Consolidated financial report at 30 September 2010

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Issue date: 30 September 2010

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TISCALI S.P.A.

Registered office: SS195 Km 2.3, Sa Illetta, Cagliari

Share Capital EUR 92,016,815.67

Cagliari Companies' Register and VAT No. 02375280928 Econ. & Admin. Roster - 191784

1 Summary data

Economic Data *(EUR mln)*	**30 September 2010**	**30 September 2009**	**Change in %**
· Revenues	206.9	221.6	-6.6%
· Gross Operating Result (EBITDA) adjusted:	50.5	69.9	-27.8%
· Gross operating result (EBITDA)	35.2	54.6	-35.5%
· Operating result	0.7	5.3	-87.0%

Equity and financial data (EUR mln)	**At 30 September 2010**	**At 31 December 2009**	**Change in %**
· Total Assets	400.4	428.6	-6.6%
· Net Financial Debt	195.3	211.2	-7.5%
· “Consob” net financial debt	202.2	224.4	-9.9%
· Shareholders’ equity	-83.1	-67.0	24.0%
· Investments	22.3	40.8	-45.3%

Operating data (000)	**At 30 September 2010**	**At 30 September 2009**	**Change in %**
Access and Voice Users	613.7	595.2	3.1%
ADSL Users (broadband)	581.6	552.9	5.2%
Of which: Unbundled ADSL Users (ULL)	395.3	386.6	2%

2 Alternative performance indicators

In addition to the standard indicators envisaged by the IFRS, this report on operations also contains alternative performance indicators (EBITDA and Adjusted EBITDA) used by the Tiscali Group management to monitor and assess its operational performance, and since they have not been identified as accounting measures within the sphere of the IFRS, they should not be considered as alternative measures for the assessment of the performance of the Tiscali Group's results. Since the composition of EBITDA and Adjusted EBITDA is not governed by the reference accounting standards, the calculation criteria applied by the Tiscali Group may not be the same as the criteria adopted by others, and therefore may not be comparable.

The gross operating result (EBITDA) and operating result before the write-down of receivables and stock option plan costs (adjusted EBITDA) are economic performance indicators that are not defined by the main reference accounting standards, and are formed in accordance with the following:

Pre-tax result and result from assets destined to be disposed of

+ Financial charges

- Financial income

+/- Income/Charges from equity investments in associated companies

Operating result

+ Restructuring costs

+ Amortisation/depreciation

+/- Atypical charges/income

Gross operating result (EBITDA)

+ Write-downs of receivables from customers

+ Stock option plan costs

Gross Operating Result (Adjusted EBITDA)

3 Directors and Auditors

Board of Directors

Chairman and CEO: Renato Soru

Directors

Franco Grimaldi

Gabriele Racugno

Luca Scano

Victor Uckmar

Board of Statutory Auditors

Chairman

Paolo Tamponi

Statutory Auditors

Piero Maccioni

Andrea Zini

Deputy Auditors

Rita Casu

Giuseppe Biondo

Executive in charge of drawing up the company's accounting documents

Luca Scano

Independent Auditing Firm

Reconta Ernst & Young S.p.A.

Quarterly Report at 30 September 2010

4 Quarterly Report at 30 September 2010

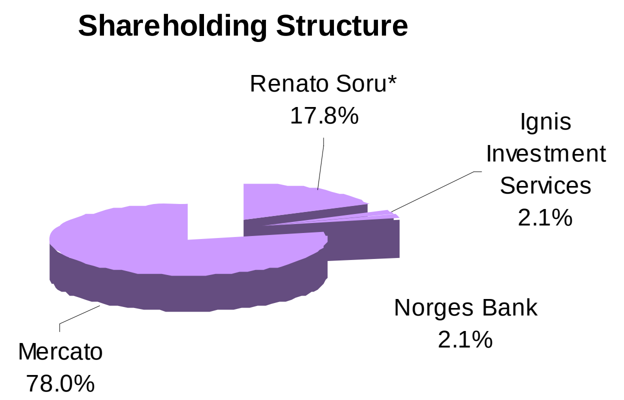
4.1 Tiscali shares

Tiscali shares have been listed on the Italian Stock Exchange (Milan: TIS) since October 1999. As at 30 September 2010, the market capitalization stood at roughly EUR 187.8 million, calculated on the value of EUR 0.1009 per share as at that date.

As at 30 September 2010 the number of shares making up the Group's share capital stood at 1,861,491,422.

