tiscali

THIRD QUARTER REPORT AS OF 30 SEPTEMBER 2005

INDEX

DIRECTORS AND AUDITORS

Board of Directors

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Vittorio Serafino

CFO

Massimo Cristofori

Directors

Victor Bischoff

Francesco Bizzarri

Ruud Huisman

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Managing Director

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Board of Auditors

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Staturtory Auditors

Piero Maccioni

Massimo Giaconia

Deputy Auditors

Andrea Zini

Rita Casu

Independent Auditors

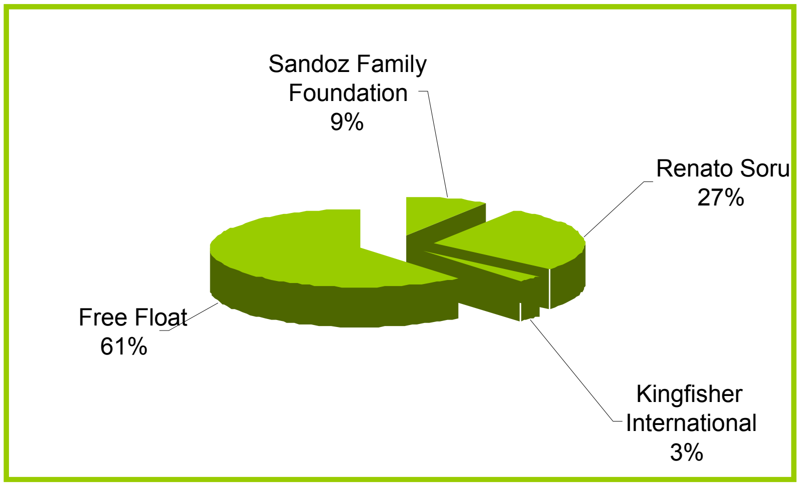
Deloitte & Touche S.p.A.

TISCALI SHARES

Tiscali stock is listed on both the Italian Stock Exchange and on the Euronext in Paris. As of 30 September 2005, market capitalization was around EUR 1,141 million.

As of 30 September 2005, the number of shares comprising the share capital is 396,738,142, unchanged since 30 June 2005.

The chart below illustrates Tiscali shareholder base at 30 September 2005:

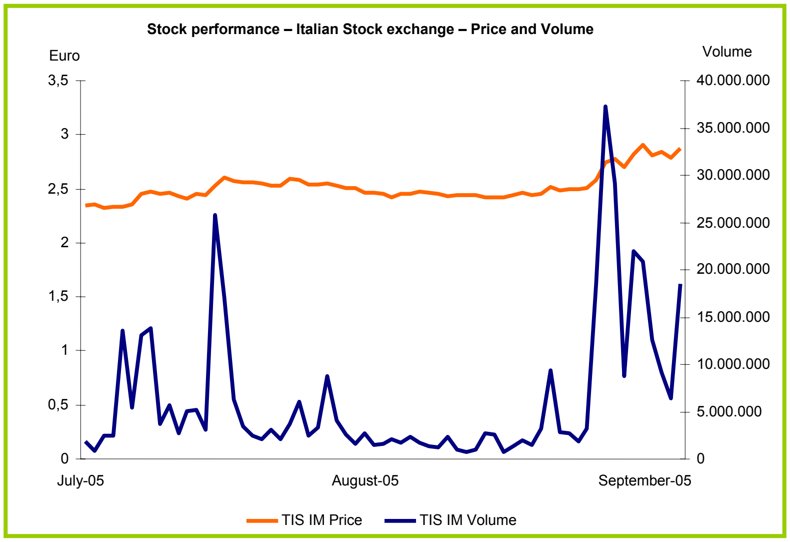


Source: Bloomberg

In stock market terms, Tiscali stock trend in the quarter was positive, showing a better performance than the market. Such evolution is mainly due to the improvement of Group debt conditions and to good half year results. The performance was in particular significant during the second half of September.

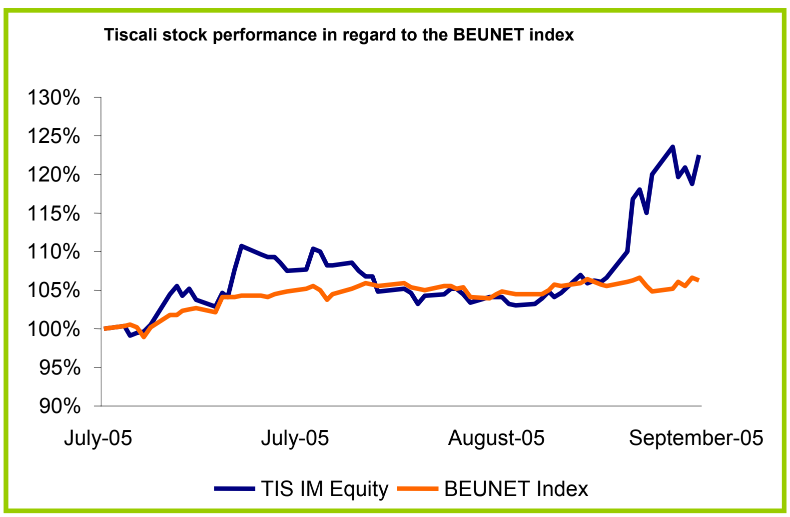
The average price during the period was around EUR 2.517, the minimum price EUR 2.232 was registered on July 22 whereas the highest on EUR 2.901, on September 26.

The chart below illustrates the evolution of the stock during the third quarter 2005.



Source: Bloomberg

During the quarter, Tiscali stock outperformed in regard to the Bloomberg Internet Index, with significant variances during July and September 2005.



Source: Bloomberg

Trading volumes stood at a daily average of around 6,359,982 shares, for a daily average value of EUR 16 million. Total value of trades for the quarter was EUR 1.08 billion.

Average daily trades of Tiscali shares on its two markets
Number of shares

	Italian stock Exchange		Euronext Paris		Total	
Date	**No of shares**	**in %**	**No of shares**	**in %**	**No of shares**	**in %**
July-05	6,622,638	99.92%	5,572	0.08%	6,628,210	100%
August-05	2,558,677	99.88%	3,012	0.12%	2,561,689	100%
September-05	9,891,339	99.89%	11,060	0.11%	9,902,399	100%
Daily average	**6,353,473**	**99.90%**	**6,509**	**0.10%**	**6,359,982**	**100.00%**

Source: Bloomberg

PREPARATION CRITERIA

In accordance with the provisions of art.1 of Consob regulation 11971 of 14 May 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 September 2005, has been prepared adopting the standards for measurement and valuation established by International Financial Reporting Standards (IFRS – International Financial Reporting Standards) and expected to be effective at 31 December 2005. In particular the third quarter report 2005 has been prepared in accordance with the international accounting standard (IAS 34) for interim financial reports, adopted according to the procedure detailed in art. 6 of regulation (EC) n. 1606/2002, and falls therefore in the field of application of IFRS 1 – 'First time adoption of IFRS', in consideration of the fact that the 2005 end year financial statements will be prepared in accordance with the IFRS.

