tiscali.

INTERIM REPORT AT 30 SEPTEMBER 2008

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TISCALI S.P.A.
Registered office: SS195 Km 2.3, Sa Illetta, Cagliari
Share Capital EUR 308,272,742.50
Cagliari Companies' Register and VAT No. 02375280928 Econ. & Admin. Roster - 191784

THE TISCALI GROUP

DIRECTORS AND AUDITORS

Composition of the corporate bodies

Board of Directors

Chairman[1] and CEO
Mario Rosso

Directors
Arnaldo Borghesi
Francesco Bizzarri
Massimo Cristofori
Umberto De Iulio[1]

Board of Statutory Auditors

Chairman
Aldo Pavan

Statutory Auditors
Piero Maccioni
Andrea Zini[2]

Deputy Auditors
Rita Casu

Manager in charge of drawing up the corporate accounting documents

Romano Fischetti

Independent Auditing Firm

Reconta Ernst & Young S.p.A.[1]

[1] since 29 April 2008
[2] since 12 June 2008

QUARTERLY REPORT AT 30 SEPTEMBER 2008

FINANCIAL HIGHLIGHTS

Economic data (EUR mln)	30 September 2008 Nine months	30 September 2007 Nine months	Change %
• Revenues	783.2	614.3	+27%
• Gross operating result (EBITDA) - adjusted	146.4	103.5	+41%
• Gross operating result (EBITDA)	118.7	86.2	+38%
• Operating result	(50.7)	(36.3)	-40%

Economic data (EUR mln)	30 September 2008 Three months	30 September 2007 Three months	Change in %
• Revenues	248.0	221.3	+12%
• Gross operating result (EBITDA) - adjusted	50.6	41.6	+22%
• Gross operating result (EBITDA)	43.9	34.6	+27%
• Operating result	(17.9)	(7.8)	-129%

Equity and Financial data (EUR mln)	30 September 2008	31 December 2007
• Total assets	1,476.8	1,599.9
• Net financial debt	556.7	635.2
• Net financial debt “Consob”	576.7	656.1
• Shareholders’ equity	235.4	206.9
• Investments	143.7	193.5

Operating data (EUR 000)	30 September 2008	30 September 2007
Access and Voice users	3,056	3,991
ADSL (broadband) users	2,355	2,400
of which: Direct ADSL (ULL) users	1,261	1,016
of which: Dual play users	1,131	694

ALTERNATIVE PERFORMANCE INDICATORS

Along with the conventional indicators required by IFRS, this quarterly report presents two alternative performance indicators (EBITDA and adjusted EBITDA) used by Tiscali Group management to monitor and assess the Group's operating performance. As these indicators are not identified as accounting measures under IFRS, they should not be considered alternative measures for assessing the financial performance of the Tiscali Group. The measurement of EBITDA and adjusted EBITDA is not governed by accounting standards of reference. As a result, the calculation methods applied by the Tiscali Group may differ from those adopted by others, for which figures may not be comparable.

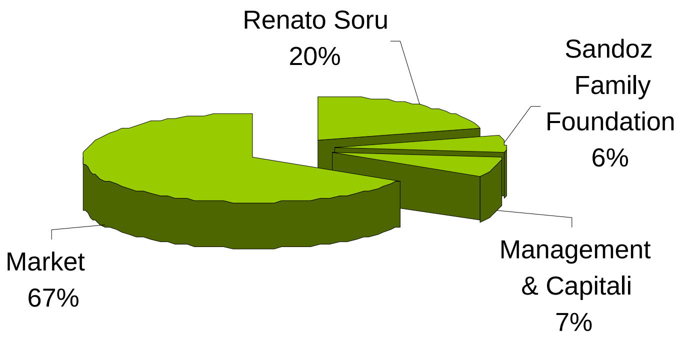
EBITDA (gross operating result) and adjusted EBITDA (operating result before write-downs of receivables and costs for stock option plans) are economic performance indicators that are not defined by accounting standards of reference. They are calculated as shown below:

Pre-tax result and Result from assets destined for disposal
+ Financial charges
- Financial income
+/- Income/Charges from equity investments in associated companies
Operating result
+ Restructuring costs
+ Amortisation/depreciation
+/- Atypical income/charges
Gross operating result (EBITDA)
+ Write-downs of receivables from customers
+ Costs for stock option plans
Gross operating result (adjusted EBITDA)

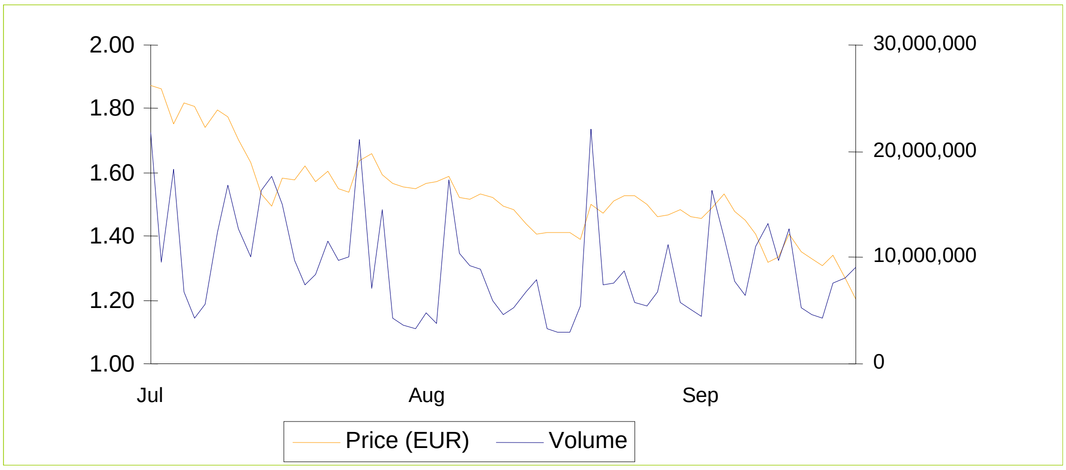
TISCALI SHARES

Tiscali shares have been listed on the Italian Stock Exchange (Milan:Tis) since October 1999. At 30 September 2008, market capitalisation came to approximately EUR 740 million, calculated on the value of EUR 1.201 per share at that date. At 30 September 2008, the number of shares representing the Group's share capital amounted to 616,545,485.

Tiscali's shareholder base at 30 September 2008 is reported below. The investment fund Management&Capitali became a Tiscali shareholder following the conversion of bonds worth a nominal EUR 60 million subscribed by the fund on 27 December 2007 into Tiscali shares.



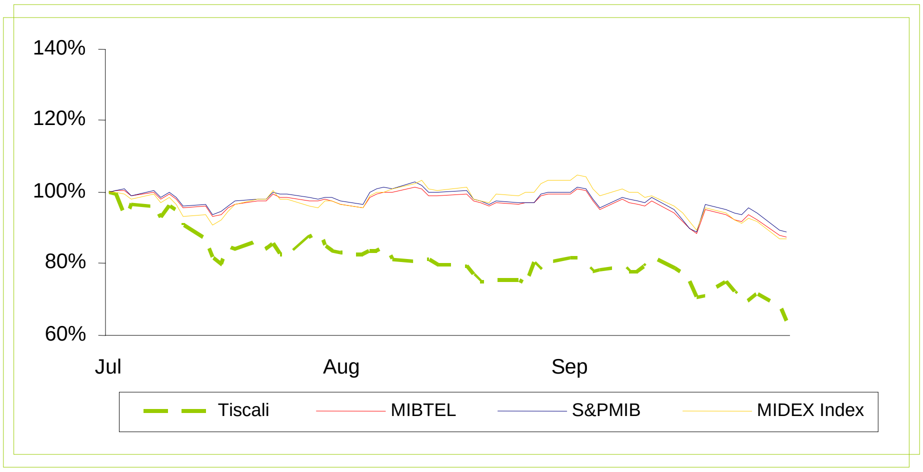
The graph below illustrates Tiscali stock trends over the third quarter of 2008, characterised by high trading volumes.



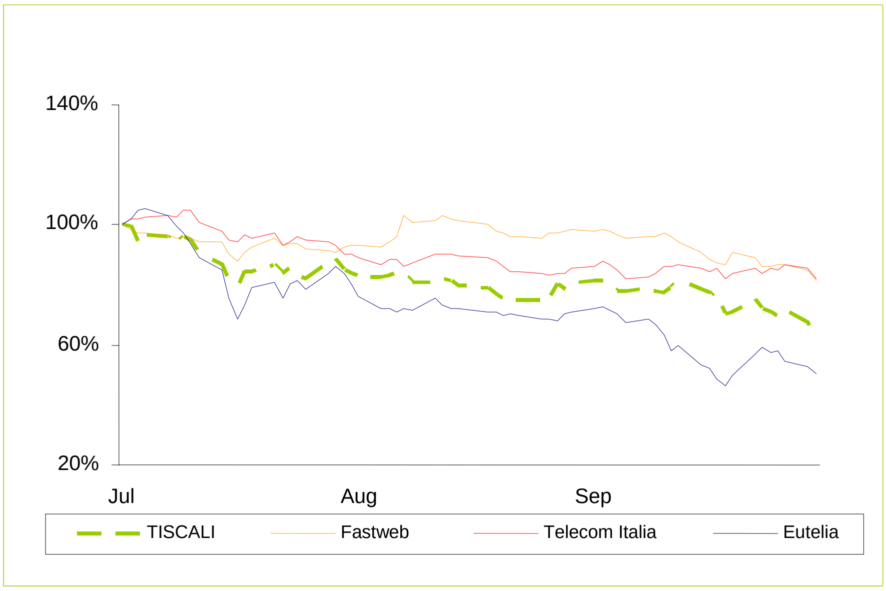
Source: Bloomberg data processing

The average price for the quarter was EUR 1.523. The maximum price of EUR 1.875 for the period was recorded on 1 July, and the minimum of EUR 1.201 on 30 September.

The graphs below illustrate Tiscali stock trends in comparison with, respectively, market indexes and other Italian market operators. Tiscali shares largely suffered the same negative performance recorded by all stocks in the sector, exacerbated by speculative movements.

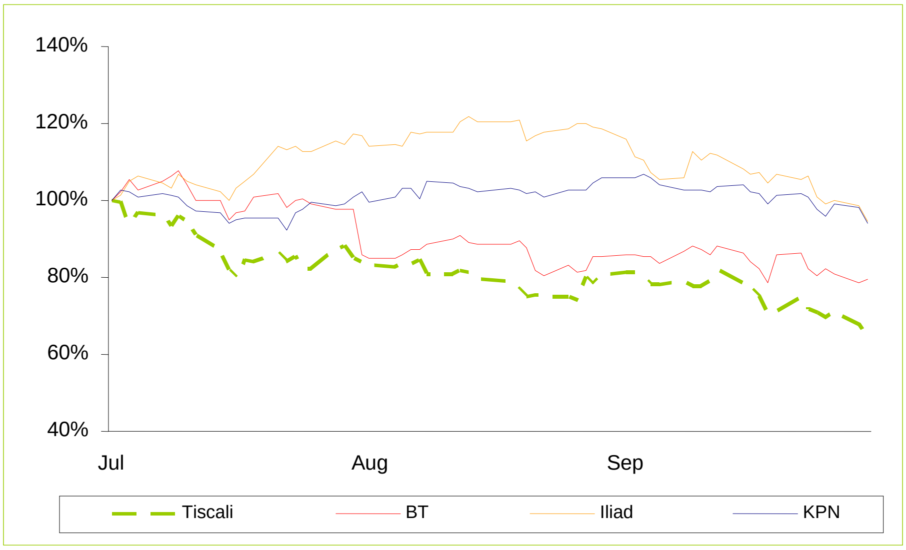


Source: Bloomberg data processing



Source: Bloomberg data processing

Below we report the performance of Tiscali stock at the European level from July to September 2008.



Trading volumes stood at a daily average of about 9 million items, with a daily average trade value of EUR 13.8 million.

Average Tiscali stock trading on the Italian Stock Exchange in Q3 2008		
	Price (EUR)	**N° of shares**
July	1,665	11,796,192
August	1,492	7,175,045
September	1,413	8,241,818
Average	**1,523**	**9,071,018**

INFORMATION ON OPERATIONS: ANALYSIS OF THE GROUP ECONOMIC, EQUITY AND FINANCIAL POSITION

With approximately 3.1 million customers at 30 September 2008, Tiscali is one of the leading providers in Italy and the UK of broadband services using xDSL technology (over 2.4 million customers) and voice and narrowband services (approx. 0.7 million customers). Through its advanced network based on IP technology, Tiscali offers its customers a broad range of internet services based on broadband and narrowband access and voice services based on VOIP and CPS technology, together with more specific, technologically advanced products to meet the demands of the market. The range also includes portal services and multimedia services (IPTV).
Following significant changes redefining the consolidation area, the Group has concentrated its business activities in two main European countries – Italy and the United Kingdom. Products are marketed to consumer and business customers mainly through four business lines: *(i)* the "Access" line, including broadband (ULL; Wholesale/bitstream*)* and narrowband services; *(ii)* the "Voice" line, including both traditional (CS and CPS) and VoIP telephone traffic services; *(iii)* the "Business services" (B2B) line, including VPN services, hosting, domain concession and leased lines for businesses; and *(iv)* the "Media and value added services" line, which includes media, advertising and other services.

Tiscali Group revenues in the first nine months of 2008 totalled EUR 783.2 million, up 27% on the EUR 614.3 million figure recorded for the corresponding period of 2007. Tiscali Group revenues for the third quarter of 2008 amounted to EUR 248.0 million, up 12% on the EUR 221.3 million figure recorded for the third quarter of 2007.
The 2008 figures include both systematic growth and growth via external channels in relation to the acquisition of Pipex in the UK. Moreover, in the quarter and nine months ended 30 September 2008, the subsidiaries in Germany and the Czech Republic (no longer operational after the disposal of the related assets and currently in liquidation) have been included under continuing operations and consequently have been reflected in the individual lines of the income statement for the quarter and nine months.