Tiscali's shareholder base at 30 September 2010 is illustrated below:

Fig. 4.1 Tiscali shares



** About 15% directly and, indirectly, through the investee companies Monteverdi Srl (1.8%) , Cuccureddus Srl (0.9%) and Andalas Ltd (0.1%).*

Source: Tiscali

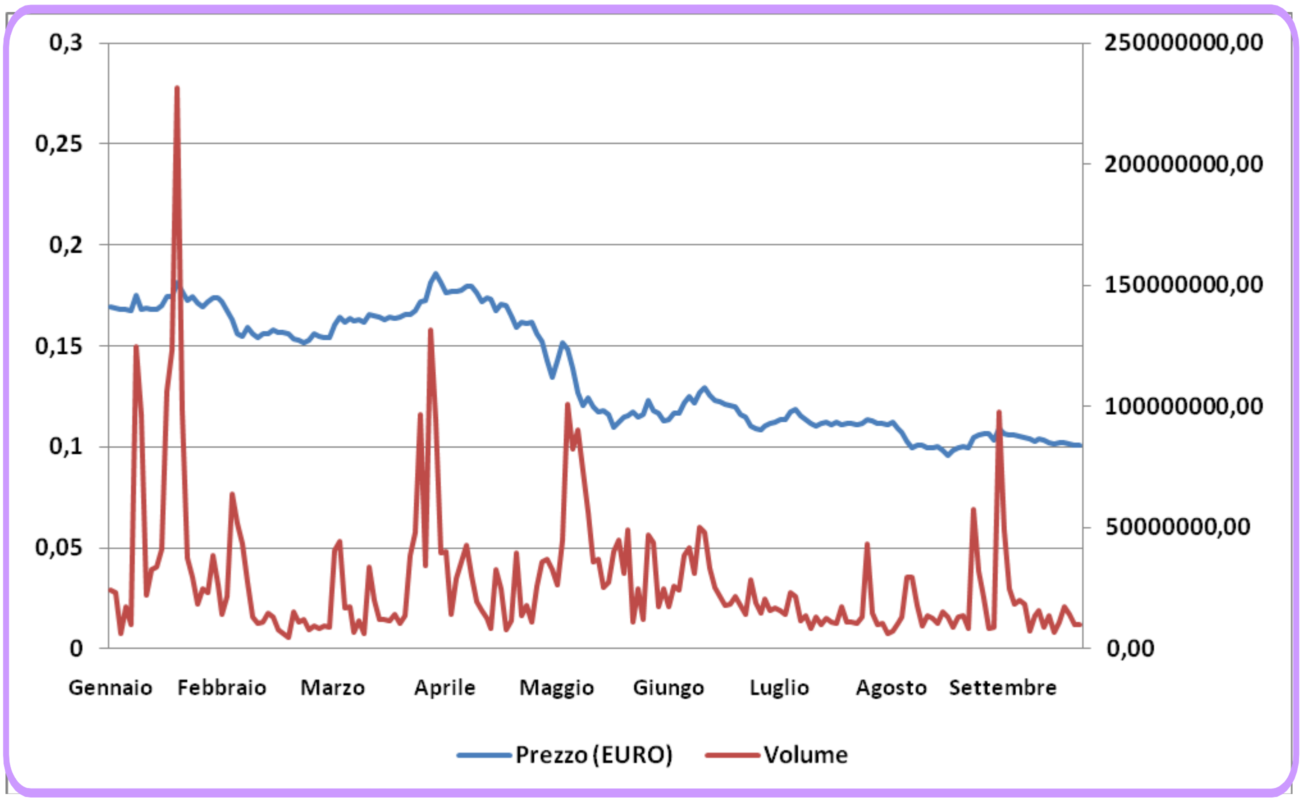
Share capital structure as at 30 September 2010

SHARE CAPITAL STRUCTURE		
	N° Shares	% with respect to share capital
Ordinary shares	1,861,491,422	100%
OTHER FINANCIAL INSTRUMENTS		
	N° Warrants in circulation	Listed on
Warrant 2009-2014*	1,799,469,311	Borsa Italiana (Italian Stock Exchange)

* The warrants, bundled free of charge with newly issued shares in relation to the share capital increase launched in October 2009 – assign the right to subscribe the company's ordinary shares at the ratio of 1 share stemming from the capital increase for every 20 warrants exercised.

The graph below illustrates Tiscali stock trends in the period January – September 2010

Fig. 4.2 - Tiscali share performance in the first nine months of 2010



The average monthly price during the first nine months was EUR 0.137. The high for the period was EUR 0.186 while the low was EUR 0.0959. Volumes stood at a daily average of about 28 million items, with a daily average trade value of EUR 3.85 million.

Average Tiscali stock trading on the Italian Stock Exchange for the period Jan – Sept 2010

	Price (EUR)	Number of shares
January	0.172	56,251,118
February	0.159	20,741,320
March	0.163	22,776,189
April	0.174	33,105,453
May	0.132	43,728,748
June	0.120	27,984,848
July	0.112	15,071,023
August	0.104	14,754,492
September	0.104	22,092,049
Average	**0.137**	**28,135,244**

Source: Bloomberg data processing

Fig. 4.3 - Share performance of the main TLC operators in Europe in the first nine months of 2010

4.2 Analysis of the Group economic, equity and financial position

Foreword

Established in 1998, Tiscali is one of the leading alternative telecommunications operators in Italy. With 671 thousand customers as of 30 September 2010, Tiscali is among the leading suppliers of Broadband services with xDSL technology (around 582 thousand customers) and voice and Narrowband services (around 89 thousand customers). By means of a cutting edge network based on IP technology, Tiscali is able to provide its customers with a wide range of services, from Internet access, both via broadband and narrowband, together with more specific and hi-tech products to meet the needs of the market. This range also includes voice services (VoIP and CPS), portal services and mobile telephony, thanks to the agreement reached with Telecom Italia Mobile (MVNO) for the supply of services.