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 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 financial statements and other interim statements (quarterly and half-year reports) for the previous years have been prepared according to the Italian accounting principles. Therefore, as required by current regulations, equivalent items from periods preceding this half-year report, presented for comparison purposes, have been restated according with the International Financial Reporting Standards (IFRS).

Please note that the principles adopted in the preparation of third quarter consolidated report may not entirely comply with the IFRS provisions in force at 31 December 2005 both due to future stance of the European Commission on the approval of the international accounting principles and to the issue of new standards or interpretations by the appropriate authorities.

KEY FIGURES

Income statement (EUR ml)	*30 September 2005 Third quarter*	*30 September 2005 Third quarter*	*30 September 2005 9M2005*	*30 September 2004 9M2005*
• Revenues	185.6	160.6	539.3	479.4
• Gross Operating Result	31.7	25.3	84.1	45.5
• Operating Result	(7.8)	(8.1)	(54.2)	(75.1)
• Net Result	(16.0)	(24.7)	(1.5)	(148.6)
Balance Sheet (EUR ml)	*30 September 2005*	*30 June 2005*	*31 december 2004*	
• Total Assets	1,055	1,295	1,468	
• Net Financial Debt	269	259	360	
• Shareholders Equity	323	340	318	
• Capex	97	67	168	
Non Financial Figures (000)	*30 September 2005*			
Access Users	4,900			
ADSL users (broadband)	1,485			
ADSL users (unbundling)	280			

REPORT ON OPERATIONS

PREFACE

In the first nine months of 2005 Tiscali Group implemented further its plan aimed at focusing its activities in the markets offering the higher potential for value creation and according to 2005-2007 Business Plan. The plan key element is the roll out of the unbundling infrastructure network infrastructure in core countries. The development of ULL proprietary network allows offering a wide range off products and services, with a positive effect on the ARPU (Average Revenue Per User) and on the profitability.

Such plan has allowed the Group to focus its outstanding resources to strengthen its own position on the broadband market, taking advantage of the significant growth momentum in Western Europe. The financial resources from disposals have been used to invest in the development of the unbundling network in Italy, the Netherlands and UK, as well as to reimburse the bond matured in last July.

Tiscali Group financial results and historical figures given for comparison purposes in this third quarter report were prepared in accordance with IFRS international accounting principles and are shown on a homogeneous basis for the Group perimeter, including Italy, UK, Germany, The Netherlands, Czech Republic and TiNet IP.

Income Statement *(EUR 000)*	**30 September 2005 Third Quarter**	**30 September 2004 Third Quarter**	**30 September 2005 9M**	**30 September 2004 9M**
Revenues	185,655	160,551	539,306	479,381
Other operating income	859	1,434	4,845	4,163
Purchase of material and external services	123,047	102,744	367,969	333,363
Personnel Costs	28,376	28,836	82,629	83,406
Other Operating expenses	3,434	5,110	9,485	21,263
Gross Operating Result	**31,657**	**25,295**	**84,068**	**45,512**
Restructuring costs, other provisions and write downs	6,487	4,583	36,945	30,655
Depreciations and Amortisations	32,956	36,843	101,344	89,872
Operating Result	**(7,786)**	**(8,131)**	**(54,221)**	**(75,016)**
Share of the profit or losses of associates accounted for using the equity method	(30)	(436)	(726)	(229)
Net financial income (expenses)	(3,069)	(8,310)	(22,087)	(29,235)
Income (loss) before taxes	**(10,885)**	**(16,877)**	**(77,034)**	**(104,479)**
Taxation	17	612	45,070	133
Income (loss) from continued operations	**(10,902)**	**(17,489)**	**(122,104)**	**(104,612)**
Income (loss) from discontinued operations	(5,135)	(7,301)	120,606	(43,982)
Net Income (loss)	**(16,037)**	**(24,790)**	**(1,498)**	**(148,594)**

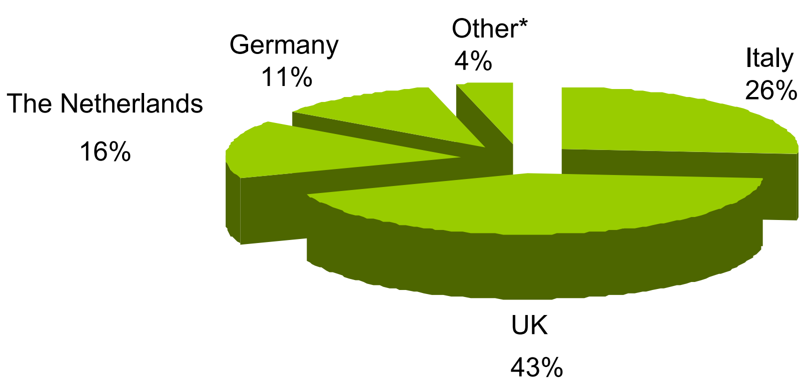
Tiscali Group revenues in the first nine months amounted to EUR 539.3 million, up 13% compared to the same period of 2004 (EUR 479.4 million). In the quarter, the revenues were EUR 185.7 million, up 16% compared to 3Q04 (+2%).even if the third quarter was characterized by a significant seasonality due to the summer period.

The increase in accesss revenues, mainly driven by ADSL revenue growth, was offset by the physiological decrease of dial-up segment which is still meaninghful, but however suffered from the seasonality of summer months due to the characteristic of the "pay per use" service.

In the third quarter, the significant and steady user growth in UK pursued. This evolution continues to drive the growth of Group revenues.

Revenues by country

The Graph refers to the 2005 first nine month results.



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

Revenues in **Italy** amounted to EUR 143.7 million, mainly referring to the Tiscali Italia S.r.l. up 3% compared to 9M04. As of 30 September 2005, ADSL users were 257.3 thousands, of which around 60 thousands were unbundled. ADSL access product 1.2 Mb/s bundled with voice at EUR 19.95 per month, launched during 2Q05, was the main driver of ADSL users' growth. The growth was made possible thanks to the diffusion of the unbundling network which at the end of September reached a coverage of over 30% of the addressable ADSL market in Italy.

