operates being characterised by significant growth rates and high competitivity requires. The goal of the Group is to reach in each single market a sustainable market share, and a high level return on investments.

Concerning financial positioning and perspective the significant investments carried out in financial year 2005, both in terms of infrastructures for the expansion of the '*unbundling*' network with the relevant costs for customer connection, and in terms of marketing costs, determined negative cash flows that were however consistent with the business plan projections. The disposal of subsidiaries held in '*non strategic countries*' and the refinancing plan, started in financial year 2004 and continued in 2005, enabled however Tiscali Group to raise financial resources amounting altogether to ca EUR 400 million, that were used to repay the EUR 250 bond loan due July 2005 as well as for operational investments in the Tiscali reference markets. The completion of the financing operation for EUR 150 million, structured and provided by Silver Point Finance LLC (see section 'Significant events') enabled Tiscali to devote the first EUR 50 million tranche to further support its business plan.

In September 2006 is maturing the Equity Linked Bond amounting to EUR 209.5 million. The financial plan involves using the second tranche (EUR 100 million) of the Silver Point Finance LLC and the further extension of the facility (EUR 70 million) of which we provided details on the previous paragraph "Events taking place after the closing of the quarter". The cumulative amount of EUR 170 million, complying with some management and financial covenants will be available at the bond maturity date.

The Board of Directors, plans to execute the so called "*soft mandatory*" clause, exercisable by Tiscali S.p.A. following certain conditions and the approval from the extraordinary Shareholders' Meeting, of which the Board of Directors has approved the issuance, as described in the section 'Subsequent Events' of the report.

"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".

The plan forecasts for current financial year a further meaningful improvement with the target to reach continuing operations operational breakeven and operational growth.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1. Preface

Tiscali Group adopted IFRS principles starting from 2005 financial year, according to regulation n.1606/2002 coming into effect, the Tiscali Group has adopted the new International Financial Reporting Standards (IFRS – International Financial Reporting Standards e 'IAS' – International Accounting Standards) issued by 'IASB' (International Accounting Standards Board) and endorsed by the European Union, as well as the interpretations included in the documents of the International Financial Reporting Committee ('IFRIC'), previously known as Standing Interpretation Committee ('SIC') that are considered applicable to the Tiscali Group's operations starting from the current financial year.

The date of transition to the IFRS is set at 1 January 2004, while the adoption date is 1 January 2005. This section shows the reconciliation tables provided by the IFRS 1 principle ('First time adoption of International Financial Reporting Standards), together with the relevant explanatory notes concerning the effects arising from the adoption of the principles, with reference to the first quarter 2005, at that time prepared as allowed by the applicable law, according to Italian accounting principles.

Referring to the presentation criteria, voluntary exemptions applied during transition to IAS/IFRS, are fully described in the Consolidated financial statements as of 31 December 2005.

2. Effects of the adoption of IAS/IFRS – Reconciliations required by IFRS 1

This note describes the effects arising from the adoption of IFRS on the balance sheet and financial statements as of 31 March 2005. These effects, as provided by IFRS 1, are presented and explained with the relevant reconciliation as compared to the corresponding published values and still determined incompliance with the Italian accounting principles.
We highlight, considering the nature of the changes and of the taxation of Tiscali Group, did not arise significant effects from the adoption of IAS/IFRS.

The table below summarises the effects on the consolidated shareholders' equity as of 31 March 2005:

EUR thousands	Shareholders' equity	Net Result
According to the Italian accounting principles	**301,054**	**(17,483)**
IAS 38 Intangible assets	(5,210)	571
IAS 38 ADSL activation costs	(75,280)	(10,086)
IAS 38 Consolidation differences	61,581	10,321
IAS 16 Buildings, plants and equipments	(3)	(5)
IAS 37 Provisions, contingent liabilities and contingent assets	564	(51)
IAS 19 Employee benefits	227	(417)
IAS 18 Revenues	23,532	2,932
IAS 32 Financial Instruments: effects in the annual accounts	-	-
IAS 39 Financial Instruments: Recognition and valuation	536	435
IFRS 1 IAS first time adoption	-	-
Minority Interests	-	35
IAS/IFRS	**307,001**	**(13,746)**

The adjustments of the single issues of the income statement at the same date are summarised in the table below:

CONSOLIDATED INCOME STATEMENT **as of 31.03.2005** *EUR thousands*	**Complying with the Italian accounting principles**	**Effects of conversion to IFRS**	**Result of assets disposed of and/or held for sale**	**IFRS**
Revenues	239,661	2,932	(68,818)	173,776
Other income	31,826	(235)	(30,672)	919
Purchase of materials and outsource services	181,992	(7,984)	(56,861)	117,147
Personnel costs	35,139	4,059	(11,459)	27,739
Other operating costs	4,940	7,029	(9,012)	2,957
Gross operating result	**49,415**	**(406)**	**(22,158)**	**26,852**
Restructuring costs, provisions for risks and write-down	13,678	(6,978)	(794)	5,906
Depreciation and amortisation	44,673	2,871	(12,506)	35,038
Operating result	**(8,936)**	**3,701**	**(8,857)**	**(14,092)**
Share of profit or losses of associates with equity method	**(26)**	**-**	**-**	**(26)**
Net financial income (charges)	**(8,981)**	**-**	**136**	**(8,845)**
Profit (Loss) before tax	**(17,943)**	**3,701**	**(8,722)**	**(22,963)**
Taxation	(461)	-	493	32
Profit (Loss) from continuing operations	**(17,483)**	**3,701**	**(9,214)**	**(22,995)**
Profit (Loss) from discontinued operations	-	-	9,249	9,249
Net profit (Loss)	**(17,483)**	**3,701**	**35**	**(13,746)**
Attributable to:				
- Equity holders of the parents	**(17,063)**	**3,122**	**-**	**(13,940)**
- Minority interest	(420)	579	35	194