Following a major refocus of the scope of consolidation, the Group concentrated its activities in Italy, by offering its products to consumer and business customers, mainly by means of five business lines: (i) the "Access" line, via Broadband (ULL; Wholesale/bitstream) and Narrowband; (ii) the "Voice" line, inclusive of telephone traffic services, both traditional (CS and CPS) and VoIP; (iii) the "Mobile Telephony" line (also known as MVNO); (iv) the "Business Services" line (also known as B2B), which includes, among others, VPN and hosting services, concession of domains and Leased Lines, provided to companies and, finally, (v) the "Media and value added services" line, which includes media, advertising and other services.

Economic position

EUR mln **CONSOLIDATED INCOME STATEMENT**	**30 September 2010**	**30 September 2009**	**Change**	% Change
Revenues	206.9	221.6	-14.7	-6.6%
Other income	1.7	2.4	-0.7	-28.6%
Purchase of materials and outsourced services	126.5	119.6	6.8	5.7%
Payroll and related costs	33.9	30.5	3.4	11.0%
Other operating costs/(income)	-2.2	3.9	-6.1	-156.1%
Adjusted Gross Operating Result (EBITDA)	**50.5**	**69.9**	**-19.4**	**-27.8%**
Write-downs of receivables from customers	15.2	15.0	0.2	1.6%
Stock option plan cost	0.0	0.3	-0.3	-86.0%
Gross operating result (EBITDA)	**35.2**	**54.6**	**-19.4**	**-35.5%**
Restructuring costs, provisions for risk reserves and write downs	0.5	11.6	-11.1	-95.6%
Amortisation/depreciation	34.0	37.7	-3.7	-9.8%
Operating result (EBIT):	**0.7**	**5.3**	**-4.6**	**-87.0%**
Share of results of equity investments carried at equity	0.0	0.0	0.0	n.a.
Net financial income (charges)	-10.7	-49.6	38.9	-78.4%
Pre-tax result	**-10.0**	**-44.3**	**34.3**	**-77.4%**
Income taxes	-0.9	-11.8	10.9	-92.0%

Net result from operating activities (on-going)	**-11.0**	**-56.2**	**45.2**	**-80.5%**
Result from assets disposed of and/or destined for disposal	-4.4	-364.4	360.0	**-98.8%**
Net result	-15.4	-420.5	405.2	-96.3%
Minority interests	0.0	-2.2	2.2	-100.0%
Group Result	**-15.4**	**-418.4**	**403.0**	**-96.3%**

In the first nine months, the Tiscali Group generated revenues of EUR 206.9 million, down by 6.6% compared with the EUR 221.6 million recorded in the same period in 2009. The fall in revenues is mainly due to the following factors.

- natural reduction of the narrowband/dial-up segment, equal to EUR 6.0 million;
- reduction of the reverse fees (invoiced to Telecom Italia for narrowband, voip and wholesale telephone products), starting from 1 July 2010, with an effect of approximately EUR 1.2 million on the third quarter;
- reduction of the BTB revenues by EUR 1.8 million, of which approximately EUR 0.8 million due to the reduction in the price applied to the provision of services to the former English company sold to Talk Talk in 2009, in accordance with agreements signed on 2 August 2010;
- lower impact of non-recurring revenues not repeated in 2009.
- cessation of Tiscali S.p.A. revenues in relation to the partnership with the search engine Google after disposal of the assets of the UK subsidiaries totalling EUR 4.6 million;
- reduction of revenues from analogue voice services of EUR 2.1 million due to the natural reduction of the number of customers; increase in revenues from the VOIP component, of EUR 6.4 million, due to the significant increase in the number of customers.

In the first 9 months of 2010, Internet access and voice services – the Group's core business – represented around 84% of turnover.

In terms of the costs for the purchase of materials and services, the increase in industrial costs (fixed and variable) of EUR 19 million compared to the first nine months of 2009 (mainly attributable to the rise in costs relating to VOIP services in Bitstream mode, due to the significant increase in the number of customers and the rise in fixed costs in relation to the increase in the number of sites) is partially offset by the reduction in indirect costs, equal to EUR 9.2 million (due mainly to the reduction in marketing and other indirect costs).

The Group's profitability fell, with the adjusted Gross operating result (EBITDA) before provisions of EUR 50.5 million, down by 27.8% compared to the adjusted Gross operating result (EBITDA) of EUR 69.9 million recorded in the first nine months of 2009. The fall in the Gross operating result (EBITDA) compared to the first nine months of 2009 is due mainly to the reduction in revenues (as described previously).

In the first 9 months of the year, the net Operating Result (EBIT), net of provisions, write-downs and restructuring costs, amounting to EUR 0.7 million, is down with respect to the comparable figure for 2009 which was positive for EUR 5.3 million.

The result from operating activities (ongoing), for a negative EUR 11 million, is in marked improvement to the comparable figure for the first nine months of 2009, with a negative EUR 56.2 million. This significant increase is mainly due to the considerable reduction in financial charges, which fell from EUR 49.6 million in the first nine months of 2009 to EUR 10.7 million in the corresponding period in 2010, due to the restructuring and significant reduction in amounts payable to Financial backers on 2 July 2009.