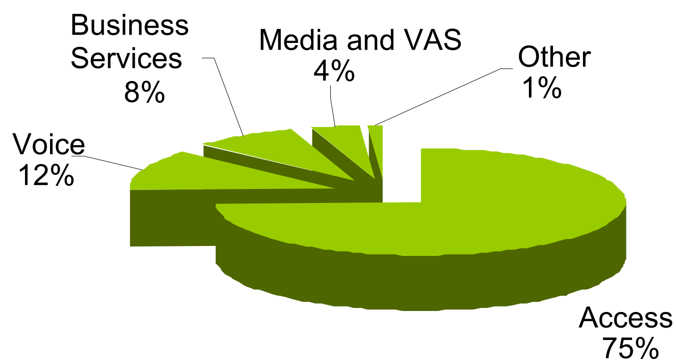
Group revenues main contribution in the first nine months came from the **UK,** which with EUR 231.2 million of revenues registered a significant growth of 25% compared to the same period of 2004 (EUR 184.3 million). The steady growth in ADSL users, reached 764.1 thousands customers at the end of September 2005. The user's performance in the first nine months (+97%) is due to an adequate product offering (great price per bandwidth ratio) and to marketing investments oriented and extremely focused on the ADSL product. The customer retention percentage whether ADSL or dial-up, in the context described is greater than the average. The launch of the 1 and 2 Mb products as well as the bundled services (voice and data) are the drivers of revenue growth. The unbundling service offering will be available on the market before year end.

As of September 30, the subsidiary in The **Netherlands** closed the first nine months of 2005 with revenues of EUR 84.1 million, up 26% compared 9M04 (EUR 67.0 million). ADSL users in unbundling are 227 thousands. The ADSL user figure at the end of September includes the proceeds from the disposal of approximately 60 thousands customers in wholesale – resell modality to KPN, finalized during the quarter.

The German subsidiary closed the first nine months with revenues at EUR 63.4 million, down 7 million (13%) compared to EUR 70.7 million registered in 9M04. The decrease was mainly due to the cancellation of low margin products, and the resulting decrease of ADSL users that, as of 30 September 2005, were 216.4 thousands.
Reasons for the slow down are attributable to the situation in the German market for ADSL, with a predominant wholesale offer, has brought the Company to reduce marketing expenses. The first investments in unbundling should begin before the end of the current year, determining a recovery in the activities in Germany.

Revenues by business line

The Graph refers to 2005 first nine month results.

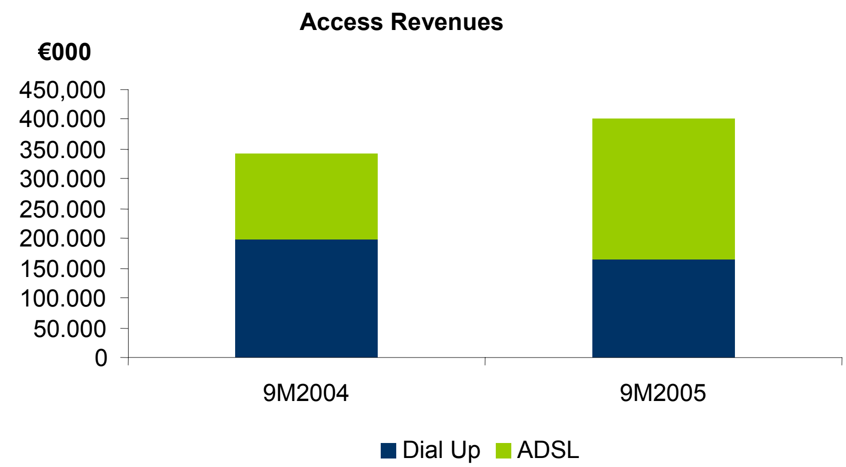


ACCESS

In the first nine months, revenue dynamics were firstly driven by access business line growth registering more than EUR 401.9 million representing 75% of Group revenues.
In the first nine months, the access revenues pursue a steady growth (+16%) compared with the result registered in the same period of the previous year when they were of EUR 345.4 million. The result in terms of revenues in the quarter amounted to EUR 193.3 million, up 16% if compared with the EUR 120.3 million registered in the third quarter 2004. The seasonality, typical of the summer months influenced the revenue evolution in the third quarter 2005 compared with the one of the previous quarter (+3%).

In the first nine months of 2005 ADSL revenues amounted to EUR 237.1 million, around 59% of access revenues, and up 58% compared to 9M05 (EUR 150.3 million, 44% on access revenues).

Within such segment, it is important to notice the substantial change in the revenue mix. Already pointed out in the previous quarters, it appears more clearly during this quarter, the higher incidence of ADSL revenues, equal to EUR 237.1 million. Compared with the first nine months of 2004 (EUR 150.3 million, with an incidence of 44% on access revenues), ADSL revenues represented around 59% of access revenues in regard to dial-up services (41% of access revenues). In the quarter, ADSL revenues, amounting to EUR 90.6 million in 3Q05, showed a 45% increase compared to 3Q04 and a 12% increase compared to 2Q05. In the third quarter, ADSL new subscribers activated were around 160.000, taking total ADSL active users, as of 30 September 2005, to over 1.48 million (+8% vs 30 June 2005). The figure is net of the disposal of around 60,000 ADSL users in The Netherlands to KPN at the end of July 2005). *Unbundled* users were 280.000. Commercial offering, oriented to the promotion of *double play* (data and voice/VoIP) services, enhancing migration of ADSL customers from *wholesale* to *unbundling.*



Dial-up revenues in the first nine months of the year dial-up revenues stood at EUR 164.9 million, down 16% compared to EUR 195.1 million registered in 9M04.

In 3Q05 they amounted to EUR 48.7 million, compared to EUR 57.7 million in 3Q04. The decrease was mainly due by the migration of dial-up users towards ADSL technology and the seasonality of summer months affecting third quarter. In particular, we underline the lower weight of dial-up revenues on total access revenues from 48% as of September 2004 to around 41% at the end of September 2005. Active dial-up customers were around 3.41 million, slightly down compared to the figure registered at end June 2005.

Dial up customers remained however, the strength for Tiscali, mainly because a significant part of them choose to migrate to ADSL internet access service.

VOICE

In the first nine months of 2005 voice revenues were EUR 65.6 million (12% on revenues), down 6% compared to EUR 69.6 million (15% on revenues) in 9M04.
In 3Q05, **voice revenues** were EUR 21.6 million (12% on revenues), compared to EUR 21.5 million (13% on total revenues) registered in 3Q04. This result does not reflect the refocus of traditional voice offering towards voice over IP products that allow profitability enhancement.
The decrease was partially offset by the introduction of "*bundled*" services of access and voice (CPS).