In the first nine months of 2008 internet access and voice services – the Group's core business – represented around 87% of total turnover. The gross operating result (adjusted EBITDA), including provisions totalling EUR 146.4 million, rose by 41% on adjusted EBITDA for the first nine months of 2007, recorded at EUR 103.2 million. Adjusted EBITDA for the third quarter of 2008 amounted to EUR 50.6 million, up 22% on the EUR 41.6 million figure recorded for the third quarter of 2007.

At 30 September 2008, the Group had over three million active users, of which 2.4 million were ADSL users. Of these, over 1.2 million were direct customers (ULL), while customers purchasing bundled services (VoIP and CPS voice services and access services) totalled over 1.1 million.

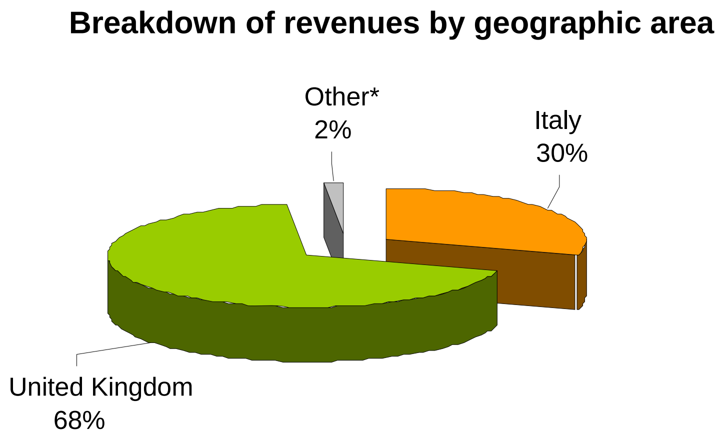
It should be stressed that the positive growth of the quarter came despite the general slowdown in the market, tied to seasonal business trends in the summer months, turbulence on financial markets, and the structural macroeconomic crisis, with a consequent fall in demand that has had a wide impact on business performance.

The reclassified income statement reported below can be reconciled with the consolidated income statement included in this quarterly report.

ECONOMIC POSITION

CONSOLIDATED INCOME STATEMENT	30 September 2008 Nine months	30 September 2007 Nine months
(EUR 000)		
Revenues	**783,220**	**614,332**
Other income	4,091	5,092
Purchase of materials and outsourced services	571,712	441,674
Payroll and related costs	77,585	72,515
Other net operating charges (income)	(8,375)	1,722
Gross operating result (adjusted EBITDA)	**146,389**	**103,512**
Costs for stock option plans and other provisions	5,225	1,287
Write-downs of receivables from customers	22,488	16,065
Gross operating result (EBITDA)	**118,676**	**86,160**
Restructuring costs and other write-downs	37,093	10,368
Amortisation/depreciation	132,244	112,111
Operating result	**(50,661)**	**(36,318)**
Portion of results of equity investments carried at equity	(15)	(342)
Net financial income (charges)	(64,459)	(43,676)
Other net financial income (charges)	-	(17,881)
Pre-tax result	**(115,134)**	**(98,218)**
Income taxes	5,307	(2,112)
Net result from operating activities (on-going)	**(109,827)**	**(100,330)**
Net result from assets disposed of and/or destined for disposal	**-**	**91,488**
Net result	**(109,827)**	**(8,842)**
Minority interests	(11,628)	(4,958)
Group net result	**(98,199)**	**(3,884)**

REVENUES BY GEOGRAPHIC AREA FOR THE FIRST NINE MONTHS OF 2008



** The item Other includes revenues from Tinet and other minor subsidiaries.*

Italy[3]

Operating income statement – Italy

(EUR mln)	30 September 2008 Nine months	30 September 2007 Nine months
Revenues	**235.0**	**213.5**
of which ADSL revenues	**92.1**	**74.0**
of which Voice revenues	**69.4**	**50.9**

In the first nine months of 2008, Tiscali Italia S.p.A. recorded revenues totalling EUR 235.0 million, up 10% on the EUR 213.5 million figure recorded for the corresponding period of 2007. Revenues from voice and ADSL services, the core business of the Italian subsidiary, recorded higher growth rates. More specifically, revenues from ADSL access services amounted to EUR 92.1 million, an increase of 24% on the EUR 74.0 million recorded for the first nine months of 2007. Voice revenues amounted to EUR 69.4 million, an increase of 36% compared to the first nine months of 2007 (EUR 50.9 million).

[3] *We note that following the merger of Tiscali Italia S.p.A. and Tiscali Services S.p.A. with effect from 1 January 2008, the figures detailed in this report concerning the Italian subsidiary include within Tiscali Italia the new consolidation area that has been rendered equivalent also for the purposes of comparison with the quarterly report at 30 September 2007.*

Operating income statement – Italy

(EUR mln)	**30 September 2008 Three months**	**30 September 2007 Three months**
Revenues	**76.9**	**73.8**
of which ADSL revenues	**32.9**	**26.1**
of which Voice revenues	**23.7**	**19.4**

Group revenues in Italy in the third quarter of 2008 totalled EUR 76.9 million, an increase of 4% on the same period of 2007 (EUR 73.8 million). Revenues from ADSL access services, totalling EUR 33 million, rose by 26% compared to the EUR 26 million figure recorded for the third quarter of 2007. Voice revenues for the third quarter of 2008 amounted to EUR 24 million, up 22% on the third quarter figure for 2007.

At 30 September 2008 Tiscali recorded a net increase of around 63 thousand new ADSL customers in Italy compared to 30 September 2007, bringing the total customer base for this service up to 581,000, including over 371,000 customers already active and linked to the Tiscali network infrastructure (unbundled).

Customers purchasing double play services (data and voice over the internet*)* at 30 September 2008 totalled 244 thousand, an increase of 110 thousand new customers compared to the total number of double play customers in Italy at 30 September 2007. The customer base using dial-up access (narrowband) and CPS voice services stood at around 325 thousand users. The drop in the narrowband customer base reflects market trends towards the progressive replacement of narrowband with broadband services in customer offers.

Development of the customer base – Italy

EUR 000	**30 September 2008**	**30 September 2007**
ADSL customers	581	518
of which ULL	372	311
Narrowband and Voice customers	325	607
Dual play customers	244	134

Average ARPU for retail broadband and voice services in Italy came to EUR 30 per month for the first nine months of the year. The increase compared to average ARPU for 2007 is in line with business plan targets.

United Kingdom

Operating income statement – United Kingdom

(EUR mln)	30 September 2008 Nine months	30 September 2007 Nine months
Revenues	**534.6**	**394.6**
of which ADSL revenues	**295.1**	**245.8**
of which Voice revenues	**183.3**	**87.8**

In the first nine months of 2008, Tiscali UK recorded EUR 534.6 million in revenues, with a 35% increase on the figure recorded for the first nine months of 2007 (EUR 394.6 million). Growth in revenues was driven by systematic growth and growth in external lines through the acquisition of Pipex in September 2007.

The UK operations also saw the highest growth in the ADSL and Voice segments. ADSL access services recorded EUR 295.1 in revenues (55% of total revenues) for the first nine months of 2008, up 20% on the EUR 245.8 million figure recorded for the same period in 2007. Voice services, including analogue products sold alongside ADSL services, generated revenues of EUR 183.3 million, an increase of 109% on the EUR 87.8 million for the same period in 2007.

Operating income statement – United Kingdom

(EUR mln)	30 September 2008 Three months	30 September 2007 Three months
Revenues	**165.9**	**141.4**
of which ADSL revenues	**84.6**	**86.2**
of which Voice revenues	**64.1**	**36.2**

Group revenues in the United Kingdom in the third quarter of 2008 totalled EUR 165.9 million, an increase of 17% on the same period of 2007 (EUR 141.4 million). Revenues from ADSL access services amounted to approximately EUR 84 million, recording substantially no change on the third quarter figure for 2007, with a greater proportion of revenues deriving from dual and multiplay services. Voice revenues for the third quarter of 2008 amounted to EUR 64 million, up 77% on the third quarter figure for 2007.

At 30 September 2008, Tiscali UK had over 1,774,000 ADSL users, including around 889,000 direct customers (ULL), and around 887,000 customers subscribing to dual play services.

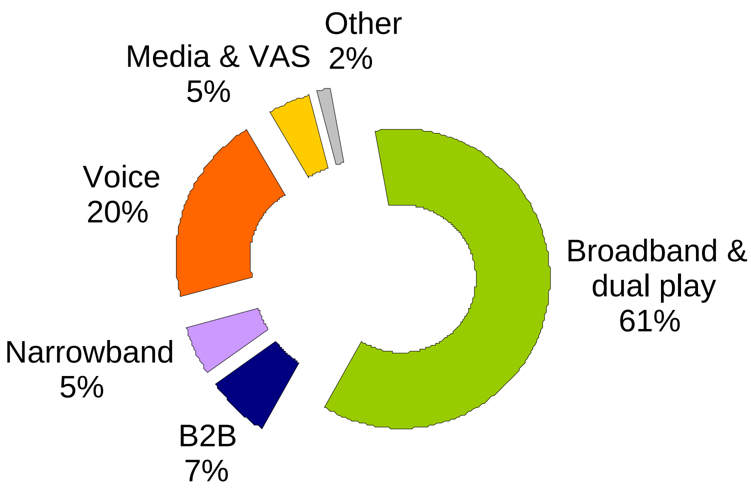
Development of the customer base – United Kingdom

EUR 000	30 September 2008	30 September 2007
ADSL customers	1,774	1,882
of which ULL	889	706
Narrowband and Voice customers	370	984
Dual play customers	887	560

Average ARPU for retail broadband and voice services in the United Kingdom came to EUR 28 per month for the first nine months of the year, recording no change on the 2007 figure, net of exchange effects, despite greater pressures from the competition.

REVENUES BY BUSINESS LINE

Breakdown of revenues by business line and access mode[4] in the first nine months of 2008



[4] Note: dual play revenues are included in broadband revenues for business lines in the graph.

Operating income statement – Group

(EUR mln)	**30 September 2008 Nine months**	**30 September 2007 Nine months**
Revenues	**783.2**	**614.3**
Access revenues	427.6	381.3
of which ADSL	387.1	319.9
Voice revenues	252.8	141.0
of which dual play (traffic component)	92.6	88.1
Revenues from business services	55.2	42.7
Revenues from media and added-value services	35.8	36.5
Other revenues	11.8	12.7
Gross margin	**358.5**	**283.5**

(EUR mln)	**30 September 2008 Three months**	**30 September 2007 Three months**
Revenues	**248.0**	**221.3**
Access revenues	128.6	129.5
of which ADSL	117.6	112.3
Voice revenues	87.8	56.7
of which dual play (traffic component)	26.2	32.3
Revenues from business services	19.3	15.8
Revenues from media and added-value services	10.1	11.9
Other revenues	2.2	7.2
Gross margin	**113.7**	**102.1**

Access

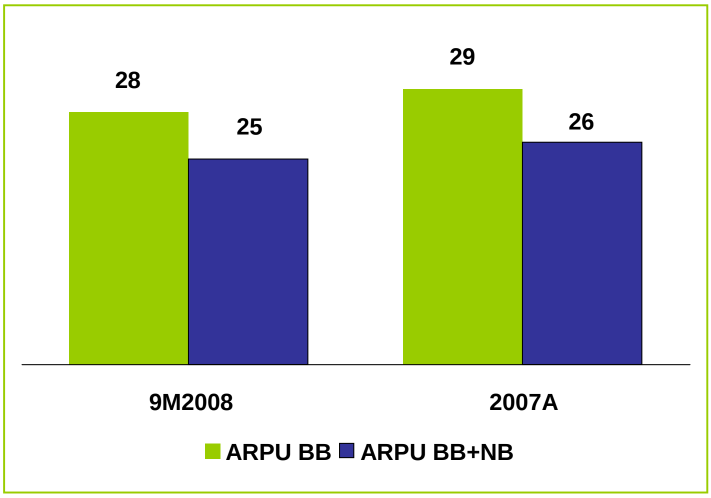
This segment includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services and the “flat” component of bundled access offers, and generated revenues in the first nine months of the year of EUR 427.6 million, representing 54% of the Group’s total revenues for the period, an increase of 12% compared to the figure for the same period in 2007 (EUR 381.3 million). An analysis of ADSL revenues on their own, which include the “flat” component of bundled access and voice service offers, reveals an increase of 21% in revenues during the first nine months of 2008 compared to first nine months of 2007 (EUR 387.1 million against EUR 319.9 million).
Access revenues for the third quarter of 2008 totalled EUR 128.6 million, equal to 52% of total revenues. The figure includes EUR 117.6 million from ADSL access services, which rose by 5% on the third quarter figure for 2007.

At 30 September 2008, ADSL customers totalled 2.3 million, of which around half (1.2 million) were direct customers, i.e. connected via the Tiscali ULL network.

Development of the customer base – Group

EUR 000	30 September 2008	30 September 2007
ADSL customers	2,355	2,400
of which ULL	1,261	1,016
Narrowband and Voice customers	695	1,591
Dual play customers	1,131	694

Development of retail ARPU in the quarter (EUR)



Voice

The voice segment includes both the traditional telephone service and a component of the variable traffic generated by voice services over IP offered together with internet access. These services have enabled the achievement of significant growth in revenues during the first nine months of the year (+79%), compared to the same period of 2007, especially thanks to offers of voice products (both in analogue and VoIP mode) provided to customers together with access services. Voice revenues for the first nine months of 2008 totalled EUR 252.8 million, compared to EUR 141.0 million for the first nine months of 2007. Total revenues for the first nine months of 2008 included EUR 92.6 million for the voice traffic components generated by VoIP services.
Voice revenues for the third quarter of 2008 amounted to EUR 87.8 million, up 35% on the figure recorded for the third quarter of 2007 (EUR 56.7 million). Such growth was in part due to the acquisition of Pipex voice customers.
Total voice revenues for the third quarter of 2008 included EUR 26.2 million in voice traffic components generated by VoIP services, which fell when compared to 2007. The decrease was due to the greater incidence of flat offers including voice and broadband access. Total Group revenues include EUR 117.6 million from ADSL access services, which rose by 5% on the third quarter figure for 2007.