This result was positively impacted by the fall in income taxes, falling from EUR 11.8 million in the first nine months of 2009 to EUR 0.9 million as at 30 September 2010..

The Result from assets disposed of and/or destined for disposal is a negative EUR 4.4 million (please see the notes in the section Financial Statements and Explanatory Notes at 30 September 2010" for more information on the breakdown of this result).

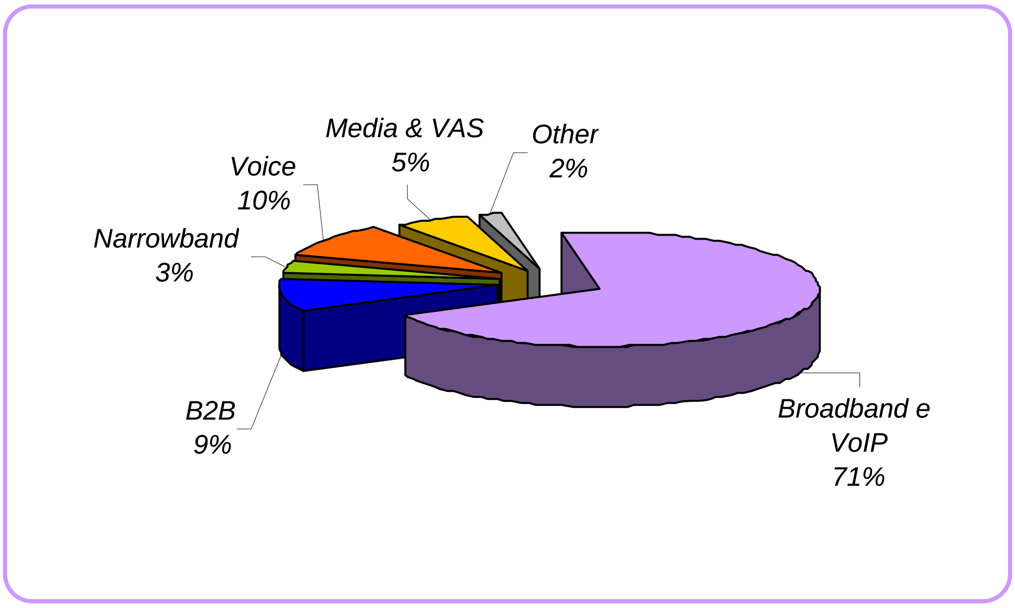
The net result for the period was a negative EUR 15.4 million, in marked improvement to the comparable figure for the first nine months of 2009, which was a negative EUR 418.4 million due to the negative impact of the sale of Tiscali UK and TiNet for EUR 364.8 million.

Group Operational Income Statement

EUR mln	**30 September 2010**	**30 September 2009**
Revenues	**206.9**	**221.6**
Internet Access revenues	99.1	103.2
Of which:	*92.7*	*90.8*
Voice revenues	74.7	70.3
Of which dual play (traffic component)	*54.1*	*47.6*
Business service revenues	18.4	20.2
Media and value added service revenues	10.4	15.5
Other revenues	4.3	12.3
Gross operating margin	**99.6**	**132.8**
Indirect operating costs	**55.4**	**64.6**
Marketing and sales	8.0	14.3
Payroll and related costs	33.9	30.5
Other indirect costs	13.5	19.8
Other (income)/charges	-6.3	-1.7
Adjusted Gross Operating Result (EBITDA)	**50.5**	**69.9**
Write-down of receivables and other provisions	15.3	15.3
Gross operating result (EBITDA)	**35.2**	**54.6**
Amortisation/depreciation	34.0	37.7
Gross result (EBIT) before restructuring costs and provision for risk reserves	**1.2**	**16.9**
Operating result (EBIT)	**0.7**	**5.3**
Group Net Result	**-15.4**	**-418.4**

Revenues by business segment

Fig. 4.5 – Break-down of revenues by business line and access mode [1]



Source: Tiscali

Internet Access

This segment, which includes revenues from broadband (ADSL) and narrowband (dial-up) Internet access services and the flat component of bundled offers (Internet access fees), generated revenues during the first nine months of 2010 of EUR 99.1 million, down by 4% compared to the figure in the corresponding period of 2009 (EUR 103.2 million). The reduction in revenues is prevalently down to the organic reduction of the narrowband/dial-up segment (EUR 6.4 million as at 30 September 2010 compared to EUR 12.4 million at 30 September 2009, - 48.2%). By contrast, revenues from ADSL Internet access services totalled EUR 92.7 million, up 2.1% compared to the same period in the previous year (EUR 90.8 million).

At 30 September 2010, direct ADSL customers increased by roughly 28.6 thousand compared to the first nine months of 2009, Dual Play customers (data and voice via Internet) by roughly 89 thousand, bringing total double play customers to around 369 thousand. Also note that during the first nine months of the year, the Group recorded an increase of roughly 67 thousand in dual play customers compared to the end of 2009, thanks to the success of the upsell policies adopted with the customer base.

Total ADSL customers came to around 582 thousand at 30 September 2010, of which more than 395 thousand are connected via unbundling.