BUSINESS SERVICES

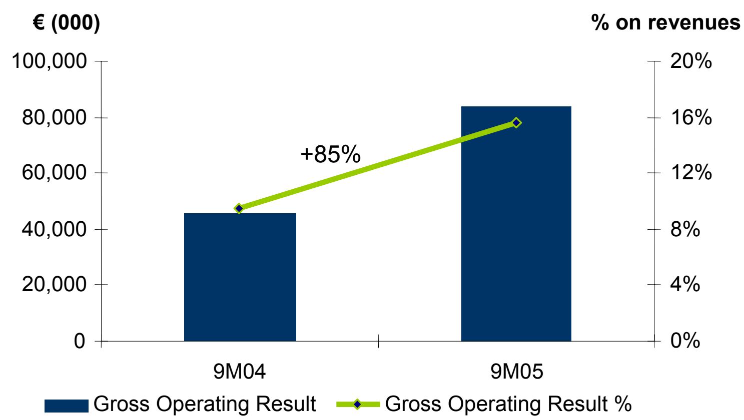
Business revenues in the nine months were EUR 45.3 million (8% on total revenues) up 19% compared to EUR 38.1 million (8% on total revenues) registered in 9M04.
Revenues generated by **business services**, in third quarter, stood at EUR 16.8 million (9% on revenues), up 49% compared to EUR 11.3 million (7% on total revenues) in 3Q04. The evolution of the revenues is exclusively due to organic growth sustained by a commercial refocus.
We highlight that business service revenues include only services such as VPNs, housing, hosting, domain names and leased lines while Internet access revenues (both dial-up and ADSL) generated by business users have been reclassified in access revenues.

MEDIA AND VAS (VALUE ADDED SERVICES)

In the first nine month **Media and VAS (Value Added Services)** revenues were EUR 21 million (4% on total revenues) down (5%) compared to EUR 22 million (5% on total revenues) in 9M04.
Media and VAS revenues in third quarter stood at EUR 6.4 million (3% on total revenues), compared to EUR 7.6 million (5% on total revenues) in 3Q04.
The slow down was interely due to seasonality factors, mainly affecting advertisement revenues, that currently represents the main contribution to portal revenues. Group strategy is focusing on value- added services (VAS) and on content.

Gross Operating Result (EBITDA)

Gross Operating Result (EBITDA), before amortisation, depreciation, provision and write downs, in the first nine months stood at EUR 84.1 million, up 85% vs 9M04 (EUR 45.5 million). As a percentage of revenues, EBITDA increased from 9% to 16%.
Gross Operating Result, in third quarter 2005 was EUR 31.7 million (17% on revenues), up 25% compared to EUR 25.4 million in 3Q04 (16% on revenues).
Such positive operating results were achieved, thanks to revenue growth and to cost reductions and efficiencies.
The trend shown by variable costs linked to the increase of ADSL ULL customers within access segment determined the improvement also at Gross Margin level (Figure not reported in the Income Statement, as not included in the IFRS standards, but given as additional information) which increased, as a percentage of revenues, from 49% in 9M04 to 54% in 9M05.
The improvement of the result is determined by the increase of *unbundled* ADSL customers.



<u>Marketing costs</u> in the first nine months of 2005 amounted to EUR 89.0 million (17% of revenues), vs EUR 57.2 million (14% of revenues) in 9M04. Marketing costs were mostly dedicated to the promotion of ADSL.
Marketing costs in 3Q05 stood at EUR 24.1 million (13% of revenues), up 51% vs EUR 16 million (10% of revenues) posted in 3Q04. In third quarter marketing expenses occurred only in September, because of the minor impact of advertising activities during summer months.

<u>Personnel costs</u> in the first nine months of 2005 amounted to EUR 82.6 million, lower than the EUR 83.4 million in 9M04 while still posting a sizeable improvement as a percentage of revenues (15% in 3Q04 vs 17% 3Q05). Personnel costs in 3Q05 amounted to EUR 28.4 million, stable vs 3Q04 in absolute terms, but decreasing as a percentage of revenues (15% in 3Q05 vs 18% in 3Q04). Employees at the end of September were 1,850.

<u>Other operating costs</u> in the first nine months G&A stood at EUR 31.9 million compared to EUR 33.9 million in first nine months of 2004, showing in 2005 a lower incidence on revenues (6%) compared to 2004 (7% of revenues).
In 3Q05 were EUR 11 million, compared to EUR 10.5 million in 3Q04.

Operating Result

Operating Result (EBIT) in 9M05 was negative for EUR 54.2 million, a 28% improvement versus the EUR 75 million loss posted in 9M04. The improvement was due to the better operating performance described in the previous paragraph. The consolidated operating result was affected by headquarter costs (‘corporate’).
In 3Q05 was negative for EUR 7.8 million, an improvement compared to the loss of EUR 8.1 million of 3Q04.

In the first nine months 2005, amortization and depreciation stood ad EUR 101.3 million vs EUR 89.9 million posted as of 30 September 2004. The increase is due to higher investments for the development of the ULL network and the ADSL products (modem and activation costs).
Provisions for risks and write-downs in 9M05 (together with certain restructuring costs) amounted to EUR 36.9 million vs EUR 30.7 million in 9M04. Provisions and write-downs in 3Q05, of EUR 6.5 million were mainly attributable to bad debts.

Operating Result by geographical area

Opereating Results details by geographical area, allows analizing first nine 2005 months performance of the Group operating subsidiaries.

Italy, closed the first nine months with a gross operating result, before amortization, depreciation, provision and write downs (EBITDA), positive at around EUR 16 million (11% on total revenues), almost tripled compared to EUR 4.8 million as in 9M04 (3% on total revenues).
Operating Result was negative for EUR 18.8 million, compared to a negative figure of EUR 18.5 million as of 30 September 2004.

UK’s Gross Operating Result before amortisation, depreciation, provision and write downs (EBITDA) came positive at EUR 38.2 million (16% on revenues), up 32% compared to EUR 28.9 million as of 30 September 2004 (16% on revenues).
Operating Result, after amortisation, depreciation, provision and write downs, was negative for EUR 5.2 million (negative for EUR 5.7 million as of 30 September 2004). The subsidiary was able to perform good economical results even though registered in the first nine months of 2005 meaningful marketing costs and higher amortization, in order to support ADSL user and revenue growth.