The transition effects are detailed in the table below for better understanding:

CONSOLIDATED INCOME STATEMENT **IAS AS OF 31.03.2005**	**Effects of conversion to IFRS**	**Reclassification**	**Note 1** **IAS 38 Intangible assets**	**Note 2** **IAS 38 ADSL installation costs**	**Note 3** **IAS 38 Consolidation difference**	**Note 4** **IAS 16 Property, plant and machinery**	**Note 5** **IAS 37 contingent liabilities and contingent assets**	**Note 6** **IAS 19 Benefits to employees**	**Note 7** **IAS 18 Revenues**	**IAS 32 Financial instruments: Disclosure**	**IAS 39 Financial Instruments: Re cognition & valuation**	**IFRS 1 First time adoption IAS**	**Others**
Revenues	**2,932**	-	-	-	-	-	-	-	2,932	-	-	-	-
Other income	**(235)**	-	-	-	(235)	-	-	-	-	-	-	-	-
Purchase of materials and outsource services	**(7,984)**	(3,642)	10	(4,352)	-	-	-	-	-	-	-	-	-
Personnel costs	**4,059**	3,642	-	-	-	-	-	417	-	-	-	-	-
Other operating costs	**7,029**	7,029	-	-	-	-	-	-	-	-	-	-	-
Gross operating result	**(406)**	**(7,029)**	**(10)**	**4,352**	**(235)**	-	-	**(417)**	**2,932**	-	-	-	-
Restructuring costs, provisions for risks and write-downs	(6,978)	(7,029)	-	-	-	-	51	-	-	-	-	-	-
Depreciation and amortisation	2,871	-	(581)	14,438	(10,556)	5	-	-	-	-	(435)	-	-
Operating result	**3,701**	-	**571**	**(10,086)**	**10,321**	**(5)**	**(51)**	**(417)**	**2,932**	-	**435**	-	-
Share of profit or losses of associates with equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
Net financial income (charges)	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) before tax	**3,701**	-	**571**	**(10,086)**	**10,321**	**(5)**	**(51)**	**(417)**	**2,932**	-	**435**	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) from continuing operations	**3,701**	-	**571**	**(10,086)**	**10,321**	**(5)**	**(51)**	**(417)**	**2,932**	-	**435**	-	-
Profit (Loss) from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (Loss)	**3,701**	-	**571**	**(10,086)**	**10,321**	**(5)**	**(51)**	**(417)**	**2,932**	-	**435**	-	-
										-			
Attributable to:										-			
- Equity holders of the parent	**3,122**	-	571	**(10,086)**	**10,321**	**(5)**	**(51)**	**(417)**	**2,932**	-	**435**	-	**(579)**
- Minority interest	**579**	-	-	-	-	-	-	-	-	-	-	-	579

Notes

Notes pertaining to income statement are reported consistently with the detailed table listing, pointing out the item subject to adjustment.

1. IAS 38 / Intangible assets– Purchase of materials and outsource services
Adjustments reflect the effect on the accounts for the period following (a) cancellation of net carrying values of some types of multi-year costs (start-up and expansion costs, advertising costs) capitalised in compliance with the Italian accounting principles, while IFRS do not recognise capitalisation on these costs. Amortisation recorded in the first quarter 2005, complying with Italian accounting principles, has therefore been cancelled; (b) reclassification of upgrades on third-party assets concerning property, plant and machinery.

2. IAS 38 / Intangible assets – Purchase of materials and outsource services
Activation costs for *broadband (ADSL)* services have been capitalised and amortised on a straight-line basis in relation to the minimum legal duration of customer contracts, currently equal to 12 months, while the ‘bounty costs’ are considered as expenses. The activation cost amortisation adjustment is recorded on profit and loss and the ‘bounty cost’ are also fully charged to profit and loss.

3. IAS 38 / Goodwill – Amortisation
Since 1 January 2004 goodwill is no longer amortised. The adjustment relates to the cancellation of amortisation for the period.

4. IAS 37 / Provisions, contingent liabilities and contingent assets– Provisions for risks
Provisions for contingent liabilities, i.e. the part of this involving expenditure expected to occur later than the end of the financial year have been actualised with the consequent accounting effects.

5. IAS 19 / Employee benefits– Personnel costs
The liability related to staff severance (TFR) of the Italian companies of the Group has been restated according to the actuarial method. In the profit and loss is reflected the related effect.

6. IAS 18 / Revenue recognition– Revenue
As for ADSL activation costs, for the purposes of IFRS also revenue from broadband service activation has been deferred over 12 months, as compared to the 36-month period estimated in relation to Italian accounting principles.

Reclassifications chiefly originate from the adoption of a profit and loss structure that considers the classified costs by nature, independently of the relevant destination.

For the Board of Directors
The Chairman
Vittorio Serafino