The company will cancel about 40,000 ADSL lines in November and December, mainly in bitstream mode, for those customers whose service was suspended as they hadn't kept up with payments, and customers in silent consumption adsl mode. This was necessary due to the more stringent consumer and business credit

[1] The graph shows the breakdown by business line which combines revenues from dual play and broadband.

recovery policies put in place by the Company during 2010. The cancellation of these lines will permit significant cost savings to be achieved for line rentals to the incumbent operators.

The customer base using dial-up access (narrowband) and voice services stood at around 89 thousand users. The reduction in the narrowband customer base follows the market trend which is seeing customer offers gradually being replaced with broadband services.

Evolution of the customer base

(000)	**30 September 2010**	**30 September 2009**
ADSL customers	581.6	552.9
of which LLU	*395.3*	*386.6*
Narrowband and voice customers	89.1	155.7
Dual play customers	369	270.6

The unbundling network coverage at 30 June 2010 amounted to 674 sites.

Voice

The voice segment includes both the traditional telephone service and a component of the variable traffic generated by voice services on IP offered in bundled mode with Internet access.

In terms of revenues, during the first nine months of 2010, there was a reduction in analogue voice service revenues of EUR 2.1 million (-9.3% from the corresponding period in 2009), due to the organic reduction in the number of customers, while revenues from the VOIP component, amounting to EUR 54.1 million at 30 September 2010, are up 13.5% compared to the first nine months of 2009 (amounting to EUR 47.6 million) due to the significant increase in the number of customers (amounting to 369 thousand units at 30 September 2010, up 37% over 30 September 2009).

The reduction in revenues is also due to the entry into effect of lower reverse charges on 1 July 2010 (invoiced to Telecom Italia) for a total amount of EUR 1.1 million.

Business services

Revenues from business services (VPN, housing, hosting services, domains and leased lines), excluding those from Internet access and/or voice products for the same customer base which are already included in their respective business lines, amounted to EUR 18.4 million in the first nine months of 2010, down 8.8% from the EUR 20.2 million recorded in the same period in 2009. This was largely due to the negative effect of the sale of Tiscali UK on revenues.

Media

In the first 9 months of 2010, the revenues in the media and value added services segment (mainly relating to the sale of advertising space) amounted to approximately EUR 10.4 million, down from the same period of the previous year (EUR 15.6 million). The amount at 30 September 2009 included the revenues of Tiscali S.p.A. amounting to EUR 4.6 million deriving from agreements with the search engine Google relating to the activities of the UK subsidiaries, which no longer applies as a result of its sale in July 2009.

In the first nine months of 2010, the **indirect operating costs** stood at EUR 55.4 million (26.8% of revenues), a reduction in terms of proportion of revenues compared to the comparable figure in 2009 (EUR 64.6 million, 29.1% of revenues). Indirect operating costs included **payroll and related costs**, amounting to EUR 33.8 million (16.4% of revenues), an increase over the first nine months of 2009 (EUR 30.5 million, 13.8% of revenues). The rise in payroll and related costs, due mainly to the considerable increase in the number of Group staff during the first half of 2010, following the creation, in January 2010, of the subsidiary Tiscali Contact, a company that manages call centre services, previously acquired from third party suppliers.

The **adjusted Gross Operating Result (EBITDA)**, before provisions for risks, write-downs, depreciation and amortisation, totalled EUR 50.5 million (24.4% of revenues) at 30 September 2010, a decrease of 27.8% compared to the EUR 69.9 million at 30 September 2009 (31.6% of revenues).

In the first 9 months of 2010, the **Gross operating result (EBITDA),** net of write-downs of receivables and other provisions amounts to EUR 35.2 million (17% of revenues), a decrease of 35.5% on the comparable figure for 2009 (EUR 54.6 million, equal to 24.6% of revenues).

This reduction is due to the decrease in revenues for the above-mentioned reasons, in addition to the lack of certain non-recurring income components, the organic reduction of the narrowband and analogue voice segment and the negative effect of the incoming traffic revenues and the new unbundling tariffs. These factors had an impact on the industrial margin, which was partially offset by the reduction in operating costs (-14.2% vs. 2010).

Provisions for risks, write-downs of receivables and other provisions amounted to EUR 15.3 million in the first nine months of 2010 (EUR 15.3 million in the corresponding period in 2009).

Amortisation/depreciation amounted to EUR 34 million in the first nine months of 2010 (EUR 37.7 million in the corresponding period in 2009).

This item includes amortisation of the customer acquisition costs, which are capitalised and amortised over a 24 month period, starting from 1 July 2010, instead of being deferred in the same period (as described in the paragraph “Formats and contents of the accounting statements”, in the section “Financial statements and explanatory notes at 30 September 2010”). The impact on the amortisation line amounted to EUR 0.2 million at 30 September 2010.

In the first 9 months of 2010, **the Operating Result (EBIT),** net of provisions, write-downs and restructuring costs, was a negative EUR 0.7 million (0.3% of revenues) with respect to the comparable figure for 2009 which was a positive EUR 5.3 million (2.4% of revenues).

The result from operating activities (ongoing), negative for EUR 11 million at 30 September 2010, is in marked improvement to the comparable figure for the first nine months of 2009, with a negative EUR 56.2 million**.**

The Group Net Result was a negative EUR 15.4 million, compared with a negative result of EUR 418.4 million in the first nine months of 2009.