The Dutch subsidiary registered a gross operating result, before amortisation, depreciation, provision and write downs (EBITDA) at EUR 29.8 million (35% on revenues), up 66% compared to EUR 17.9 million in 9M04 (27% on revenues). Operating result, in nine months 2005 was positive for EUR 1.3 million compared to a negative result of EUR 4.7 million as of 30 September 2004.

The slow down of revenues attributable to the situation in the German market for ADSL, has brought the Company to reduce marketing expenses. The cancellation of products with a low marginality, mainly in business services, together with the reduction of operating costs, has however improved gross operating result. In the first nine months the result before amortisation, depreciation, provision and write downs (EBITDA), was positive for EUR 1.9 million (3% on revenues). Such result was EUR 0.5 million in 9M05.

Operating Result was negative for EUR 23 million, compared to EUR 22.1 million as of 30 September 2004.

Pre-Tax Result

Results from continuing operations as of 30th September 2005 before tax and after interest (EBT) was negative for EUR 77 million, a 26% improvement vs the loss of EUR 104.5 million in the first nine months of 2005. If we add the net profit or EUR 120.6 million deriving from discontinuing operations, which do not have a tax effect and largely deriving from the EUR 144 million capital gain on the sale of Liberty Surf, net of the results for the period and of the charges related to the disposal, the total result before tax for the Tiscali Group as of 30th September 2005 would be approximately EUR 43.6 million.

Net Result

As of 30 September 2005, Tiscali Group posted, a **net result** close to break-even (EUR -1.5 million), vs a loss of EUR 148.6 million for 9M03.

The net result includes EUR 45.1 of tax charge, which relates to the reversal of the deferred tax asset accounted for at year end 2004 in relation to the holding company Tiscali SpA. It is worth mentioning that such tax charge is not a tax debt, but it is related to a partial utilisation of tax losses carried forward. The valuation of deferred tax assets, if any, will be determined with full year 2005 results.

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 services / Business, Media) represent the secondary segment of reporting.
This note reports the main results of these business segments analised in the previous section.

Income Statement

30 September 2005 *EUR Thousands*	Italy	United Kingdom	The Netherlands	Germany	Other	Segment results	Unallocated	Operating assets
Revenues and other income								
From third parties	139,787	228,326	84,104	62,237	21,329	535,783	8,368	544,151
Inter-segment	3,941	2,889	-	1,104	5,320	13,254	(13,254)	-
Total revenues	**143,728**	**231,215**	**84,104**	**63,341**	**26,649**	**549,037**	**(4,886)**	**544,151**
Gross operating result	**15,769**	**38,175**	**29,825**	**1,865**	**3,534**	**89,168**	**(5,101)**	**84,067**
Operating result	**(18,823)**	**(5,228)**	**1,271**	**(23,014)**	**(3,708)**	**(49,502)**	**(4,720)**	**(54,222)**

Other income, totalling EUR 4.8 million is essentially related to 'corporate' activities

30 September 2004 *EUR Thousands*	Italy	United Kingdom	The Netherlands	Germany	Other	Segment results	Unallocated	Operating assets
Revenues and other income								
From third parties	137,755	183,112	67,046	69,207	21,870	478,991	4,553	483,544
Inter-segment	2,570	1,202	-	1,491	8,124	13,387	(13,387)	-
Total revenue	**140,325**	**184,314**	**67,046**	**70,698**	**29,994**	**492,378**	**(8,834)**	**483,544**
Gross operating result	**4,790**	**28,912**	**17,910**	**457**	**6,213**	**58,282**	**12,770**	**45,512**
Operating result	**(18,477)**	**(5,733)**	**(4,696)**	**(22,076)**	**1,032**	**(49,950)**	**(25,066)**	**(75,016)**

FINANCIAL POSITION

Consolidated Balance Sheet

Consolidated Balance Sheet	30 September 2005	30 June 2005	31 December 2004
Non-current assets			
Goodwill	313,461	313,461	313,461
Other intangible assets	126,504	134,961	126,351
Property, plant and equipment	153,523	160,027	177,307
Investments	2,682	2,785	2,643
Other financial assets	44,616	47,083	25,374
Deferred tax assets	114,443	115,199	157,301
	755,230	**773,516**	**802,437**
Current assets			
Inventories	3,929	3,011	2,000
Trade receivables	109,026	117,778	102,464
Other receivables and other current assets	63,058	67,506	77,729
Other current financial assets	9,055	6,137	4,913
Cash and cash equivalents	38,847	245,890	83,120
	223,915	**440,322**	**270,226**
Assets classified as held for sale	76,801	81,150	395,597
Total Assets	**1,055,946**	**1,294,988**	**1,468,260**
Share capital and reserves			
Share capital	198,369	198,369	196,619
Share premium reserve	953,717	953,717	1,440,874
Translation reserve	4,438	5,857	(1,763)
Retained earnings	(836,240)	(820,840)	(1,321,883)
Shareholders' Equity (Group)	**320,284**	**337,103**	**313,847**
Minority interest	**2,665**	**2,663**	**3,948**
Total Net equity	**322,949**	**339,766**	**317,795**
Non-current liabilities			
Bonds	-	214,951	209,500
Payables to banks and other lenders	119,954	73,654	68,113
Obligations under finance leases (m/l term)	15,033	18,733	18,591
Other non current liabilities	40,318	42,657	27,369
Liabilities for pension provisions and staff severance indemnities	6,389	6,199	5,875
Provisions for risks and charges	8,756	8,595	10,677
	190,450	**364,789**	**340,125**
Current liabilities			
Bonds	208,579	237,639	250,387
Payable to banks and to other lenders	17,977	16,039	25,324
Obligations under finance leases	17,019	18,041	19,220
Payable to suppliers	132,516	148,956	182,720
Other current liabilities	116,133	117,944	121,506
	492,224	**538,619**	**599,157**
Liabilities directly associated with assets classified as held for sale	50,323	51,814	211,183
Total Equity and liabilities	**1,055,946**	**1,294,988**	**1,468,260**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(all amounts in EUR thousands)	Share Capital	Share premium reserve	Translation reserve adjustment	Retained earnings	Shareholders' equity (Group)	Minority interest	Total
Balance at 1 January 2005	**196,619**	**1,436,719**	**(1,763)**	**(1,321,773)**	**309,802**	**3,948**	**313,750**
Capital increases	1,750	6,776	-	-	**8,526**	-	**8,526**
Transfers covering losses	-	(489,778)	-	489,778	**-**	-	**-**
Conversion differences and other changes	-	-	6,201	198	**6,399**	-	**6,399**
Effects due to changes in consolidation following disposals	-	-	-	-	**-**	(1,521)	**(1,521)**
Loss due to minority interest attributed to the Group	-	-	-	(2,707)	**(2,707)**	-	**(2,707)**
Profit (loss) reported in shareholders equity	**1,750**	**(483,002)**	**6,201**	**487,269**	**12,218**	**(1,521)**	**10,697**
Net profit (loss) for the period	-	-	-	(1,736)	**(1,736)**	238	**(1,498)**
Total profit (loss) occurred in the period	**1,750**	**(483,002)**	**6,201**	**485,533**	**10,482**	**(1,283)**	**9,199**
Balance at 30 September 2005	**198,369**	**953,717**	**4,438**	**(836,240)**	**320,284**	**2,665**	**322,949**