Business services

Revenues from business services (VPN, housing, hosting services, domains and leased lines, etc.), therefore excluding those from access and voice products for the same customer base which are included in their respective business segments, amounted to EUR 55.2 million for the first nine months of 2008, up 29% on the EUR 42.7 million figure recorded for the same period in 2007. The figure was driven by the acquisition of Pipex B2B customers in the United Kingdom and a greater focus on the development of business services in Italy.
In the third quarter of 2008, revenues for this segment totalled EUR 19.3 million, an increase of 22% compared to the corresponding figure for 2007.

Media and value added services

In the first nine months of 2008, revenues for this segment (linked to direct and indirect advertising through commercial contracts with search engines) amounted to EUR 35.8 million, equal to 5% of total revenues. The business line does not include revenues from the sale of content, classified under the ‘access’ business line.

GROSS OPERATING RESULT (EBITDA)

Operating income statement – Group

(EUR mln)	30 September 2008 Nine months	30 September 2007 Nine months
Revenues	**783.2**	**614.3**
Gross margin	**358.5**	**283.5**
Indirect operating costs	**225.7**	**182.7**
Marketing and sales	74.7	65.6
Payroll and related costs	77.6	72.5
Other indirect costs	73.5	44.5
Gross operating result (EBITDA) - adjusted	**146.4**	**103.5**
Write-downs of receivables and other provisions	27.7	17.3
Gross operating result (EBITDA)	**118.7**	**86.2**
Amortisation/depreciation	132.2	112.1
Gross result (EBIT) before restructuring costs	**(13.8)**	**(26.4)**
Gross result (EBIT)	**(50.7)**	**(36.3)**
Group net result (operating activities)	**(98.2)**	**(87.6)**

(EUR mln)	30 September 2008 Three months	30 September 2007 Three months
Revenues	**248.0**	**221.3**
Gross margin	**113.7**	**102.1**
Indirect operating costs	**62.5**	**61.2**
Marketing and sales	13.8	23.1
Payroll and related costs	23.7	22.3
Other indirect costs	25.0	15.7
Gross operating result (EBITDA) - adjusted	**50.6**	**41.6**
Write-downs of receivables and other provisions	6.6	6.9
Gross operating result (EBITDA)	**43.9**	**34.6**
Amortisation/depreciation	46.5	40.1
Gross result (EBIT) before restructuring costs	**(2.7)**	**(5.5)**
Gross result (EBIT)	**(17.9)**	**(7.8)**
Group net result (operating activities)	**(40.9)**	**(30.6)**

The adjusted gross operating result (EBITDA) for the first nine months of 2008, before provisions for risk reserves, write-downs, depreciation and amortisation, was EUR 146.4 million, an increase of 21% compared to the EUR 103.5 million figure for the same period in 2007. For the third quarter of 2008, the adjusted gross operating result (EBITDA) amounted to EUR 50.6 million, up 22% on the EUR 41.6 million figure recorded for the third quarter of 2007.

EBITDA net of write-downs of receivables and other provisions totalled EUR 118.7 million for the first nine months of 2008, while for the third quarter alone, EBITDA came to EUR 43.9 million, up 27% on the same figure for the third quarter of 2007 (EUR 34.6 million).

The increase in write-downs of receivables and other provisions was the result of EUR 5.2 million in provisions for stock option costs and tighter policies adopted in Italy.

Indirect operating costs for the first nine months of the year stood at EUR 225.7 million (29% of revenues), falling as a proportion of revenues compared to the first nine months of last year (EUR 182.7 million, 30% of revenues).

Indirect operating costs included EUR 77.6 million in **payroll and related costs** for the first nine months of 2008, which fell as a proportion of revenues compared to the first nine months of 2007 (10% of revenues for the first nine months of 2008 compared to 12% of revenues for the same period of 2007). Cost controls for payroll and related costs were all the more significant if the increased size of the Group is taken into account, through the acquisition of Pipex's broadband and voice division.

Marketing costs, including sales and distribution expenses, rose in absolute value to total EUR 74.7 million (10% of revenues) in the first nine months of 2008, compared to EUR 65.6 million (11% of revenues) for the first nine months of 2007. The increase was in line with the company's strategy of a strong commercial boost in both Italy and the United Kingdom.

Other indirect operating costs for the first nine months of 2008 amounted to EUR 73.5 million (9% of revenues), up on the same figure for the first nine months of 2007 (EUR 44.5 million, 7% of revenues). The increase was mainly tied to the acquisition of the broadband and voice division of Pipex.

In the third quarter of 2008, **indirect operating costs** stood at EUR 62.5 million (25% of revenues), falling as a proportion of revenues compared to the third quarter 2007 figure (EUR 61.2 million, 28% of revenues). Indirect operating costs included EUR 23.7 million in **payroll and related costs** (10% of revenues), which rose by 6% on the third quarter 2007 figure (EUR 22.3 million, 10% of revenues). **Marketing costs** in the third quarter of 2008 totalled EUR 13.8 million (6% of revenues), representing a decrease on the figure for the same period last year (EUR 23.1 million, 10% of revenues). The drop in marketing costs when compared to the third quarter 2007 figure was driven by the strategic decision to concentrate investments in the first quarter of the year and rationalise investments in the final quarter of the year, in response to changes in the macroeconomic context.

Other indirect operating costs for the third quarter of 2008 amounted to EUR 25.0 million (10% of revenues), an increase of 59% on the third quarter 2007 figure (EUR 15.7 million, 7% of revenues). The increase in other indirect operating costs was mainly due to the acquisition of Pipex's broadband and voice customer base.

To illustrate the matter more clearly, here are the details of the operating costs/revenues making up the Gross Operating Result, as shown in the income statement table. In particular, the reconciliation between "purchase of materials and outsourced services" and "other operating costs" with the indirect operating costs described in this paragraph is pointed out.

EUR 000	**9 months 2008**	**9 months 2007**	**3 months 2008**	**3 months 2007**
Revenues	**783,220**	**614,332**	**248,048**	**221,279**
Other revenues	4,091	5,092	1,571	889
Purchase of materials and services, of which:	571,712	441,674	173,397	158,919
- marketing	74,689	65,628	13,795	23,130
- indirect costs (*)	72,345	52,663	25,304	23,988
- other direct costs	424,677	323,384	134,297	111,801
Payroll and related costs	**77,585**	**72,515**	**23,682**	**22,311**
Other operating costs, of which:	(8,375)	1,722	1,940	(632)
- other indirect costs (*)	1,116	(700)	(252)	(844)
- other operating costs	(9,491)	2,422	2,191	212
Gross operating result (EBITDA)	**146,389**	**103,512**	**50,600**	**41,569**
(*) Indirect cost total	73,461	51,963	25,053	23,144

OPERATING RESULT (EBIT)

The operating result for the first nine months of 2008, net of provisions and restructuring costs, came to a negative EUR 50.7 million, compared to the EUR 36.3 million loss for the same period of 2007. The figure was driven by higher depreciation and amortisation costs and prudential changes to policies governing provisions for receivables from customers.

In the third quarter of 2008, the operating result, net of provisions and restructuring costs, came to a negative EUR 17.9 million, compared to the EUR 7.8 million loss recorded in the third quarter of last year.

Overall **restructuring costs, provisions for risk reserves and write-downs** in the first nine months of 2008 totalled EUR 64.8 million (EUR 27.3 million in the same period of 2007). The increase was mainly due to restructuring costs tied to the acquisition of Pipex. More specifically, write-downs of receivables totalled EUR 22.5 million in the first nine months of 2008 (EUR 16.1 million in the first nine months of 2007), while restructuring costs totalled EUR 36.8 million (EUR 9.9 million in the same period last year), driven primarily by the acquisition of Pipex's broadband and voice division.

In the third quarter of 2008, **restructuring costs, provisions for risk reserves and write-downs** stood at EUR 22.0 million (EUR 9.3 million in the third quarter of 2007). More specifically, restructuring costs in the third quarter of 2008 totalled EUR 15.2 million (EUR 2.3 million in the third quarter of 2007), while write-downs of receivables totalled EUR 6.4 million (EUR 6.9 million for the same period in 2007).

Depreciation and amortisation totalled EUR 132.2 million in the first nine months of 2008 (EUR 112.1 million in the first nine months of 2007) and EUR 46.5 million in the third quarter of 2008 (EUR 40.1 million in the third quarter of 2007). The figure was affected by investments made over the period into the development of the unbundling network and the offer of ADSL services (modem and customer activation costs), and further driven by growth in the customer base following the acquisition of Pipex.

OPERATING RESULT BY GEOGRAPHIC AREA

The gross operating result (EBITDA) by geographic area is reported below net of infraGroup costs (mainly services rendered by the parent company and information technology services provided by the Italian operating company to other subsidiaries). Figures shown do not include write-downs of receivables by country.

Operating income statement – Italy

(EUR mln)	9 months 2008	9 months 2007	3 months 2008	3 months 2007
Revenues	**235.0**	**213.5**	**76.9**	**73.8**
Gross margin	**134.5**	**121.9**	**44.8**	**44.6**
Indirect operating costs	**85.1**	**72.2**	**21.8**	**22.9**
Marketing and sales	33.2	28.4	4.2	8.3
Payroll and related costs	31.2	30.6	10.1	9.5
Other indirect operating costs	20.6	13.2	7.5	5.1
Gross operating result (adjusted EBITDA)	**46.4**	**48.3**	**22.4**	**21.3**
Operating result (EBIT):	**(3.4)**	**2.4**	**5.8**	**5.7**

Tiscali Italia S.p.A ended the first nine months of 2008 with a gross operating result (adjusted EBITDA) of EUR 46.4 million, compared to the EUR 48.3 million figure recorded for the first nine months of 2007. In contrast, the gross margin – the industrial performance indicator used by the Italian subsidiary – rose by 10% on an annual basis, recording no change as a percentage of revenues. The drop in the figure was entirely due to the increase in operating costs, which rose by 18% from EUR 72.2 million in the first nine months of 2007 to EUR 85.1 million in the first nine months of 2008. In turn, operating costs were driven up by marketing costs, which rose by 17% in absolute value on an annual basis (from EUR 28.4 million in the first nine months of 2007 to EUR 33.2 million in the first nine months of 2008) and by one percentage point as a proportion of revenues (from 13% to 14%).

Tiscali Italia S.p.A. recorded a negative operating result (EBIT) of EUR 3.4 million in the first nine months of 2008 (compared to a positive EUR 2.4 million in the same period of 2007), despite the positive operating result of EUR 5.8 million recorded for the third quarter of 2008 (EUR 5.7 million in the third quarter of 2007).

The quarterly performance of the Italian subsidiary is reported in the table above.

Operating income statement – United Kingdom

(EUR mln)	9 months 2008	9 months 2007	3 months 2008	3 months 2007
Revenues	**534.6**	**394.6**	**165.9**	**141.4**
Gross margin	**218.0**	**163.5**	**66.2**	**57.8**
Indirect operating costs	**118.8**	**89.8**	**36.4**	**30.1**
Marketing and sales	**38.8**	**32.7**	**8.4**	**11.3**
Payroll and related costs	**31.3**	**29.6**	**10.6**	**8.8**
Other indirect operating costs	**48.7**	**27.5**	**17.4**	**10.0**
Gross operating result (adjusted EBITDA)	**82.9**	**58.6**	**24.1**	**22.6**
Operating result (EBIT):	**(53.8)**	**(24.9)**	**(25.1)**	**(12.2)**

The subsidiary **Tiscali UK** recorded a gross operating result (adjusted EBITDA) of EUR 82.9 million (16% of revenues) for the first nine months of 2008, an increase of 41% on the EUR 58.6 million (15% of revenues) recorded for the first nine months of 2007. Given that the gross margin was essentially stable, this increase was due to the acquisition of Pipex and the decrease in indirect costs as a percentage of revenues.

The operating result (EBIT) for the first nine months of 2008, net of EUR 35.4 million in restructuring costs tied to the acquisition of Pipex, totalled EUR 18.4 million, representing an improvement on the EUR 21.7 million loss recorded for the first nine months of 2007.
The EUR 53.8 million loss, up on the EUR 24.9 million loss recorded for the first nine months of 2007, was driven in part by higher restructuring costs and higher borrowing costs (EUR 108.2 million at 30 September 2008, compared to EUR 51.9 million in 2007).
The quarterly performance of the UK subsidiary is reported in the table above.

NET RESULT

The net result for the first nine months of 2008 came to a negative EUR 98.2 million, compared to the net loss of EUR 87.6 million (solely for continuing operations) recorded for the first nine months of 2007. The figure includes a total of EUR 40.5 million in interest expenses on the loan granted by Intesa SanPaolo and JP Morgan.

The net result for the third quarter of 2008 came to a negative EUR 40.9 million, compared to the net loss of EUR 30.6 million (solely for continuing operations) recorded for the third quarter of 2007. The figure includes approximately EUR 29.6 million in net interest.

EQUITY AND FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET (short form) (*EUR 000*)	**30 September 2008**	**31 December 2007**
Non-current assets	1,168,293	1,210,692
Current assets	308,532	389,249
Assets held for sale	-	-
Total Assets	**1,476,825**	**1,599,941**
Group shareholders' equity	232,918	169,647
Shareholders' equity pertaining to minority shareholders	2,491	37,322
Total Shareholders' equity	**235,409**	**206,970**
Non-current liabilities	709,624	786,623
Current liabilities	531,792	606,348
Liabilities directly related to assets held for sale	-	-
Total Liabilities and Shareholders' equity	**1,476,825**	**1,599,941**

ASSETS

Non-current assets

Non-current assets at 30 September 2008, totalling EUR 1,168.3 million, rose when compared to the 31 December 2007 figure, as a result of investments into the development of network infrastructure and the customer base. Tangible assets (property, plant and machinery) and other intangible assets totalled EUR 283.6 million and EUR 260.7 million respectively. Goodwill amounted to EUR 491.7 million, while deferred tax assets totalled EUR 108.1 million.