Equity and financial position

CONSOLIDATED BALANCE SHEET (in condensed form) *EUR mln*	**30 September 2010**	**31 December 2009**
Non-current assets	221.6	239.6
Current assets	178.8	188.9
Assets held for sale	0.0	0.0
Total Assets	**400.4**	**428.6**
Group shareholders' equity	-83.1	-67.0
Shareholders' equity pertaining to minority shareholders	0.0	0.0
Total Shareholders' equity	**-83.1**	**-67.0**
Non-current liabilities	211.6	239.3
Current liabilities	271.0	255.4
Liabilities directly related to assets sold	0.9	0.9
Total Liabilities and Shareholders' equity	**400.4**	**428.6**

Assets

Non-current assets

Non-current assets totalled EUR 221.6 million at 30 September 2010, less than the EUR 239.6 million at 31 December 2009. The net change is mainly due to the share of amortisation/depreciation of property, plant and equipment and intangible fixed assets in the first nine months of 2010.

Current assets

Current assets totalled EUR 178.8 million at 30 September 2010, lower than the EUR 188.9 million at 31 December 2009. Customer receivables stood at EUR 110.4 million at 30 September 2010, compared to EUR 112.2 million at 31 December 2009. Other receivables and sundry current assets, at EUR 30.7 million, include in particular accrued income on Internet access services provided, prepaid expenses for service costs, together with sundry receivables including VAT credits.

Liabilities

Non-current liabilities

Non-current liabilities amounted to EUR 211.6 million at 30 September 2010 compared to EUR 239.3 million at 31 December 2009. The figure also includes not only items concerning the financial position, for which reference should be made to the following section, but other non-current liabilities, the provision for risks and charges for EUR 3.8 million, payables to long-term suppliers for EUR 9.2 million, payables to suppliers for the purchase of long-term usage rights on transmission capacity (IRU) for EUR 6.5 million and the provision for taxes and employee severance indemnity.

Current liabilities

Current liabilities amounted to EUR 271.0 million at 30 September 2009 (compared with EUR 255.4 million at 31 December 2009). They mainly include the current portion of financial payables, payables to suppliers, together with accrued expenses pertaining to the purchase of access services and line rentals.

The net increase in current liabilities is mainly due to a significant increase in the short-term component of the financial debt (EUR 47.7 million at 30 September 2010, compared to the EUR 24.4 million at 30 September 2009), which includes EUR 21.2 million for the proceeds of the UK escrow account to repay the senior loan in October 2010.

Financial position

At 30 September 2010, the Tiscali Group held cash and bank deposits totalling EUR 24.6 million, against a negative net financial position at the same date of EUR 195.3 million (EUR 211.1 million at 31 December 2009 relating solely to the operating activities).

EUR mln	**30 September 2010**	**31 December 2009**
A. Cash and bank deposits	24.6	16.2
B. Other cash equivalents	0.6	0.6
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	***25.2***	***16.8***
E. Current financial receivables	***9.4***	***-***
F. Non-current financial receivables	6.3	12.7
G. Current bank payables	13.5	13.6
H. Current portion of non-current debt	34.2	10.9
I. Other current financial payables (*)	2.5	4.3
J. Current financial debt (G) + (H) + (I)	***50.2***	***28.8***
K. Net current financial debt *(J)- (E) – (D) – (F)*	**9.3**	**-0.8**
L. Non-current bank payables	128.1	152.9

M. Bonds issued	-	-
N. Other non-current payables (**)	57.9	59.0
O. Non-current financial debt *(N) + (L) + (M)*	**186.0**	**211.8**
P. Net financial debt (K) + (O)	**195.3**	**211.1**

(*) includes leasing payables

(**) includes leasing payables

The financial position at 30 September 2010 includes, in the cash account, grant of the first tranche of the time deposit ("Escrow") for the sale of the English assets for EUR 21.2 million. This amount, in compliance with the GFA agreements, was used to make a partial repayment of the Senior Loan on 8 October 2010 (please refer to paragraph 4.3 for further details "Significant events in the first nine months of 2010").

In addition, the current financial receivables included the amounts received on 1 October 2010 regarding the agreement signed on 9 September 2010 between the Tiscali group and Talia, who purchased the Ti Net group assets in May 2009 (please refer to paragraph 4.3 for further details "Significant events in the first nine months of 2010").

In accordance with that agreement, Talia paid Tiscali a total amount of EUR 9.4 million, comprising the earn out (extra price provided for in the sales contract) amounting to EUR 4.3 million, and the vendor loan (EUR 6.3 million – the portion of the price subject to deferred payment) reduced by the amount Tiscali owed Talia at 30 September 2010 (for EUR 1.2 million), for a net amount of EUR 5.1 million.

It should be noted that the net financial position prepared by the company in accordance with the specific Consob communication, shown in Note 24 of the condensed consolidated half-yearly financial statements, amounts to EUR 202.1 million.