ASSETS

Non current assets

Non current assets are mainly represented by goodwill, which value amounts to EUR 313.5 million unchanged on 30 June 2005 and compared to 31 December 2004. Impairment conditions did not arise to indicate a write down.

Non current assets includes investments in tangible assets (Buildings, plant and equipment) and other intangible assets, amounting, respectively, to EUR 153.5 million and EUR 126.5 million.

Investments

The expansion of the ULL networks and the other investments for the installation and activation of new ADSL customers, in 9M05 generated investments for EUR 96.7 million, of which EUR 65.7 million related to investments in intangible assets and around EUR 31 million of investments network equipment. Such investments allowed to reach and activate, 10 co-locations in the UK (mainly concentrated in London area), and over 330 co-locations in Italy and over 220 co-locations in the Netherlands. In Germany, where we are currently testing ULL in Frankfurt area, the first investments should start by the end of 2005.

In non current assets are also included deffered tax assets (EUR 114.4 million), originated from losses carried forward of UK and Dutch subsidiaries.

Current Assets

At September 30 2005 customer receivables totalled EUR 109.0 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 defferred charges related to the acquisition of access services and line rental.

Financial Position

As of 30 September 2005, the Tiscali Group’s cash resources totalled EUR 39 million, while net debt stood at EUR 269 million (EUR 259 million as of 30 June 2005). In July the EUR 250 million bonds were reimbursed.
On 8 August Tiscali reached an agreement for a EUR 150 million senior secured credit facility with Silver Point Finance LLC. The facility comprises two tranches, each with three-year duration. The first tranche of EUR 50 million was drawn in August 2005, while the second EUR 100 million tranche will be made available from September 2006. For further details refer to the paragraph “Significant events”.

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

(EUR million)	*Notes*	*30 September 2005*	*30 June 2005*
Cash		**38.8**	**245.9**
Other financial assets	**(a)**	**42.7**	**45.7**
FRNs 2005		-	237.6
Bonds convertible in 2006	**(b)**	208.6	214.9
Total bonds		**208.6**	**452.5**
Long-term loans		91.7	45.5
Other short-term financial liabilities		17.9	16.0
Total payables to banks		**109.6**	**61.5**
Leasing		**32.0**	**36.8**
Gross debt	***(c)***	***350.2***	***550.8***
Net debt		***268.7***	***259.2***

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

(b) The figure as of 30 June 2005 includes interest accrued at end June 2005 and includes valuation of debt according to IAS/IFRS

(c) Excludes shareholders loans (EUR 28.2 million as of 30 September 2005)

Operating cash flow 3Q05, excluding sales of non-strategic assets, and including financial charges, was negative for EUR 23 million. Third quarter result was affected by annual financial charges for EUR 9 million related to "Equity Linked Bond" due in September 2006 and from investments (around EUR 29 million) for the development of ULL infrastructure network. Considering those elements, we highlight a decrease in operating cash burn compared to previous quarters (EUR -46 million in 1Q05 2005, EUR -20 million in 2Q05), in line with Group's business plan. The Group forecasts a free cash flow positive in first months of 2006.

CONSOLIDATED CASH FLOW STATEMENT	30 September 2005	30 September 2004
CASH GENERATED BY OPERATING ACTIVITIES	**16,659**	**(54,686)**
NET CASH USED IN INVESTING ACTIVITIES	**(107,715)**	**188,823**
INVESTING ACTIVITIES		
NET CASH ARISING FROM /(USED IN) FINANCING ACTIVITIES	**(237,960)**	**(49,003)**
Result on activities disposed of and held for sale	120,606	(36,626)
Change of activities disposed of and held for sale net of cash	275,179	(302,204)
Change of liabilities related to activities held for sale	(160,860)	105,377
INCREASE / (DECREASE) OF CASH AND CASH EQUIVALENTS	**(94,091)**	**(148,319)**
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	83,120	203,544
Cash and cash equivalents of activities disposed of and held for sale at the beginning of the financial year	45,293	-
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE FINANCIAL YEAR	**128,413**	**203,544**
Effect of changes on foreign currency exchange rates	6,201	2,414
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		
Cash and cash equivalents of operating activities at the end of the financial year	38,847	50,098
Cash and cash equivalents of activities disposed of and held for sale at the end of the financial year	1,676	7,541
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**40,523**	**56,639**

SIGNIFICANT EVENTS IN THE QUARTER

Significant events that took place during the third quarter 2005 were mainly related to the structure of the debt, as well as the restructuring plan of non core countries, started in the second half of 2004.

Reimbursement of the EUR 250 million bond
On July 7th 2005, Tiscali reimbursed the EUR 250 million bond issued by its subsidiary Tiscali Finance SA.

Focus on unbundled ADSL services in the Netherlands
On 26 July, Dutch subsidiary Tiscali BV reached an agreement to transfer around 60,000 broadband users to KPN for approximately EUR 13 million. The agreement concerns only Tiscali BV customers receiving “resell” broadband services, and who, therefore, were connected to Tiscali through KPN’s network. The transaction is part of Tiscali’s strategy to focus on growing unbundled ADSL services, which allow the Group to offer its customers competitive and innovative products and access services.

Sale of international fibre optic network to Telecom Italia
On 2 August, Telecom Italia SpA and Tiscali SpA announced an agreement for the purchase by Telecom Italia Sparkle of Tiscali’s fiber optic network, Tiscali International Network SAS (TINet SAS), for a total consideration of EUR 8 million. Tiscali International Network SAS owns 15,000 km of fiber optic network covering 12 European countries. Completion of the transaction is subject to the approval of the competition authority. The transaction does not include the sale of IP and Voice over IP national and international networks, which are owned by Tiscali International Network BV. The Tiscali Group will maintain ownership and control of these networks so that it may continue to offer high-quality IP and VoIP services to its own customers.
The agremment was finalized on November 1st 2005 following the approval of the competition authorities’ conferming the initial price.