The extension of the unbundling network and the operating investments relating to the connection and activation of new ADSL customers generated investments during the nine months of around EUR 143.7 million, including EUR 71.8 million for investments in intangible assets and around EUR 71.9 million for investments in tangible fixed assets.
Investments totalled EUR 45.1 million in Italy, and approximately EUR 92.9 million in the United Kingdom.

Current assets

Current assets at 30 September 2008 amounted in total to EUR 308.5 million, down on the figure for 31 December 2007 (EUR 389.2 million). Receivables from customers at 30 September 2008 totalled EUR 188.6 million, compared to EUR 164.4 million at 31 December 2007. Other receivables and other current assets (totalling EUR 73.5 million) included accrued income from access services rendered, prepaid service costs, and other receivables including VAT receivables.

LIABILITIES

Non-current liabilities

Non-current liabilities at 30 September 2008 totalled EUR 709.6 million, a decrease on the EUR 768.6 recorded at 31 December 2007. Along with items concerning the financial position, reported in following section, the figure includes other non-current liabilities, of which EUR 112.6 million were payables due to former VNIL shareholders, relating to the current value of tax losses, the evaluation of the put option, and long-term payables to suppliers.

Current liabilities

Current liabilities amounted to EUR 531.8 million at 30 September 2008 (compared to EUR 606.4 million at 31 December 2007). The item mainly includes the current portion of financial payables, payables to suppliers, accrued expenses relating to the purchase of access services and line rental, the staff severance indemnity, provisions for risks and charges, and taxation provisions.

FINANCIAL POSITION

At 30 September 2008, the Tiscali Group held cash and cash equivalents totalling EUR 34.4 million, against a net financial debt, at the same date, of EUR 556.7 million (EUR 578.9 million at 30 June 2008, referring to operating activities only).

EUR 000	30 September 2008	30 June 2008	31 December 2007
A. Cash	34,424	43,267	134,231
B. Other cash equivalents	14,831	15,724	16,290
C. Securities held for trading	-		-
D. Cash and cash equivalents (A) + (B) + (C)	***49,255***	***58,992***	***150,521***
E. Current financial receivables	***8,131***	***7,956***	***12,130***
F. Non-current financial receivables	4,564	10,531	1,274
G. Current bank payables	52,444	25,926	176,204
H. Current portion of non-current debt	-		-
I. Other current financial payables (*)	22,634	30,418	19,502
J. Current financial debt (G) + (H) + (I)	**75,078**	***56,334***	***195,706***
K. Net current financial debt *(J) – (E)- (F) – (D)*	**13,129**	**21,133**	**31,781**
L. Non-current bank payables	440,147	440,849	450,053
M. Bonds issued	-	53,897	43,842
N. Other non-current payables (**)	103,478	105,324	109,553
O. Non-current financial debt *(L) + (M) + (N)*	**543,625**	**600,070**	**603,448**
P. Net financial debt *(K) + (O)*	**556,754**	**578,936**	**635,230**

(*) includes leasing payables
(**) includes leasing payables and payables due to shareholders

In order to ensure consistency with the data provided in former reports, the above table includes VAT receivables under current financial receivables and guarantee deposits under other cash equivalents. The table below provides a reconciliation of the above financial position with the same statement prepared in accordance with Consob resolution of 28 July 2006.

EUR 000	30 September 2008	30 June 2008	31 December 2007
Consolidated net financial debt	**556,754**	**(578,936)**	**(635,230)**
Other cash, cash equivalents and current financial receivables	19,950	(20,688)	(20,909)
Consob consolidated net financial debt	**576,704**	**(599,625)**	**(656,139)**

The change in financial debt was due to the repayment of the bridging loan granted by Banca IMI and JP Morgan in July 2007 for a total of EUR 150 million, using the proceeds from the share capital increase of approximately EUR 150 million concluded in February 2007 and EUR 25 million from the credit facility totalling EUR 50 million granted by the same two banks.

The item non-current payables includes the amount of the loan disbursed on 13 September 2007 by Banca Intesa Sanpaolo and JP Morgan, amounting to EUR 440.2 million. The loan, totalling a nominal EUR 500 million, was stated in accounts on the basis of amortized cost. The credit facility and the line of liquidity with Intesa Sanpaolo contain financial commitments (financial covenants) essentially linked to the observance of the following financial indicators that must be assessed, at consolidated level, on a quarterly basis: the ratio of debt to adjusted EBITDA and the ratio of adjusted EBITDA to principal and interest payments to service the debt (Debt Service Cover Ratio). The company confirms that the above indicators were met at 30 September 2008.

Other non-current payables (EUR 103.5 million) include EUR 29,5 million relating to the loan bearing interest at market rates, disbursed during 2004 by the shareholder Andalas Limited. The loan was raised to support the investments necessary for supporting growth and in particular the implementation of an unbundling network infrastructure. On 13 September 2007, this loan was postponed by six months with respect to the expiry of the new loan granted by Banca Intesa Sanpaolo and JP Morgan.

The figure further includes payables due to leasing companies for finance leases, payables deriving from the sale & lease back transaction on the Cagliari office, and lease agreements on network equipment, servers and other equipment used directly in the production process.

Bonds recorded a nil balance compared to EUR 43.8 million at 31 December 2007, following the full conversion of the convertible bonds worth a total EUR 60 million subscribed by Management&Capitali into newly issued shares in September 2008.

SIGNIFICANT EVENTS DURING THE FIRST NINE MONTHS OF 2008

Execution of share capital increase under option

The share capital increase involved the issue of 149,792,880 ordinary shares with a nominal value of EUR 0.50 per share and regular entitlement, to be offered to the shareholders, in the ratio of 6 new shares for every 17 shares held, at a price of EUR 1.00 each, for a total value of EUR 149,792,880. The equivalent value of the share capital increase (approximately EUR 150 million) was used to repay the bridging loan granted by Intesa Sanpaolo and JP Morgan in July 2007.

Appointment of Mario Rosso as Chief Executive Officer

Partly as a result of the successful completion of the share capital increase transaction, during the meeting held on 28/29 February the Board announced that the strategic repositioning and equity/financial enhancement phase covering the last two years had been concluded. Having reached an agreement with the Company, Tommaso Pompei therefore resigned from his office and the Board of Directors appointed the Director Mario Rosso to manage and co-ordinate this new strategic phase for the Company, appointing him as Chief Executive Officer.

Treasury share purchase programme

In implementation of the treasury share purchase programme, initiated on 19 March 2008, relating to the stock options assigned to Tommaso Pompei, Tiscali purchased 2,600,000 treasury shares on 18 April (corresponding to around 0.45% of the share capital), at an average unit price of EUR 2.379, for a consideration of approximately EUR 6.2 million. The purchase transactions were carried out in accordance with the provisions set forth in Articles 2357 and following of the Italian Civil Code and within the limits set in the authorisation from the shareholders' meeting.

Appointment of the new Board of Directors and audit mandate to Reconta Ernst&Young S.p.A.

On 29 April 2008, the Ordinary Shareholders' Meeting of Tiscali appointed the new Board of Directors. The new Board consists of five members: Mario Rosso (Chairman and Chief Executive Officer), Massimo Cristofori, Francesco Bizzarri and Arnaldo Borghesi (reappointed) and the new independent director Umberto De Julio.

The Shareholders' Meeting also appointed Reconta Ernst & Young S.p.A as auditor for the years 2008-2016.

New organisational structure for the finance area

On 9 June 2008, Massimo Cristofori, the Group's CFO, who has been with Tiscali since its start up phase, resigned from the Company, whilst maintaining his role as Director of Tiscali S.p.A.

As a result of the Parent Company's new organisational structure the heads of the functions in the Finance area now report directly to Mario Rosso, the Group CEO, namely: Ernesto Fara (Head of Administration and Treasury), Romano Fischetti (Head of Planning, Reporting and Control, designated as Manager in charge of drawing up the corporate accounting documents), Antonio Corda (Head of Legal and Corporate Affairs) and Chiara Dorigotti (Head of Investor Relations and Communication). Luca Scano has assumed the role of CFO of Tiscali Italia.

On 7 August, the Board of Directors appointed Romano Fischetti, Head of Planning, Reporting and Control, as Manager in charge of drawing up the corporate accounting documents.

Share capital increase for the conversion of M&C-held convertible bonds

In September 2008, the convertible bonds subscribed by Management&Capitali (M&C) on 27 December 2007, for a total EUR 60 million, were fully and automatically converted (including capitalised interest) into approximately 42.3 million ordinary Tiscali S.p.A. shares, representing approximately 6.9 per cent of the share capital following the new issue.

SIGNIFICANT EVENTS AFTER SEPTEMBER 30TH 2008

In response to reports published by press bodies, on 3 November 2008 the company confirmed that negotiations were underway with the BSkyB Group for the sale of its assets in the United Kingdom.

On 7 November 2008, Standard&Poors' announced that it would be withdrawing its corporate rating on part of the company's long-term debt at the request of the company, following changes to future financing strategies.

On 11 November 2008, Mr Mario Mariani resigned as Chief Executive Officer of Tiscali Italia and was replaced by Mr Mario Rosso, who will be assisted in the co-ordination of operating activities by Mr Luca Scano, CFO of Tiscali Italia.

BUSINESS OUTLOOK AND PROSPECTS FOR 2008

A new Business Plan will be approved by the company by the end of the current financial year. Developments in the strategic review process underway will be determinant if new scenarios are forecast, which may substantially change the business activities of the Tiscali Group.

CORPORATE GOVERNANCE REPORT: SUMMARY

In relation to the system of management and control, the Company has adopted the traditional model, which envisages the presence of the Board of Directors and the Board of Statutory Auditors. Notwithstanding the fact that recent company law reforms have given public limited companies the right to adopt models that depart from the traditional structure, the company has, at present, decided to keep its system of corporate governance unchanged in order to guarantee continuity and consistency with the consolidated structure, allowing a distinct division of roles and powers between governing bodies, in consideration of the provisions of the Code of Conduct for Listed Companies.

At present, the governing bodies are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting. A new Board of Directors was appointed by the Shareholders' Meeting on 29 April 2008 to replace the previous Board, whose term of office expired with the approval of the 2007 financial statements. At its first meeting on 29 April, the new Board of Directors decided and approved its internal appointments. The current members of the Board of Directors of the company are Mario Rosso, Chairman and Chief Executive Officer, Umberto De Iulio, Independent Director, Francesco Bizzarri, Arnaldo Borghesi and Massimo Cristofori.

At 30 September 2008, the Board of Directors had meet six times on the dates 10 January, 27 February, 19 March, 29 April, 12 May and 7 August.

The Shareholders' Meeting on 29 April 2008 appointed Reconta Ernst & Young S.p.A. as auditor, replacing Deloitte&Touche S.p.A.

The Board of Statutory Auditors consists of Aldo Pavan (Chairman), Piero Maccioni and Andrea Zini (Statutory Auditors), and Rita Casu (Deputy Auditor).

For further, more detailed information on the corporate governance of the Group, please see the Annual Financial Statements 2007 and the "Annual Report on Corporate Governance and on Compliance with the Recommendations of the Code of Conduct for Listed Companies" published on the website http://investors.tiscali.com/tiscali/Documents

CONSOLIDATED FINANCIAL STATEMENTS IN SHORT FORM

CONSOLIDATED INCOME STATEMENT	30 September 2008	30 September 2007
(EUR 000)		
Revenues	783,220	614,332
Other income	4,091	5,092
Purchase of materials and outsourced services	571,712	441,674
Payroll and related costs	77,585	72,515
Costs for stock option plans and other provisions	5,225	1,287
Other net operating charges (income)	(8,375)	1,722
Write-downs of receivables from customers	22,488	16,065
Restructuring costs and other write-downs	37,093	11,655
Amortisation/depreciation	132,244	112,111
Operating result	**(50,661)**	**(36,318)**
Portion of results of equity investments carried at equity	(15)	(342)
Net financial income (charges)	(64,459)	(43,676)
Other net financial income (charges)	-	(17,881)
Pre-tax result	**(115,134)**	**(98,218)**
Income taxes	5,307	2,112
Net result from operating activities (on-going)	**(109,827)**	**(100,330)**
Result from assets disposed of and/or destined for disposal	-	91,488
Net result	**(109,827)**	**(8,842)**
Minority interests	(11,628)	(4,958)
Group Net Result	**(98,199)**	**(3,884)**

CONSOLIDATED BALANCE SHEET	30 September 2008	31 December 2007
(EUR 000)		
Non-current assets		
Goodwill	491,672	515,022
Intangible assets	260,666	286,042
Properties, plant and machinery	283,593	272,260
Equity investments	2,450	2,465
Other financial assets	21,766	28,269
Deferred tax assets	108,147	106,634
	1,168,293	**1,210,692**
Current assets		
Inventories	8,276	10,756
Receivables from customers	188,611	164,452
Other receivables and other current assets	73,504	71,652
Other current financial assets	3,717	8,158
Cash and cash equivalents	34,424	134,231
	308,532	**389,249**
Total Assets	**1,476,825**	**1,599,941**
Capital and reserves		
Share Capital	308,273	212,207
Share premium reserve	990,858	902,492
Stock option reserve	14,407	9,969
Equity bond reserve	5,933	22,053
Retained losses and Other reserves	(988,353)	(911,765)
Loss for the period	(98,199)	(65,308)
Group shareholders' equity	**232,918**	**169,647**
Minority interests	2,491	37,322
Shareholders' equity pertaining to minority shareholders	**2,491**	**37,322**
Total Shareholders' equity	**235,409**	**206,970**
Non-current liabilities		
Bonds	-	43,842
Payables to banks and to other lenders	469,661	480,139
Payables for financial leases	73,964	79,467
Other non-current liabilities	129,097	120,807
Liabilities for pension obligations and staff severance indemnity	5,811	5,852
Provisions for risks and charges	11,283	28,624
Provision for deferred taxation	19,808	27,891
	709,624	**786,623**
Current liabilities		
Payables to banks and other lenders	52,444	176,204
Payables for financial leases	22,634	19,502
Payables to suppliers	288,077	239,127
Other current liabilities	168,637	171,515
	531,792	**606,348**
Total Liabilities and Shareholders' equity	**1,476,825**	**1,599,941**