The table below shows the reconciliation between the two net financial positions:

EUR mln	**30 September 2010**	**31 December 2009**
Consolidated net financial debt	**195.3**	**211.1**
Other cash, cash equivalents and non-current financial receivables	6.9	13.3
Consolidated net financial debt based on Consob communication no. DEM/6064293 of 28 July 2006	**202.2**	**224.4**

4.3 Significant events in the first nine months of 2010

<u>The assessment process on the escrow account (UK) was terminated</u>

On 2 August 2010, the assessment process regarding the Escrow Account was terminated, by concluding the sale of Tiscali Uk Ltd to the TalkTalk Ltd Group on 3 July 2009.

This deposit was established upon the sale of the English assets in 2009 to guarantee any adjustments to the price agreed in accordance with certain operating and financial parameters, or certain guarantees related to the provision of services. The Escrow had originally amounted to GBP 35.4 million, but was written down by GBP 7.5 million at 31 December 2009.

Tiscali and Talk Talk Group Ltd established the issue of a total of approximately EUR 24.9 million in favour of Tiscali, of which EUR 21.6 million was released in August 2010, while the remaining EUR 3.0 million would be granted in two tranches of equal amounts upon the occurrence of certain contractual conditions related to commercial matters.

The deposit, which was bound by the condition that certain operating and financial parameters had to be met, was recorded on the financial statements at 31 December 2009 for EUR 31.4 million.

Earn Out and Vendor Loan related to the Ti net sale collected

Following agreement for the sale of Ti net by the BS fund to Neutral Tandem Inc on 9 September 2010, the value of the earn out was established – regarding the sale of the Ti Net Group to the private equity fund in May 2009 – for a total of EUR 4.3 million, which was cashed on closing on 1 October 2010. In addition the net amount due to Tiscali for the deferred price component was also cashed on that date, for approximately EUR 5.1 million.

The agreement also provided for the collection of an amount equal to a maximum of EUR 1.1 million upon the occurrence of certain conditions within 24 months. On a prudential basis, this contingency was not included in this equity and financial position at 30 September 2010.

4.4 Significant events after closing the third Quarter of 2010

On 7 October, Tiscali and ZTE, a global leader in the supply of telecommunications equipment and network solutions, signed a strategic partnership agreement aimed at increasing the cover of ultra-broadband in Italy, starting with development of a “Fiber to the Home” network in Sardinia.

The partnership signed between the two companies provides for the establishment of mutual collaboration, from the technical, commercial and financial viewpoints, to evaluate, study and plan new generation services that Tiscali can provide to its customers.

The first stage provides for Tiscali and ZTE working on implementation of a fibre optic network in Sardinia, using the gas pipes under construction in the large hinterland area of Cagliari, which includes over 50 thousand lines and a high ULL coverage.

4.5 Company continuing as a going concern

This Quarterly Report at 30 September 2010 was drawn up in accordance with the principles governing a company continuing as a going concern. As regards the considerations of the Board of Directors regarding the business as an going concern, please refer to the paragraph on “Assessment of the business as a going concern and business outlook” in Note 4.7 of the Consolidated Financial Report at 30 June 2010.

Financial statements and explanatory notes at 30 September 2010

5 Consolidated financial statements and explanatory notes at 30 September 2010

5.1 Income statement

(EUR 000)	30 September 2010	30 September 2009
Revenues	206,933	221,589
Other income	1,709	2,394
Purchase of materials and outsourced services	126,495	119,647
Payroll and related costs	33,851	30,499
Stock option plan cost	0,048	0,339
Other operating costs/(income)	-2,190	3,904
Write-downs of receivables from customers	15,228	14,984
Restructuring costs and other write-downs	0,514	11,641
Amortisation/depreciation	34,006	37,680
Operating result	**0,689**	**5,288**
Share of results of equity investments carried at equity	0,000	-0,033
Net financial income (charges)	-10,715	-49,576
Pre-tax result	**-10,025**	**-44,321**
Income taxes	-0,942	-11,832
Net result from operating activities (on-going)	**-10,967**	**-56,152**
Result from assets disposed of and/or destined for disposal	-4,415	-364,397
Net result for the period	**-15,382**	**-420,550**
Attributable to:		
- Result pertaining to the parent company	**-15,382**	**-418,364**
- Minority interests	0,000	-2,186
Earnings (Losses) per share		
Earnings per share from operating activities and those disposed of:		
- Basic	-0,01	-0,65
- Diluted	-0,01	-0,65
Earnings per share from operating activities:		
- Basic	-0,01	-0,06
- Diluted	-0,01	-0,06

5.2 Comprehensive income statement

(EUR 000)	Notes	30 September 2010	30 September 2009
Result for the period		**-15,382**	**-420,550**
Differences arising from conversion of foreign financial statements		-	-
Total Comprehensive income statement result net of taxes		**-15,382**	**-420,550**
Total Comprehensive result net of taxes			
Attributable to:			
Parent Company shareholders		**-15,382**	**-418,364**
Minority shareholders		0,000	**-2,186**
		-15,382	**-420,550**

5.3 Analysis of the economic, equity and financial position

(EUR 000)	30 September 2010	30 September 2009
Non-current assets		
Intangible assets	83,653	85,187
Properties, plant and machinery	127,646	137,737
Other financial assets	10,284	16,723
	221,583	**239,647**
Current assets		
Inventories	0,722	1,892
Receivables from customers	110,397	112,246
Other receivables and other current assets	30,739	27,087
Other current financial assets	12,340	31,484
Cash and cash equivalents	24,595	16,220
	178,794	**188,928**