EUR 150 million debt facility from Silver Point
On 8 August Tiscali reached an agreement for a facility worth a total EUR 150 million. The credit line was structured and provided by Silver Point Finance LLC (USA), a company providing tailor made financing to large and medium-sized companies operating in different sectors. The facility comprises two tranches, each with a three-year duration, and offers a rate of EURIBOR +600 bps. The first tranche of EUR 50 million was advanced in August 2005, while the second EUR 100 million tranche will be made available from September 2006, subject to certain standard terms and conditions, including certain financial and business covenants.

The first tranche of EUR 50 million will be used for general corporate purposes and to develop the Group strategy whereas the second one will be entirely dedicated to the refinancing of the Equity-Linked Bond maturing in September 2006.

Financial covenants concern in particular the pledge of UK and Dutch shares held by Tiscali SpA held in Tiscali UK ltd and Tiscali BV (Netherlands). Furthermore some covenants are related to Gross Operating Result (EBITDA), Investments and ADSL subscribers.

This agreement enables the Group to further implement its business plan, which is based on organically growing its customer base and improving profitability by investing in ULL networks, and providing high-quality services at a fair price to its customers.

Sale of investment in H3G Italia

In September the subsidiary Tiscali Finance SA sold its non-strategic investment of less than 0.3% in 3G mobile operator Hutchison 3G Italia S.p.A. to Hutchison 3G Italy Investment Sarl for a value substantially in line with the book value.

At the same time, the Group came to an agreement defining its previous relationship with Hutchison 3G concerning the financial support of H3G Italia. This agreement also forms the basis for future co-operation and synergies between the two groups with a view to develop joint distribution services, particularly in the UK and Italy.

EVENTS TAKING PLACE AFTER THE END OF THE QUARTER

Tommaso Pompei appointed CEO of Tiscali Group

On 31 October 2005, Tiscali’s Board of Directors appointed Tommaso Pompei CEO of the Group. Ruud Huisman leaves his executive role in the Parent Company while remaining on the Board of Directors.

The appointment of Tommaso Pompei as CEO happens while the Group is at a turning point, having refocused in the core countries and having successfully implemented the refinancing process. Tiscali is now ready to enter a new development phase that Tommaso Pompei is well equipped to implement and take full advantage of.

OUTLOOK AND PROSPECTS

Coherently with the business plan 2005-2007, Tiscali Group also in the fourth quarter will continue its activities focusing on the growth of ADSL customer base and on the development of its own unbundling network. This will guaranty an improved profitability and the complete management and control of services and content offer.
In first nine months in the UK, the change into a more effective regulatory environment and a more economical situation allowed Tiscali to start investing in ULL network, where we forecast to launch the first ULL offering by the end of the year. In Germany, the Group is testing selective unbundling, with the possibility of further investments on a national scale, if the regulatory background allows it.

At offering level, during fourth quarter, in a test phase Tiscali will launch Triple Play services, voice and video over internet protocol.
The significant investments carried out during first nine months of 2005, in infrastructure for the extension of the unbundling network, for set up costs and as well as marketing expenses, result, consistently with the business plan forecasts, in negative cash flows during 2005. In this regard, we would remind that the positive operating cash flow generation is forecasted for 2006 financial year.

The implementation of the disposal plan of “non core” assets, initiated in 2004, enabled the Group to collect financial resources for about EUR 400 million. This amount was used to pay back the EUR 250 million bonds matured in July 2005 and to push investments in those markets with high potential for value creation. The disposal plan should be completed before the end of the current financial year with the sale of the Spanish subsidiary.

The intention, already anticipated in the 2004 Annual Report, to collect financial resources on the market, was fulfilled in August 2005 through the closing of the EUR 150 million financing, structured and provided by Silver Point Finance LLC (description in the “Significant events” section). Such transaction allows Tiscali, from one hand to fully finance the business plan and, in the other hand to rely on financial resources to reimburse a significant part of the EUR 209.5 million Equity Linked Bond, with maturity date on September 2006. The remaining part of the Equity Linked Bond will be covered by the most opportune modality at the reimbursement date, considering the financial situation of the Group, not excluding the conversion option.

Taking into account sector perspectives, in which Tiscali Group operates, together with its competitive position, considering the achievement of operating performances as result of the disposal plan and refocus of the Company in “core countries”, we find the strategy fully coherent with the operating and financial break-even goal. In this context, the Group capacity to reach its Business Plan targets is crucial, condition that influences quite significantly the evolution in the financial position and the financial, balance sheet, and economic balance.

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.

The Group has applied with retrospective effect the IFRS principles. In particular, concerning IFRS 1 requirements, at the date of transition to the new principles (1 January 2004) the Group has prepared its consolidated financial statements compliant with IFRS and reflecting the application of the following general accounting criteria:

- Assets and liabilities have been recognised whenever recordable according to IFRS and have been measured in compliance with such principles;

- Balance sheet items have been classified according to the IFRS procedures and are consequently reclassified with respect to the financial statements prepared in accordance with the Italian accounting principles previously in force.

The effect of adjustment to the new principles on the initial figures relative to assets and liabilities has been recorded in the appropriate reserve item of shareholders' equity.

Please note that the principles adopted in the preparation of this half-year consolidated report may not entirely comply with the IFRS provisions in force at 31 December 2005 both due to future stance of the European Commission on the approval of the international accounting principles and to the issue of new standards or interpretations by the appropriate authorities.

2. Presentation, optional exemptions and accounting options adopted

The adjustment of the consolidated financial position at transition date (1 January 2004) and of the financial and economic statements at 30 June 2004 and at 31 December 2004 has required some preliminary decisions concerning the presentation format, the optional exemptions and the accounting options provided by IFRS and summarised below:

2.1 Presentation format

The adopted balance sheet format reflects the classification of items according to the current/non current principle while on the income statement the cost classification by 'nature' has been adopted.

2.2 Optional exemptions and accounting options provided by IFRS 1

Tiscali has decided to make use of the exemptions listed below and provided by IFRS for first adopters:

Business combinations and Goodwill

The Group did not deem appropriate to make use of the option involving the 'reconsideration' of acquisition operations performed before 1 January 2004, through the application of the acquisition method provided by IFRS 3 – *Business combination.* Consequently the goodwill arising from company acquisitions preceding such date has been recorded as in the last balance sheet prepared on the basis or the preceding accounting principles (1 January 2004, date of transition to IFRS). Starting from 1 January 2004 (date of transition to the new principles) the Group has ceased to amortise goodwill using instead the impairment test.