CONSOLIDATED CASH FLOW STATEMENT (EUR 000)	30 September 2008	30 September 2007
Net result for the quarter from operating activities (on-going)	**(109,827)**	**(95,372)**
NET CASH FROM OPERATIONS	**39,200**	**14,157**
NET CASH USED FOR THE INVESTMENT ACTIVITY	**(140,073)**	**(396,727)**
NET CASH DERIVING FROM/(USED FOR) THE FINANCIAL ACTIVITY	**4,712**	**298,092**
EFFECTS DERIVING FROM ASSETS SOLD/AVAILABLE FOR SALE	**-**	**180,172**
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	**(96,161)**	**95,694**
Cash and cash equivalents of the assets operating at the beginning of the financial year	134,231	3,824
Cash and cash equivalents of the assets disposed of and destined to sale at the beginning of the financial year	-	5,029
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**134,231**	**8,853**
Effects of changes in foreign exchange rates	(3,646)	-
Cash and cash equivalents of the assets operating at the end of the quarter	-	104,544
Cash and cash equivalents of the assets disposed of and destined to sale at the end of the quarter	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (9 MONTHS)	**34,424**	**104,544**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share Capital	Share premium reserve	Stock option reserve	Equity bond reserve	Retained losses & other reserves	Group shareholders' equity	Minority interests	Total
Balance at 1 January 2008	**212,207**	**902,492**	**9,969**	**22,053**	**(977,074)**	**169,647**	**37,322**	**206,970**
Share capital increase	96,066	112,208				**208,273**		**208,273**
Increases/(decreases)			4,438	(16,120)	(6,187)	**(17,869)**	(21,110)	**(38,979)**
Treasury share purchases						**-**		**-**
Transfers covering losses		(23,842)			23,842	**-**		**-**
Exchange differences arising on the translation of the financial statements of foreign companies					(28,934)	**(28,934)**	(2,093)	**(31,028)**
Changes in the consolidation area						**-**		**-**
Net profit (loss) for the period					(98,199)	**(98,199)**	(11,628)	**(109,827)**
Balance at 30 September 2008	**308,273**	**990,858**	**14,407**	**5,933**	**(1,086,553)**	**232,918**	**2,491**	**235,409**

EXPLANATORY NOTES

Tiscali S.p.A. is a limited company incorporated under the laws of the Republic of Italy at the Cagliari Companies' Register. The Tiscali Group provides telecommunications services on the fixed network in the UK and in Italy. Tiscali offers integrated Internet access, telephone and multimedia services, and is positioned in particular in the IP technology services segment, enabling the provision of voice, Internet and video services using the same technological platform.

Tiscali has a mainly fibre optic network (the “Network”), which extends throughout various countries in the world and is locally connected to the national networks in the countries where the Tiscali Group is present. The Network, both supranational and national, is available to the Tiscali Group by virtue of indefeasible rights of use (IRU) or rental agreements. The supranational IP Network infrastructure is run by the subsidiary Tiscali International Network (“TiNet”), which offers connectivity services to the Tiscali Group and, under wholesale, also to other telephone operators.

These financial statements are presented in Euro (EUR), which is the currency used to conduct most of the Group’s operations. Foreign operations have been included in the consolidated financial statements according to the principles detailed below.

In preparing these financial statements the directors have assumed that the business is a going concern and therefore they have been drawn up using the standards and criteria applicable to companies in operation.

Indeed, even though the third quarter results reflect the effects of various factors including the increased competition pressure in the target markets and the fall in the UK Sterling exchange rate, the directors believe that the business’ focus on the Italian and UK market and the completion of the Group’s financial restructuring, including the share capital increase of EUR 150 million, concluded on 15 February 2008, have created the conditions and also provided the resources needed to sustain the Group’s development plans and to achieve financial and economic stability.

In terms of the business, the directors believe that, following the disposal of the non-core operations during 2007 and the acquisition in September 2007 of the Pipex Groups’ broadband and voice business (whose integration into the group is expected to be completed by the end of 2008), the Group will be able to consolidate and develop its operations in Italy and Great Britain. The directors’ forecasts are supported by the results from the launch of the bundled dual and triple play offers (which have led to a significant increase in ARPUs and the unit margins for target customers) and the additional improvements expected from the planned launch of quad-play offers in Italy following the agreements signed with Telecom Italia to become a mobile virtual operator.

From the financial perspective, the abovementioned capital increase has enabled the Group to restructure the composition and timing of the financial resources available for the implementation of its development plans. This completes a process, which started in the second half of 2007 involving the signature of the refinancing agreements with Banca Intesa SanPaolo and JP Morgan, the conclusion of the “sale & leaseback” transaction involving the properties of the Cagliari head office, the issue of the convertible bond subscribed by M&C, and the proceeds from the disposal of discontinued operations in Holland, Germany and the Czech Republic.

1 FORMAT AND CONTENT OF ACCOUNTING STATEMENTS

1.1 ACCOUNTING POLICIES

These consolidated condensed quarterly financial statements have been drawn up in accordance with the International Accounting Standards ("IFRS") issued by the Accounting Standards Board ("IASB") and ratified by the European Union. The IFRS also include all the reviewed international accounting standards ("IAS") and all the interpretations by the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC").

The format and content of these consolidated condensed quarterly financial statements conform to the information required by the International Accounting Standard no. 34 '*Interim Financial Statements*' *(IAS 34)*.

The structure of the notes to these consolidated condensed quarterly financial statements does not therefore include all the information required for year end financial statements, as the objective of this interim report, in accordance with IAS 34, is to provide an update on the financial, equity and profit and loss position provided in the consolidated financial statements at 31 December 2007.

These notes have been drawn up in condensed form, exercising the option provided for in IAS 34, and therefore do not include all the information required for annual financial statements drawn up in accordance with the IFRS.

The accounting standards and the calculation methods used in drawing up this quarterly report are the same as those applied for the preparation of the quarterly report at 30 September 2007 and the consolidated financial statements at 31 December 2007, which have been presented for comparison.

In accordance with the IFRS, the drawing up of the quarterly financial statements and the explanatory notes requires the management to make accounting estimates and in some cases assumptions in the application of accounting principles. The areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 of this section. The key judgments made by the management concerning the application of the accounting standards and the main sources of estimation uncertainty involved in the drawing up of these quarterly financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2007.

1.2 FINANCIAL STATEMENT FORMATS

These consolidated financial statements consist of accounting statements (Income Statement, Balance Sheet, Statement of changes in consolidated shareholders' equity, and Cash Flow Statement), accompanied by the explanatory notes. The Income Statement has been drawn up in line with the minimum contents required by IAS 1 – Presentation of Financial Statements – with the assignment of costs by nature; the Balance Sheet has been drawn adopting the format highlighting the division of "current/non-current" assets and liabilities; and the Cash Flow Statement has been drawn up according to the indirect method.

As from the financial statements ended 31 December 2007, the intermediate "gross operating margin" result will no longer be shown, in stricter adherence to the example income statement scheme proposed by IAS 1. Also, the income statement item "stock option plan costs" has been introduced, and the charges associated with "write-downs of receivables from customers" and "restructuring costs and other write-downs" have been shown under separate items.

The income statement for the third quarter of 2007 has been suitably reclassified to ensure that the figures are comparable.

1.3 SEGMENT REPORT

Tiscali Group's operations and the related strategies, together with the operations of its subsidiaries, are structured and broken down according to geographic segment, and this therefore represents the primary segment for segment reporting purposes, as required by IAS 14. The geographic areas mainly consist of:

- Italy
- UK
- TiNet
- Corporate and other businesses: minor Italian companies and corporate activities.

Lines of business (Access, Voice, Business services / Business, Media) represent the secondary reporting segment, at sector information level.

1.4 NON-CURRENT ASSETS HELD FOR DISPOSAL / DISCONTINUED OPERATIONS

Assets and/or groups of non-current assets undergoing disposal, ('Assets Held for Sale and Discontinued Operations'), as required by IFRS 5, have been classified under a specific item in the balance sheet and are valued at the lower of the their previous book value and market value, net of any sales costs, until the disposal of the assets.
Assets are classified under this item if their book value is expected to be recovered by means of disposal rather than through their continued use. This condition is only met when the sale is highly likely, the asset is available for immediate sale in its present condition and the Board of Directors of the parent company is committed to the sale, completion of which should be expected within one year from the date of classification.
Following the sale, the remaining values are reclassified under the different balance sheet items.
The revenues and costs related to assets held for sale and/or discontinued operations are shown under the item 'Results of discontinued operations' when the following conditions established for such operations by IFRS 5 are met:

a) they represent a significant independent line of business or geographic business area;
b) they are part of a single co-ordinated plan to dispose of an independent major line of business or geographic business area;
c) they involve subsidiaries acquired exclusively with a view to resale.

The income statement item 'Results from assets disposed of and/or to be disposed of' contains the following elements within a single item, net of the related tax effects:

- the period results achieved by the subsidiaries held for sale, including the adjustment of the relevant net asset to fair value;
- the result of the 'discontinued' operations, including the period result achieved by subsidiaries up to the date of transfer of control to third parties, together with gains and/or losses deriving from disposal.

A breakdown of the overall results for these assets is provided in the explanatory notes.

At 30 June 2008, the residual book values of the operations not disposed of in Holland, Germany and the Czech Republic have been reclassified under continuing operations. The residual balance sheet values of these operations are not significant.

1.5 SEASONALITY OF REVENUES

Tiscali's operations during the third quarter have not been significantly affected by phenomena associated with business seasonality.

2 ACCOUNTING STANDARDS

2.1 Basis of consolidation

The consolidation area includes the parent company Tiscali S.p.A. and the companies over which Tiscali – either directly or indirectly – has the power to govern financial and operating policies so as to obtain economic benefits from their activities. In the specific circumstances relating to Tiscali, control involves the majority of voting rights exercisable at the ordinary shareholders' meetings of the companies included in the consolidation area.

Subsidiaries are fully consolidated from the date when control is transferred to the Group and are de-consolidated from the date when control ceases.

In drawing up the consolidated financial statements the total amount of the assets and liabilities, and the costs and revenues of the consolidated companies are incorporated on a line-by-line basis, with the portion of the shareholders' equity and the net result due to Minority Shareholders recorded under specific items. The book value of the equity investment in each of the subsidiaries is offset against the corresponding portion of shareholders' equity of each subsidiary, including any fair value adjustments at the date of acquisition. Any positive difference arising is recorded as goodwill under intangible assets, as described below, whereas negative differences are recognised in the income statement.

All significant intra-company transactions within the Group and the related balances are cancelled out on consolidation, as are unrealised gains and losses on intra-group transactions.

Minority interests in shareholders' equity and the result for the period are classified separately from the Group's shareholders' equity and result for the period, on the basis of the percentage held by them in the Group's net assets.

If the losses attributable to Minority Shareholders in a consolidated subsidiary are greater than the shareholders' equity due to the Minority Shareholders of the subsidiary, the excess and any additional loss attributable to the Minority Shareholders are allocated to the shareholders' equity attributable to the shareholders of the parent company unless the Minority Shareholders are subject to a binding obligation and are capable of making a further investment to cover the losses. If the subsidiary subsequently generates profits, the profits attributable to the Minority Shareholders are allocated to the shareholders' equity due to the shareholders of the parent company until the amount of the Minority Shareholders' loss, previously covered by the shareholders of the parent company, has been recovered.

Equity investments in associates and jointly controlled companies are shown in the consolidated financial statements under non-current assets and are carried at equity, as required respectively by IAS 28 (*Investments in Associates*) and IAS 31 (*Interests in Joint Ventures*).
Associates are enterprises over which the Group has significant influence, namely the power to participate in the financial and operating policy decisions of the investee, but without control or joint control over those policies.

Under the equity method, equity investments in associates are initially recognised in the consolidated balance sheet at acquisition cost, adjusted for post-acquisition changes in the shareholders' equity of the associates, less any impairment in the value of individual equity investments. Any excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate at the date of acquisition is recognised as goodwill. This goodwill is included in the book value of the investment and is subject to impairment testing. Any negative difference between the acquisition cost and the Group's percentage share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate at the date of acquisition is recognised in the income statement in the financial year of acquisition. The consolidated financial statements include the Group's share of the profit or loss of associates and jointly controlled companies from the date when the significant influence begins until this significant influence no longer exists. If the Group's share of the losses of the associate exceeds the book value of the equity investment in the financial statements, the value of the equity investment is reduced to nil and the share of the additional losses is only recognised if the Group has an obligation to meet them.

Unrealised profits and losses from transactions with associates or jointly controlled companies are cancelled out in proportion to the Group's equity investment in the companies.

With regard to transactions involving interests in companies already controlled, in the event of acquisition, the Group pays the Minority Shareholders in cash or through new shares and, at the same time, cancels out the related minority interest and records Goodwill corresponding to the excess of the acquisition cost over the book value of the corresponding portion of assets and liabilities acquired. In the event of disposal, the difference between the disposal value and the corresponding book value in the consolidated financial statements is recorded in the income statement (Parent entity extension method).

Consolidation area

There have been no changes in the area of consolidation during the quarter. For the sake of completeness, we note the merger by incorporation of Tiscali Service S.p.A into Tiscali Italia S.p.A. with effect from 1 January 2008.

Foreign currency transactions

The financial statements of foreign subsidiaries are presented in the currency of the primary economic environment in which they operate (operating currency). When preparing the financial statements of the individual companies, transactions in currencies other than Euro are initially recognised at the exchange rate prevailing at the transaction date. At the reference date, the monetary assets and liabilities expressed in the abovementioned currencies are retranslated using the rates prevailing at that date. Non-monetary items recognised at ‘fair value’ and expressed in foreign currency are retranslated at the rates prevailing on the date of their fair value calculation.

Exchange differences arising from the settlement of monetary items and the retranslation of monetary items using current exchange rates at the year end, are booked to the income statement for the period.

In drawing up the consolidated financial statements, the assets and liabilities of foreign subsidiaries with operating currencies other than Euro are translated into Euro at the rates prevailing at the period end date. Revenues and costs are translated at the average exchange rate for the period. The exchange differences arising from the application of this method are classified in shareholders’ equity under Translation reserve. This reserve is booked to the income statement as an income or expense in the period when the foreign subsidiary is disposed of.
The exchange differences arising from intra-group receivable/payable relationships of a financial nature are recorded in shareholders’ equity under a specific translation reserve.

The main exchange rates used for translation of the 2008 and 2007 financial statements of foreign companies into Euro were:

	30 September 2008		31 December 2007		30 September 2007	
	Average	Final	Average	Final	Average	Final
GB Pound	0,7992	0,7903	0,6994	0,7334	0,6889	0,6968
Czech Coruna	24,498	24,660	26,317	26,628	27,573	27,532

2.2 Business combinations and goodwill

The acquisition of a controlling interest in companies is accounted for using the purchase method, in accordance with IFRS 3 – Business combinations. The cost of the acquisition is therefore measured as the sum of the fair values, at the date of the exchange, of the assets and the liabilities incurred or undertaken in relation to the acquired company, and of any financial instruments issued by the Group in exchange for control of the acquired company, plus any costs directly attributable to the business combination.

The identifiable and acquired assets, liabilities and contingent liabilities of the acquired company (including the Minority Shareholders’ interest) that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

The excess of the cost of the business combination over the Group’s share of the net fair value of the identifiable assets, liabilities, and contingent liabilities recognised represents the goodwill arising on acquisition, which is recorded as an asset and initially valued at cost. If, after reassessment, the Group’s share of the fair value of the acquired company’s identifiable assets, liabilities, and contingent liabilities exceeds the cost of the business combination, this excess is immediately booked to the income statement.

The minority shareholders’ interest in the acquired company is initially stated as their proportion of the fair values of the assets, liabilities and contingent liabilities stated.

After the initial recognition, the goodwill is recorded at cost less any accumulated impairment losses. In accordance with IFRS 3, goodwill is not amortised, but is subject to impairment tests in order to identify any reductions in value.

Impairment testing on goodwill is compulsorily repeated once a year or more frequently if events or changes in circumstances indicate a possible impairment, i.e. a loss of value.

The impairment, if any, is identified by means of assessments referring to the ability of each 'unit', in this case the subsidiary, to generate cash flows sufficient to recover the goodwill allocated to the unit. The recoverable amount is the higher of the 'fair value' net of sales costs and the value in use. The value in use is determined on the basis of the expected future cash flows, which are discounted at a rate that reflects the current market estimate of the cost of money, the cost of capital and the risks specific to the unit. If the estimated recoverable amount of the unit concerned is lower than its book value, the latter is written down to its recoverable amount. Impairments are booked to the income statement under write-down costs and may not be subsequently reversed.

On first time adoption of the IFRS and in accordance with the exemption provided for by IFRS 1, it was not considered necessary to make use of the option of 'reconsidering' the acquisition transactions carried out prior to 1 January 2004. Consequently, the goodwill deriving from the business acquisitions taking place prior to this date has been stated at the value recorded for this purpose in the last set of financial statements drawn up on the basis of the previous accounting standards (1 January 2004, date of changeover to the IFRS), subject to verification and recognition of any impairment losses arising at the date when this document was drawn up.

On disposal of a subsidiary, the net book value of the goodwill is calculated as the expected capital gain or loss on disposal.

2.3 Intangible assets

Computer software – Development costs

Acquired computer software licenses are capitalised and included under intangible assets at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Internally-generated intangible assets arising from costs incurred for the development of applications software under Group control and directly associated with the production of services, in particular relating to 'technological platforms' for access to and management of the Tiscali network, are recognised when:

- the general conditions set out in IAS 38 for the capitalisation of intangible assets have been met: (a) the asset created can be identified; (b) it is likely that the asset created will generate future economic benefits; and (c) the development cost of the asset can be reliably measured;
- the Group can demonstrate: the technical feasibility of completing the intangible assets in order to make them available for use or for sale; its intention to complete the asset to use it or sell it; how the asset will generate future economic benefits; the availability of technical, financial and other resources to complete the development its development; and its ability to reliably measure the cost attributable to the asset during its development.

During the period of development, the asset is reviewed on an annual basis to determine whether there has been any impairment. After their initial recognition, the development costs are valued at cost less any amortisation and impairment losses. The amortisation of the asset starts from the time when the development has been completed and the asset is available for use. The cost is amortised with reference to the period over which the associated project is expected to generate revenues for the Group.

Costs associated with the development and ordinary maintenance of software that do not meet the above mentioned requirements, and research costs are charged in full to the income statement in the period in which they are incurred.

Long-term rights of use (IRU – 'Indefeasible Right of Use')

IRUs are classified under the category "concessions and similar rights" and consist of the costs incurred for the purchase of long-term rights of use for the fibre optics network, namely 'transmission capacity' and related charges. They are amortised on a straight-line basis, either over the remaining life of the agreement or the estimated utilisation period of the right, whichever is the shorter. The amortisation period varies on average from 12 to 15 years.

Broadband service activation costs

These assets relate to investments incurred for the activation of broadband (ADSL) services, such as payments to 'network operators' for connection to the Tiscali network in the various geographic areas and related user equipment. These capitalised costs are amortised on a straight-line basis with reference to the minimum legal duration of the customer contract, currently 12 months, after which the contract is automatically renewed, though the customer has the option to withdraw without penalty. For amortisation purposes the reference period is significantly shorter than the expected duration of the customer contract, usually 36 months on average, based on company statistics and market conditions. The criterion adopted complies with IAS 38 – Intangible assets, given that the customer has the right 'not to renew' the contract beyond the minimum period.

Intangible assets also include those originating from the VNL and Pipex business combinations in relation to software, IPTV content agreements, brands, customer databases and non-competition agreements, which are amortised on average over five years.

2.4 Properties, plant and machinery

Properties, plant and machinery are recorded at purchase or production cost, including accessory charges directly attributable to the purchase of the items, less accumulated depreciation and any write-downs for impairment. These tangible assets do not include any revaluations.

Depreciation is calculated on a straight-line basis on the cost of each asset, net of its residual value, if any, over its estimated useful life. Land, including that annexed to buildings, is not depreciated.

The depreciation rates are reviewed on an annual basis and are amended if the current estimated useful life differs from previous estimates. The effects of such changes are recognised in the income statement on a prospective basis.

The depreciation rates adopted for IP and Ethernet network equipment (such as routers and L3/L2 switches), which represent the most significant plant category, have been calculated on the basis of a report drawn up by an independent consultant.

The minimum and maximum depreciation rates applied during the third quarter of 2007 and 2008 are shown below:

Buildings	3%
Plant	12%-20%
Equipment	12%-25%

Routine maintenance expenses are charged to the income statement in full, in the period in which the costs are incurred, whereas maintenance expenses of an incremental nature are allocated to the related assets and are depreciated over their residual useful life.

Costs incurred for improvements to third party assets are capitalised and shown under the classes of assets they refer to, and are depreciated over either the estimated useful life of the asset or the remaining term of the lease, whichever is shorter.

Gains and losses arising on disposals of items of property, plant and machinery are calculated as the difference between the sale proceeds and the net book value and are booked to the income statement for the period.

Assets held under finance lease

Leases are classified as finance leases when the terms of the lease effectively transfer all the risks and benefits of ownership to the lessee. All other leases are considered as operating leases.

Assets held under finance lease are recognised as Group assets at their fair value at the time of signature of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability towards the lessor is included in the balance sheet as a finance lease obligation, under financial payables. Lease payments are divided into their capital and interest elements. Financial charges are booked directly to the income statement for the year.

Assets held under finance lease are depreciated using the straight-line method based on their estimated useful life, in the same way as owned assets, or over the lease term if shorter and only if there is no reasonable certainty of redeeming the asset based on the lease expiry terms.

Also, for asset disposal and backdating operations on the basis of financial lease contracts, the realised capital gains are deferred for the duration of the contracts or, if lower, for the residual life of the asset.

Operating lease payments are booked to the income statement as costs on an accruals basis.

2.5 Impairment of assets

Goodwill, intangible assets with an indefinite useful life and assets in progress are tested annually for impairment or more frequently if there is any indication that they have suffered impairment. The book value of intangible assets with a definite useful life and property, plant and equipment are tested for impairment whenever events or changes in circumstance indicate that their carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit (CGU) the asset belongs to. The recoverable amount is the higher of the 'fair value' net of sales costs and the value in use. When assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments on the value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its book value, the latter is written down to its recoverable amount. The related impairment is booked to the income statement under write-downs. If the reasons for impairment are considered to no longer apply in the current year, the book value of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but not beyond the net carrying value that would have been established had no impairment been recognised for the asset in previous years. The impairment reversal is booked to the income statement.

2.6 Financial instruments

Loans and receivables

The Group's receivables are shown under the items "other non-current financial assets", "receivables from customers", "other receivables and other current assets" and "other current financial assets", and include guarantee deposits, trade receivables, and receivables from others originating from the core business.
If they do not have a fixed expiry, they are valued at amortised cost using the effective interest method. When financial assets have no fixed expiry, they are valued at the acquisition cost. Receivables with an expiry over one year, non-interest bearing receivables, and receivables accruing interest at rates lower than market rates, are discounted using market rates.
Estimates are regularly made to determine whether there is objective evidence that a financial asset or a group of assets have suffered a loss in value. If there is objective evidence, the loss in value must be recorded as cost in the income statement for the period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, on-demand deposits, and short-term bank deposits with an original envisaged maturity period of no more than three months.

Financial payables and liabilities

The Group's financial payables and liabilities are shown under the items "bonds", "payables to banks and other lenders", "payables for finance leases", "other non-current liabilities", and "payables to suppliers", and include trade payables, payables due to others, and payables of a financial nature, including payables for loans received for advances received on the assignment of credits and financial leases.

Trade payables and other payables are recorded at their nominal value. Financial payables are initially recognised at cost, corresponding to the fair value of the amount receivable, net of any accessory costs. Subsequently, these payables are valued at amortised cost using the effect interest rate method, calculated by considering their issue costs and any other premium or discount provided for on settlement.

Convertible bonds
Convertible bonds are financial instruments made up of a liability component and a shareholders' equity component. At the date of issue, the fair value of the liability component is estimated using the current interest rate in the market for similar non-convertible bonds. The difference between the net amount obtained from the issue and the fair value assigned to the liability component (representing the implicit option of converting bonds into shares of the Group) is included in the shareholders' equity as a capital reserve.
The issue costs are split between the liability component and the shareholders' equity component, on the basis of their respective book values at the date of issue. The part relating to the shareholders' equity is posted as a direct reduction of the latter.
The interest expenses relating to the liability component are calculated using the current interest rate in the market for similar non-convertible bonds.
The difference between this amount and the interest actually paid is recorded as an increase in the book value of convertible bonds.

Derivative financial instruments

Periodically the Group uses derivative financial instruments mainly to hedge its financial risks associated with interest rate fluctuations on long/medium term debt. In accordance with its treasury management policies, the Group does not use derivative financial instruments for declared trading purposes.

Derivative instruments are recorded and subsequently measured at fair value. For hedges, the Group adopts the rules established by IAS 39 on 'Hedge accounting', as follows:

Cash flow hedge

These are derivatives to hedge exposure to fluctuations in future cash flows arising in particular from risks relating to changing interest rates on loans. Changes in the fair value of the 'effective' portion of the hedge are booked to equity while the ineffective portion is booked to the income statement. Hedge effectiveness, i.e. its ability to adequately offset fluctuations caused by the hedged risk, is periodically tested, analysing in particular the correlation between the 'fair value' or the cash flows of the hedged item and those of the hedging instrument.

Fair value hedge

Hedging instruments fall within this classification when used to hedge changes in the fair value of an asset or liability attributable to a specific risk. Changes in value related both to the hedged item, in relation to changes caused by the underlying risk, and to the hedging instrument are booked to the income statement. Any difference, representing the partial ineffectiveness of the hedge, therefore represents the net economic effect.

In accordance with the requirements of IAS 39, hedging derivative financial instruments are only accounted for according to the procedures established for hedge accounting when:

- at the start of the hedge, the hedging relationship is formally designated and documented;
- the hedge is expected to be highly effective;
- its effectiveness may be measured reliably;
- the hedge is highly effective during the various accounting periods for which it is designated.

For financial instruments that do not qualify for hedge accounting, changes arising from the fair value measurement of the derivative are booked directly to the income statement.

The Group does not currently apply hedge accounting to its existing derivative financial instruments.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Given the circumstances and characteristics of the Group's assets, the cost relates to direct materials.
The cost is calculated using the average cost method. The net realisable value is the selling price less the costs considered necessary to achieve the sale.

2.8 Liabilities for pension obligations and staff severance indemnity

Defined benefit schemes (as classified by IAS 19), in particular the Staff Severance Indemnity relating to employees of the parent company and the subsidiaries with registered offices in Italy, are based on valuations performed at the end of each financial year by independent actuaries. The liability recognised in the balance sheet is the current value of the obligation payable on retirement and accrued by employees at the balance sheet date. No assets are held to serve the above scheme.

As permitted by IFRS 1 and IAS 19, Tiscali Group has not adopted the 'corridor approach', but has instead used the Projected Unit Credit Method, and therefore the actuarial gains and losses are entirely recognised in the period in which they arise and are directly recorded in the income statement.

Payments made in relation to outsourced pension schemes and defined contribution schemes are booked to the income statement in the period in which they are due. The Group does not award defined benefit post-employment schemes, therefore periodic contributions do not involve further liabilities or obligations to be recognised as such in the financial statements.

As from 1 January 2007, the 2007 Italian Finance Bill and related implementing decrees introduced significant changes to the staff severance indemnity regulations, including the right of employees to choose whether to allocate their accrued severance indemnity to supplementary pension funds or to the "Treasury Fund" managed by the Italian Social Security Institution.