Recognition of Other intangible assets and *property, plant and machinery*

Other intangible assets and Property, plant and machinery have been recognised at cost. No asset has been subject to revaluation. The cost principle has been applied (instead of fair value) as measurement standard for tangible and intangible assets even subsequently to the initial recording.

Financial instruments

Tiscali has made use of the option provided by IFRS 1 to adopt the measurement principles for financial instruments established by IAS 32 (Financial instruments: disclosure and presentation) and IAS 39 (Financial instruments: recognition and measurement) starting from the consolidated balance sheet at 1 January 2005, avoiding the preparation of comparative statements for 2004, which data have been prepared in compliance with Italian accounting principles.

Translation reserve

On first adoption of IAS/IFRS, as allowed by IFRS 1, the cumulative conversion differences arising from the consolidation of foreign companies outside the euro area have been presumed equal to zero.

Liabilities for pension obligations and staff severance

The Group has elected to record all gains and losses accrued and existing at 1 January 2004, arising from actuarial valuations, and to waive the so called 'corridor approach', allowing to defer from such date the accounting of gains and losses, that can be recognised only for the part exceeding a pre-established percent threshold.

3. Effects of the adoption of IFRS – Reconciliation required by IFRS 1

This note describes the effects arising from the adoption of IFRS on the balance sheet and financial statements as of 30 September 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 30 September 2004:

EUR thousands	**Shareholders' equity**	**Net Result**
According to the Italian accounting principles	**250,283**	**(169,087)**
IAS 38 Intangible assets	(7,243)	5,318
IAS 38 ADSL activation costs	(54,647)	(37,518)
IAS 38 Consolidation differences	40,030	40,030
IAS 16 Buildings, plants and equipments	1	1
IAS 37 Provisions, contingent liabilities and contingent assets	516	196
IAS 19 Employee benefits	612	(44)
IAS 18 Revenues	16,322	12,583
Minority interests	1	(73)
IFRS	**245,877**	**(148,l594)**

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

CONSOLIDATED INCOME STATEMENT at 30 June 2004 *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	808,671	12,583	(341,873)	479,381
Other income	27,499	(945)	(22,391)	4,163
Purchase of materials and outsource services	615,857	(23,994)	(258,501)	333,363
Personnel costs	118,010	25,425	(60,029)	83,406
Other operating costs	60,906	(8,141)	(31,502)	21,263
Gross operating result	**41,397**	**18,348**	**(14,233)**	**45,512**
Restructuring costs, provisions for risks and write-down	27,431	11,936	(8,712)	30,655
Depreciation and amortisation	154,602	(14,155)	(50.576)	89,872
Operating result	**(140,636)**	**20,566**	**45,054**	**(75,016)**
Share of profit or losses of associates with equity method	(229)	-	-	(229)
Net financial income (charges)	(27,591)	-	(1,644)	(29,235)
Profit (Loss) before tax	**(168,456)**	**20,566**	**43,411**	**(104,479)**
Taxation	631	-	(498)	133
Profit (Loss) from continuing operations	**(169,087)**	**20,566**	**43,909**	**(104,612)**
Profit (Loss) from discontinued operations	-	-	**(43,982)**	(43,982)
Net profit (Loss)	**(169,087)**	**20,566**	**(73)**	**(148,594)**
Attributable to:				
- Equity holders of the parents	**(167,565)**	**21,114**	**-**	**(146,451)**
- Minority interest	(1,522)	(548)	(73)	(2,143)

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

CONSOLIDATED INCOME STATEMENT (PROFIT AND LOSS) at 30 June 2004 *EUR thousands*	**Effects of conversion to IFRS**	**Reclassification**	**Note 1** **IAS 38 Intangible assets**	**Note 2** **IAS 38 ADSL activation costs**	**Note 3** **IAS 38 Goodwill**	**IAS 16 Property, plant and machinery**	**Note 4** **IAS 37 Provisions, contingent liabilities and contingent assets**	**Note 5** **IAS 19 Employee benefits**	**Note 6** **IAS 18 Revenue**	**IAS 32 Financial instruments Disclosure and recognition**	**IAS 39 Financial instruments: recognition and measurement**	**IFRS 1 First adoption of IAS principles**	**Other**
Revenue	**12,583**	-	-	-	-	-	-	-	12,583	-	-	-	-
Other income	**(945)**	838	-	-	(1,936)	-	153	-	-	-	-	-	-
Purchase of materials and outsource services	**(23,994)**	(25,317)	2,848	(1,524)	-	-	-	-	-	-	-	-	-
Personnel costs	**25,425**	25,317	64	-	-	-	-	44	-	-	-	-	-
Other operating costs	**(8,141)**	(8,141)	-	-	-	-	-	-	-	-	-	-	-
Gross operating result	**18,348**	**8,979**	**(2,912)**	**1,524**	**(1,936)**	**-**	**153**	**(44)**	**12,583**	-	-	-	-
Restructuring costs, provisions for risks and write-downs	11,936	11,979	-	-	-	-	(43)	-	-	-	-	-	-
Depreciation and amortisation	(14,155)	(3,000)	(8,230)	39,042	(41,966)	(1)	-	-	-	-	-	-	-
Operating result	**20,566**	**-**	**5,318**	**(37,518)**	**40,030**	**1**	**196**	**(44)**	**12,583**	-	-	-	-
Share of profit or losses of associates with equity method	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Net financial income (charges)	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) before tax	**20,566**	**-**	**5,318**	**(37,518)**	**40,030**	**1**	**196**	**(44)**	**12,583**	-	-	-	-
Taxation	**-**	**-**	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) from continuing operations	**20,566**	**-**	**5,318**	**(37,518)**	**40,030**	**1**	**196**	**(44)**	**12,583**	-	-	-	-
Profit (Loss) from discontinued operations	**-**	**-**	-	-	-	-	-	-	-	-	-	-	-
Net profit (Loss)	**20,566**	**-**	**5,318**	**(37,518)**	**40,030**	**1**	**196**	**(44)**	**12,583**	-	-	-	-
Attributable to:													
- Equity holders of the parent	**21,114**	**-**	**5,318**	**(37,518)**	**40,030**	**1**	**196**	**(44)**	**12,583**	-	-	-	**548**
- Minority interest	**(548)**	-	-	-	-	-	-	-	-	-	-	-	(548)

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-half 2004, 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 these 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. Adjustment is recorded on profit and loss.

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.