As a consequence the obligation with respect to the Italian Social Security Institution and the contribution to supplementary pension schemes, in accordance with IAS 19, take on the form of "Defined contribution schemes", while the portions recorded in the staff severance indemnity provision remain as "Defined benefit schemes".

The legislative changes made with effect from 2007 have also entailed the redetermination of the actuarial assumptions and, as a consequence, of the calculations used to determine the staff severance indemnity, the effects of which have been booked directly to the income statement.

2.9 Remuneration schemes involving interests in the share capital

The Group pays additional benefits to some members of the top management and employees by means of stock option plans. These plans are a component of the beneficiaries' remunerations.

The cost, represented by the fair value of the stock options at the date of allocation, is recognised for accounting purposes, according to the provisions IFRS 2 – "Share-based payments", in the income statement with a corresponding entry recognised directly in shareholders' equity.

2.10 Provisions for risks and charges

Provisions for risks and charges relating to potential legal and tax liabilities are established by means of estimates made by the directors on the basis of opinions provided by the Group's legal and tax advisors, concerning the charges that are deemed likely to be incurred in order to settle the obligation. If on the outcome of the judgements the Group is called upon to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

2.11 Treasury shares

Treasury shares are recorded as a reduction in shareholders' equity.

2.12 Revenue recognition

Revenues are recognised to the extent that it is likely that the economic benefits will flow to the Group and their amount can be reliably measured. Revenues are stated net of discounts, allowances, and returns.

Revenues from the provision of services are recognised in the income statement with reference to the stage of completion of the service and only if the result of the service may be reliably estimated.

In particular, for revenues from internet access services ('narrowband' and 'broadband') and voice services, recognition in the income statement is based on the actual traffic generated at the reference date and/or periodic service rental payable at that date.

Revenues related to the activation of broadband services (ADSL), in the same way as the related costs capitalised under intangible assets, are booked to the income statement on a straight-line basis in relation to the minimum legal duration of customer contracts, usually 12 months. Amounts relating to other financial periods are recorded under other current liabilities as deferred income.

Lastly, the revenues originating from the sale of IRU (Indefeasible Rights of Use) are recognised pro rata, depending on the duration of the concession, while any components that are separately identifiable and whose fair values can be calculated, are recorded under revenues on the basis of the nature of the service or assignment.

2.13 Financial income and charges

Interest received and paid, including interest on bond issues, is recognised using the effective interest rate method.

2.14 R&D and advertising costs

Research and advertising costs are charged directly to the income statement in the period in which they are incurred.

2.15 Taxes

The income taxes for the year include the current and deferred taxes.
Current taxes are based on the taxable income for the period. Taxable income differs from the result reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that will never be taxable or deductible. The current tax liability is calculated using tax rates applicable at the balance sheet date.

Deferred taxes are taxes that are likely to become payable or recoverable on the temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value used to calculate the taxable income, and also on the items that, despite not being allocated to the balance sheet, generate potential future tax credits, such as for example losses for the period that may be used to offset taxes in future years, and are accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences arising in the Group's companies and subsidiaries, except where the Group is able to control the offset of the temporary difference and it is unlikely that the temporary difference will be offset in the foreseeable future.

Deferred tax assets, arising from temporary differences and/or previous tax losses, are recognised to the extent that it is likely that taxable profits will be available in the future against which deductible temporary differences and/or previous tax losses can be utilised. The provisions are based on the taxable income likely to be generated in light of the approved business plans. Such assets and liabilities are not recognised if the temporary differences derive from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the accounting result or the taxable income. The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to shareholders' equity, in which case the deferred tax is also recognised under shareholders' equity.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities, they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

3. KEY DECISIONS IN APPLYING THE ACCOUNTING STANDARDS AND IN THE USE OF ESTIMATES

In the process of applying the accounting standards disclosed in the previous section, Tiscali's directors have made some significant decisions concerning the recognition of amounts in the consolidated financial statements. The directors' decisions are based on historical experience and also on expectations related to the realisation of future events, considered to be reasonable under the circumstances.

3.1 Assumptions for the application of accounting standards

Revenue recognition criteria
Revenues related to the activation of broadband services (ADSL) are deferred as the underlying benefits involve the entire duration of the customer contracts. The directors have deemed it appropriate to defer the recognition of these revenues (consistent with the treatment of the corresponding activation costs, which have been capitalised under 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 this principle taking into consideration the possibility that the customer may not renew the contract once the minimum period of twelve months has elapsed.

3.2 Accounting estimates and relevant assumptions

Impairment of goodwill
Goodwill is tested for impairment annually or more frequently during the financial year, as disclosed in the preceding section under paragraph 2.3, 'Business combinations and goodwill'. The ability of each 'unit', in this case the subsidiary, to generate cash flows sufficient to recover the goodwill allocated to the unit, is determined on the basis of the economic and financial data concerning the unit to which the goodwill refers. The production 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 a significant use of estimates and assumptions. Deferred tax assets, arising from temporary differences and/or previous tax losses, are recognised to the extent that it is likely that taxable profits will be available in the future against which deductible temporary differences and/or previous tax losses can be utilised. The provisions are based on the taxable income likely to be generated in light of the approved business plans. Such assets and liabilities are not recognised if the temporary differences derive from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the accounting result or the taxable income. The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Provisions for risks and charges

Provisions for risks and charges relating to potential legal and tax liabilities are established by means of estimates made by the directors on the basis of opinions provided by the Group's legal and tax advisors, concerning the charges that are deemed likely to be incurred in order to settle the obligation. If on the outcome of the judgements the Group is called upon to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Accounting standards, amendments and interpretations not yet applicable, or not adopted in advance by the Group

On 30 November 2006, the IASB issued accounting standard IFRS 8 – Business Segments, applicable from 1 January 2009 in replacement of IAS 14 - Segment Reporting. The new accounting standard requires that the company bases information given in the Segment Report on elements used by management to make their business decisions, and therefore requires the identification of the business segments based on internal reporting regularly reviewed by management for the purposes of the allocation of resources to the various segments and for performance analysis.

3. Revenues

	30 September 2008	30 September 2007
Revenues	783.220	614.332

The increase in revenues is mainly due to the development of services in the broadband access segment.

4. Segment reporting (by geographic area)

Tiscali Group's operations and the related strategies, together with the operations of its subsidiaries, are structured and defined by geographic area, and this therefore represents the primary segment for segment reporting purposes, as required by IAS 14. The geographic areas mainly consist of:

- Italy
- UK
- TiNet
- Corporate and other businesses: minor Italian companies and corporate activities.

Lines of business (Access, Voice, Business services / Business, Media) represent the secondary reporting segment, at sector information level.

30 September 2008 EUR 000	**Italy**	**United Kingdom**	**TiNet**	**Corporate Other businesses**	**Netting off adjustments**	**Total**
Revenues						
From third parties	221,976	525,464	21,195	14,585	-	783,220
Intra-group	13,043	9,155	4,910	12,465	(39,573)	-
Total revenues	**235,019**	**534,620**	**26,105**	**27,050**	**(39,573)**	**783,220**
Operating result	**(3,396)**	**(53,778)**	**(5,880)**	**12,487**	**(94)**	**(50,661)**
Portion of results of equity inv. Carried at equity						**(15)**
Net financial income (charges)						(64,459)
Pre-tax result						(115,134)
Income taxes						5,307
Net result from operating activities (on-going)						(109,827)
Result from assets disposed of and/or destined to be disposed of						-
Net result						**(109,827)**

30 September 2007 EUR 000	**Italy**	**United Kingdom**	**TiNet**	**Corporate Other businesses**	**Netting off adjustments**	**Total**
Revenues						
From third parties	198,862	383,062	17,866	14,542	-	614,332
Intra-group	14,638	11,549	4,783	11,307	(42,276)	-
Total revenues	**213,500**	**394,611**	**22,648**	**25,849**	**(42,276)**	**614,332**
Operating result	**2,364**	**(24,909)**	**286**	**(8,256)**	**(5,801)**	**(36,318)**
Portion of results of equity inv. carried at equity						**(342)**
Net financial income (charges)						(61,558)
Pre-tax result						(98,218)
Income taxes						(2,112)
Net result from operating activities (on-going)						(100,330)
Result from assets disposed of and/or destined to be disposed of						91,488
Net result						**(8,842)**

5. Purchase of materials and outsourced services, payroll and related costs and other operating costs

	30 September 2008	30 September 2007
Purchase of materials and outsourced services	571,712	441,674
Payroll and related costs	77,585	72,515
Other operating costs	(8,375)	1,722

The increase in costs with respect to the same period last year reflects the rise in revenues, as well as the acquisition of Pipex's broadband and voice business in September 2007.

6. Stock option plan cost and other provisions

	30 September 2008	30 September 2007
Stock option plan cost and other provisions	5,225	1,287

The amount entirely reflects the provision made for charges relating to the stock option plan of the UK and Italian subsidiaries and includes the effects of the acceleration of the plan reserved for the former CEO and CFO, who maintained the rights assigned to them after their exit from the Group.

7. Restructuring costs and provisions for risk reserves and write-downs

	30 September 2008	30 September 2007
Write-downs of receivables from customers	22,488	16,065
Restructuring costs and other write-downs	37,093	10,368

As shown in the above table, the costs for this item for the third quarter 2008 totalled EUR 59.6 million. The balance includes costs of EUR 22.5 million for the write-downs of receivables (EUR 16.1 million during the same period of 2007).

8. Financial income and charges

Financial charges and related movements are linked to the Group's overall debt. The figure for the first nine months is around EUR 10 million lower than the amount for the same period last year due to the different composition and the related cost of borrowing. Please also see the section devoted to the analysis of the financial position.

9. Discontinued operations and/or assets held for sale

At 30 September 2008 there were no assets held for sale, nor were there any significant impacts on the income statement during the period (there were only residual insignificant charges) resulting from the assets sold or due to be sold, as opposed to the same period last year when significant areas of operations were in the process of being disposed of (Germany, Holland, and the Czech Republic).

10. Non-current assets

	30 September 2008	31 December 2007
Goodwill	491,672	515,022
Intangible assets	260,666	286,042
Properties, plant and machinery	283,593	272,260
Equity investments	2,450	2,465
Other financial assets	21,766	28,269
Deferred tax assets	108,147	106,634

Non-current assets include a goodwill value of EUR 491.7 million (EUR 515.0 million at 31 December 2007). This item mainly relates to the operations in the UK. The change compared to 31 December 2007 is entirely due to the exchange difference.

The non-current assets also include the other intangible and tangible assets relating to Property, plant and equipment, with a total value at 30 September 2008 of EUR 544.3 million (EUR 558.3 million at 31 December 2007).

Also included within non-current assets are *Other financial assets* of EUR 21.8 million (EUR 28.3 million at 31 December 2007), together with *Deferred tax assets* of EUR 108.1 million. The latter amount comprises EUR 73.7 million relating to subsidiaries operating in the UK, and the remaining EUR 34.3 million to Tiscali International BV (Netherlands), a Group sub-holding company and reference entity for the purposes of the Dutch tax unit. Please note that the reported deferred tax assets arise essentially from past losses of the abovementioned subsidiaries and are recognised to the extent that it is likely that taxable profits will be available in the future against which these losses can be utilised.

11. Current assets

	30 September 2008	31 December 2007
Inventories	8,276	10,756
Receivables from customers	188,611	164,452
Other receivables and other current assets	73,504	71,652
Other current financial assets	3,717	8,158
Cash and cash equivalents	34,424	134,231

Current assets mainly include Receivables from customers (EUR 188.6 million at 30 September 2008, compared to the balance of EUR 164.4 million at 31 December 2007). The other current assets consist of other receivables (including VAT receivables), and accrued income and prepaid expenses for services. The balance also comprises items of a financial nature, including cash and cash equivalents (EUR 34.4 million at 30 September 2008).

12. Non-current liabilities

	30 September 2008	31 December 2007
Bonds	-	43,842
Payables to banks and to other lenders	469,661	480,139
Payables for financial leases	73,964	79,467
Other non-current liabilities	129,097	120,807
Liabilities for pension obligations and staff severance indemnity	5,811	5,852
Provisions for risks and charges	11,283	28,624
Provisions for deferred taxation	19,808	27,891

Total non-current liabilities at 30 September 2008 were EUR 709.6 million (EUR 786.6 million at 31 December 2008).
The change was mainly due to the conversion of the Management & Capitali convertible bond, which took place on 15 September 2008 and led to the removal of its debt component of EUR 43.8 million.

Non-current liabilities also include, under the item *Other non-current liabilities* (EUR 129.1 million at 30 September 2008 compared to EUR 120.8 million at 31 December 2007), the medium/long term payable of EUR 91.4 million and the valuation of the put option in favour of the former shareholders of VNL on the shares held by them in the subsidiary Tiscali UK of EUR 21 million.

The balance of non-current liabilities also incorporates, together with the staff severance indemnity for Italian employees (EUR 5.8 million at 30 September 2008), the provisions for risks and charges (EUR 11.3 million) and the provisions for deferred taxation of EUR 19.8 million. The EUR 17.3 million reduction in risk provisions was mainly due to the coverage of the Pipex Division restructuring costs.

13. Net financial position

The financial position relates to operating activities only and is summarised in the following table:

EUR 000	***30 September 2008***	***31 December 2007***
A. Cash	34,424	134,231
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	***34,424***	***134,231***
E. Current financial receivables	***3,012***	***7,511***
F. Non-current financial receivables	4,564	1,274
G. Current bank payables	52,444	171,276
H. Current portion of non-current debt	-	-
I. Other current financial payables (*)	22,634	24,430
J. Current financial debt (G) + (H) + (I)	***75,078***	***195,706***
K. Net current financial debt *(J) – (E)- (F) – (D)*	**33,078**	**52,690**
L. Non-current bank payables	440,147	450,053
M. Bonds issued	-	43,842
M. Other non-current payables (**)	103,478	109,553
O. Non-current financial debt *(L) + (M) + (N)*	**543,625**	**603,448**
P. Net financial debt *(K) + (O)*	**576,704**	**656,139**

(*) includes leasing payables
(**) includes leasing payables and payables due to shareholders

The statement presented above has been drawn up in light of the Consob Communication dated 28 July 2006 and differs from that indicated in the report since it does not consider guarantee deposits and other current financial receivables amounting to around EUR 19.9 million among other cash equivalents.

EUR 000	**30 September 2008**	**31 December 2007**
Consolidated net financial debt	**556,754**	**(635,230)**
Other cash, cash equivalents and current financial receivables	19,950	(20,909)
Consob consolidated net financial debt	**576,704**	**(656,139)**

14. Current liabilities

	30 September 2008	31 December 2007
Bonds – Current portion	-	-
Payables to banks and other lenders	52,444	176,204
Payables for financial leases	22,634	19,502
Payables to suppliers	288,077	239,127
Other current liabilities	168,637	171,515

Current liabilities amount to a total of EUR 531.8 million compared to EUR 606.3 million at 31 December 2007. The items of a financial nature include payables to banks and other lenders of EUR 52.4 million, down by EUR 123.8 million compared to the end of the previous financial year (balance of EUR 176.2 million). The change in current bank payables was due to the following:
- repayment of the bridging loan granted by Intesa Sanpaolo and JPMorgan in September 2007 of EUR 150 million, by means of the share capital increase concluded in February 2007;
- use of the Revolving credit Facility granted by Banca Intesa Sanpaolo & JPMorgan in September 2008 for EUR 25 million.

The items of a non-financial nature refer in particular to payables to suppliers (EUR 288.1 million at 30 September 2008 compared to a balance of EUR 239.1 million at the end of last year), together with other current liabilities, including accrued expenses relating to the purchase of access services, line rentals and other operating payables.

15. Shareholders' equity

(EUR 000)	**30 September 2008**	**31 December 2007**
Share capital	308,273	212,207
Share premium reserve	990,858	902,492
Stock Options reserve	14,407	9,969
Equity Bond reserve	5,933	22,053
Accumulated Losses and Other Reserves (including loss for the period)	(1,086,552)	(977,074)

At 30 September 2008, the value of the share capital amounted to EUR 308.3 million corresponding to 616,545,485 ordinary shares with a par value of EUR 0.50 each.

On 15 September 2008 the conditions were met for the conversion of the convertible bond, which was automatically converted in shares.
Indeed the bond issue regulations also established that if, prior to the maturity of the bonds, the average of the Official Prices (calculated with reference to the preceding 20 days) is equal to or lower than the value of the capital plus the accrued interest divided by 42.4 million shares for five consecutive stock market trading days, the loan would automatically be converted into the full amount of shares indicated.
The amount of the capital and interest accrued at the conversion date (15 September 2008) was EUR 62,958,750 million. This amount, divided by the unit price of EUR 1,487 per share, resulted in the issue of 42,339,442 shares.
The share capital therefore increased by EUR 21,169,721 and the difference of EUR 41,789,029 was allocated as an increase to the Share Premium Reserve.

The conversion of the bond resulted in the removal of its equity component, recognised in the Equity Bond Reserve for EUR 22 million at 31 December 2007.
At 30 September 2008, this reserve amounted to EUR 5.9 million. This value essentially relates to the difference in the value of the derivatives underlying the bond loan compared to 30 June 2008. Given that the valuation of the derivatives underlying the bond loan was close to zero at the date of conversion, in accordance with the IFRS standards, the difference in value compared to the value recorded at 30 June 2008, namely EUR 5.9 million, had to be recognised in the income statement, with a corresponding entry in the equity reserve.

16. 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, net assets, or economic position, or on future income from operations. It is further specified 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.

On behalf of the Board of Directors
Chairman and CEO
Mario Rosso

STATEMENT OF THE APPOINTED MANAGER

The manager in charge of drawing up the corporate accounting documents, Romano Fischetti, pursuant to subsection 2, Article 154-*bis* of the Italian Finance Consolidation Act declares that the accounting information contained in this Interim report of the Tiscali SpA Group at 30 September 2008 corresponds to its documentary results, books and accounting records.

APPENDIX: GLOSSARY

Shared access	technology of unbundled access to the local loop in which the ex-monopolist operator leases a part of the twisted metallic pair circuit to other operators: the operator can then provide Broadband services on this section of the circuit, whilst the ex-monopolist can continue to provide telephony services on the part which is not leased.
ADSL	acronym for Asymmetric Digital Subscriber Line, an asymmetric DSL technology (with higher bandwidth available for downloading than uploading) which allows high-speed internet access.
ADSL2+	ADSL technology that enhances the capacity of basic ADSL, doubling the downstream data rate. Bandwidth can reach up to 24 Mbps for downloads and 1.5 Mbps for uploads depending on the distance of the customer's home from the DSLAM.
ARPU	average revenue per user from mobile and fixed telephony services calculated during a set period for the average number of Tiscali group customers or active customers (for other operators) in the same period.
Bitstream	bit stream (or numerical flow) service: a service consisting of the provision, by the public fixed telephony network access operator, of transmission capacity between the end user location and the point of presence of the operator or ISP who wishes to offer a broadband service to the end user.
Broadband	data transmission system that allows larger amounts of data to be sent at the same time to increase the effective transmission speed to a data flow equal to 1.5 Mbps or higher.
Broadcast	simultaneous transmission of information to all the nodes of a network.
Access payment	this is the amount charged by domestic operators for each minute of use of their network by operators of other networks. This is also called the "interconnection charge."
Carrier	a company that physically provides a telecommunications network.

Co-location	dedicated spaces at the incumbent operator's exchange for the installation of Tiscali's own network equipment.
CPS	acronym for Carrier Pre Selection, a system of operator pre-selection: it allows the operator/local service provider to automatically direct calls to the network chosen by the customer with no need to dial any prefix codes.
CS	acronym for Carrier Selection, a system of operator selection: allows the customer to choose, by dialling the appropriate code, a long distance national or international operator different from the one he/she has signed the network service contract with.
Business customers	small offices, home offices, small, medium and large companies.
Consumer customers	customers who subscribe to offers intended for families.
Dial Up	connection to the Internet via narrowband through a regular telephone call, which is normally charged according to the usual tariff.
Digital	this is a way of representing a physical variable using a language that employs only the numbers 0 and 1. The numbers are transmitted in binary form as a series of pulses. Digital networks, which are quickly replacing old analogue networks, allow for increased capacity and more flexibility through the use of computerised technology for the transmission and manipulation of calls. Digital systems provide less noise interference and can include cryptography as protection from external interference.
Double Play	combined Internet and fixed telephony access.
DSL Network	an acronym of Digital Subscriber Line Network, which is a network constructed from existing telephone lines with DSL instruments and technologies that, through sophisticated modulation mechanisms, allow data packaging on copper wires so that a switching centre can be connected with a home or an office.
DSLAM	acronym for Digital Subscriber Line Access Multiplexer, the multiplexer equipment, used in DSL technologies, which provides high capacity data transmission over a telephone line, where multiplexing equipment means equipment which allows the transmission of information flows (voice, data, video) through direct connections that are continuous between two different points on a network.

Fibre Optic	thin glass, silicon or plastic fibres that constitute the basis of an infrastructure for the transmission of data. A fibre cable contains various individual fibres, each of which is able to convey the signal (impulses of light) and has a practically unlimited length. These are usually employed for long distance transmissions and the transferral of “heavy data” so that the signal arrives protected from the disturbances it may encounter during its course. The transport capacity of a fibre cable is considerably superior to that of traditional cables and copper lines.
GigaEthernet	term used to describe the various technologies that implement the nominal speed of an Ethernet network (standard protocol for cards and cables for quick connection between computers in a local network) up to 1 gigabit per second.
Home Network	local network comprising different types of user terminals, devices, systems and networks, with the relevant applications and services, including call devices installed on the user terminal.
Hosting	is the process of storing web site pages on a web server, so that the site can be accessed over the Internet.
Incumbent	ex-monopolist operator active in the telecommunications sector.
IP	acronym for Internet Protocol, an Inter-Networking Protocol, devised to interconnect heterogeneous networks for technology, performance, management.
IPTV	acronym for Internet Protocol Television, a technology able to use IP infrastructure to deliver television content in digital format, using the Internet connection.
IRU	acronym for Indefeasible Right of Use, long-term agreements that guarantee the beneficiary the possibility to use the grantor’s fibre optic network for a long period.
ISDN	acronym for Integrated Service Digital Network, a narrowband telecommunication protocol for the integrated transmission of different types of information (voice, data, text, images), coded in digital form, on the same transmission line.
Internet Service Provider or ISP	company that provides Internet access to individual users and organisations.
Leased lines	lines with transmission capacity available through transmission capacity leases.

MAN	acronym for Metropolitan Area Network, the fibre optic network covering metropolitan areas that links the Core Network with the Access Network.
Mbps	acronym for megabits per second, a unit of measurement indicating the capacity (and hence speed) of data transmission over an information network.
Modem	modulator/demodulator. This is a device which modulates digital data in order to allow them to be transmitted through analogue channels, which usually consist of telephone lines.
MSAN	acronym for Multi-Service Access Node, a platform that is able to transport over an IP network a combination of traditional services, and which supports a variety of access technologies such as the traditional telephone line (POTS), the ADSL2+ line, the symmetrical SHDSL line, VDSL and VDSL2, both through copper and fibre networks.
MVNO	acronym for Mobile Virtual Network Operator: an entity that offers mobile telecommunications services to the public, using its own mobile network switching facilities, HLR, mobile network code (MNC), customer management structure (marketing, invoicing, assistance), and which issues its own SIM cards, but which does not have the assigned frequency resources and employs agreements, for access, acquired through negotiations or by regulation with one or more operators of mobile networks.
Narrowband	method of connection to data networks, e.g. the Internet, established through dial-up. With this type of connection all bandwidth of the transmission medium is used as a single channel: only one signal occupies the entire available bandwidth. The bandwidth of the communication channel identifies the maximum amount of data that can be transmitted by the transmission medium per unit of time. The capacity of a communication channel is limited by both the frequency interval that the medium can sustain and the distance to be covered. An example of a Narrowband connection is the common Narrowband connection via 56kps modem.
OLO	acronym for Other Licensed Operators, which are operators other than the dominant operator that operate in the domestic market for telecommunications services.
Pay-Per-View	a system through which a viewer pays to view a single program (such as a sports event, film or concert) at the time it is transmitted or streamed.

Pay TV	television channels that must be paid for to be viewed. To receive Pay TV or Pay-Per-View programmes, a decoder must be connected to the television and an access system must be available.
Platform	this consists of the total inputs, including hardware, software, operating equipment and procedures, required to produce (production platform) or manage (management platform) a particular service (service platform).
POP	acronym for Point of Presence, location in which the telecommunication equipment is installed and that constitutes a network node.
Portal	a web site that constitutes an entry point or exit point to a group of Internet resources or an Intranet.
Router	a hardware, or in some cases software, device that identifies the next point on the network to forward the received data packets to, routing these data packets to their final destination.
Service Provider	an entity that provides final users and content providers with a range of services, including a proprietary, exclusive or third party service centre.
Server	an IT component that provides services to other components (usually called clients), through a network.
Set-top-box or STB	a device able to manage and transmit data, voice and TV, installed at the end customer.
SoHo	acronym for Small office Home office, small offices, mainly professional firms and small enterprises.
SHDSL	acronym for Single-pair High-speed Digital Subscriber Line. SHDSL is a telecommunications technology from the xDSL family, implemented via ULL and allows high-speed data connection balanced in both directions (transmission and receiving).
Triple Play	a combined offer of fixed and/or mobile telephony services, Internet and/or TV provided by a single operator.
Unbundling of the local loop or ULL	disaggregated access to the local network, i.e. the option that telephone operators have had since the telecommunications market was liberated to use existing infrastructures constructed by another operator to offer customers its own services, by paying a rent to the operator that owns the infrastructure.

VAS acronym for Value Added Services; the value added services provide a higher functional level compared to the basic transmission services offered by a telecommunications network for the transferral of information between its terminals. They include analogue voice communications switched over via cable or wireless; direct digital point to point service "without restrictions" at 9,600 bit/s; packet switching (virtual call); analogue transmission and broadband directed by TV signals and additional services, such as closed user groups; call waiting; collect calls; call forwarding and caller identification. The value added services provided by the network, terminals or specialised centres include message handling services (MHS) (which can be used, among other things, for commercial documents according to a predetermined form); electronic listing of users, network addresses and terminals; email; fax; teletext; videotext and videophone. Value added services can also include voice value added services such as toll free numbers or paying telephone services.

VOD acronym for Video on Demand, which is the provision of television programs on demand of the user against payment via subscription or of an amount for each program (e.g. a film or soccer game) purchased. Distributed in particular for satellite television and cable TV.

VoIP acronym for Voice over Internet Protocol, a digital technology which permits the transmission of voice packets via Internet, Intranet, Extranet and VPN networks. Packets are carried according to H.323 specifications, or the ITU standard (International Telecommunications Union) which constitutes the standard for audio, video and communications services over IP networks.

VPN acronym for Virtual Private Network established over the Internet or Intranet. Data between workstation and server in the private network is carried over shared public Internet networks, but uses security technologies to protect against unauthorised interception of data.

Virtual Unbundling of the local loop or VULL method of accessing the local analogue network where the access conditions and terms of ULL are replicated, despite the lack of physical infrastructures. This is a temporary access mode that is generally replaced by ULL.

xDSL acronym for Digital Subscribers Lines, a technology that, via modem, uses the normal pair of copper wires converting the conventional telephone line to a line for high-speed digital data transmission. ADSL, ADSL 2, SHDSL, etc. belong to this family of technologies.

WI-FI	a service for high speed, wireless connection to the Internet.
Wi-Max	acronym for Worldwide Interoperability for Microwave Access. It was defined by the WiMAX Forum, a global consortium composed of the major fixed and mobile telecommunications companies which aims to develop, promote ad test the interoperability of systems based on the IEEE 802.16-2004 standard for fixed access and IEEE.802.16e-2005 standard for fixed and mobile access.
Wholesale	services consisting in the resale of access services to third parties.