Assets held for sale	0,000	**0,031**
Total Assets	**400,377**	**428,606**
Share Capital and reserves		
Share Capital	92,017	92,003
Stock option reserve	4,363	3,840
Profits from previous period and Other Reserves	-164,097	221,528
Group Net Result	-15,382	-384,826
Group shareholders' equity	**-83,100**	**-66,981**
Minority interests	0,000	0,000
Shareholders' equity pertaining to minority shareholders	**0,000**	**0,000**
Total Shareholders' equity	**-83,100**	**-66,981**
Non-current liabilities		
Payables to banks and to other lenders	128,090	152,875
Payables for financial leases	57,895	58,952
Other non-current liabilities	17,361	14,234
Liabilities for pension obligations and staff severance	4,474	4,218
Provisions for risks and charges	3,786	9,002
	211,606	**239,282**
Current liabilities		
Payables to banks and other lenders	47,654	24,453
Payables for financial leases	2,527	4,349
Payables to suppliers	150,038	150,894
Other current liabilities	70,770	75,678
	270,989	**255,374**
Liabilities directly related to assets sold	0,881	0,930
Total Liabilities and Shareholders' equity	**400,376**	**428,605**

5.4 Cash flow statement (in condensed form)

(EUR 000)	30 September 2010	30 September 2009
Net result from operating activities (ongoing)	**-10,967**	**-58,835**
FLOWS GENERATED BY OPERATING ACTIVITIES (including Result)	22,481	-36,610
FLOWS GENERATED BY INVESTMENT ACTIVITIES	-0,761	-44,079
FLOWS GENERATED BY FINANCIAL ACTIVITIES	-13,344	3,669
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	8,376	-77,020
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**16,220**	**134,231**
CASH AND CASH EQUIVALENTS AT THE END OF THE THIRD QUARTER	**24,595**	**34,425**

5.5 Statement of changes in consolidated shareholders' equity

	Share Capital	Share premium reserve	Stock option reserve	Accumulated losses and other reserves	Group shareholders' equity	Minority interests	Total
Balance at 31 December 2009	**92,003**		**4,315**	**-163,298**	**-66,980**	**0,000**	**-66,980**
Increase in share capital	0,014			-0,800	**-0,786**		**-0,786**
Increases/(Decreases)			0,048		**0,048**		**0,048**
Result for the period				-15,382	**-15,382**		**-15,382**
Balance at 30.09.10	**92,017**	**0,000**	**4,363**	**-179,480**	**-83,101**	**0,000**	**-83,101**

EXPLANATORY NOTES TO THE INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2010

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 a wide range of services to its customers, both private individuals and companies, from dial-up and ADSL Internet access to more specific and hi-tech products to satisfy the needs of the market.

This offer, which also includes voice services (such as mobile telephony) and portal services, enables Tiscali to compete effectively with the other market operators.

Thanks to its unbundling network (ULL), its innovative services and its strong brand, Tiscali has achieved a strategic position in the telecommunications market.

This interim report on operations is presented in thousands of Euro (EUR) which is the currency used to conduct most of the Group's operations.

In preparing these financial statements the directors have taken the going concern assumption and therefore have drafted the financial statements using the standards and policies that are applied to operating companies.

Format and content of accounting statements

Basis of preparation and consolidation

This interim report on operations at 30 September 2010 has been drafted in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. The IFRS are understood to include all the reviewed international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The form and contents of these condensed consolidated half-yearly financial statements conform with those set out in IAS 34 (Interim Financial Reporting) in compliance with art. 154-ter of Legis. Decree no. 58 of 24.2.98 (TUF) as amended, also considering other CONSOB communications and decisions on the issues.

The notes have been drawn up in condensed form, applying the right envisaged by IAS 34 and so do not include all the information required for annual financial statements drafted in accordance with IFRS; to that extent, the following interim report in the logic of IAS 34 has the objective of updating the equity, financial and economic position with respect to that provided by the consolidated financial statements at 31 December 2009.

The interim report on operations, as permitted by the reference legislation, has been drafted on a consolidated basis, and is not subject to an audit by Reconta Ernst & Young S.p.A.

The consolidation standards, accounting standards, criteria and calculation methods used to prepare the interim report on operations at 30 September 2010 were applied on a similar basis to those used to prepare the consolidated financial statements at 31 December 2009, presented for comparative purposes and which should be consulted for completeness. In order to improve the comparison, the data for the period of comparison were adapted where necessary.

Preparation of the interim report on operations and explanatory notes in application of the IFRS requires management to make accounting estimates and in certain cases assumptions in the application of accounting standards. As regards the preparation of the half-yearly financial statements, the significant assessments of company management regarding the application of accounting standards and the main sources of uncertainty of the estimates correspond to those applied to the preparation of the consolidated financial statements as at 31 December 2009.

Assumptions for the application of accounting standards

In order to provide an improved accounting representation of the start-up costs of the services to the customers in compliance with the cost/revenue correlation principle, the Company modified the accounting criteria for the costs incurred for customer start-up (Subscribers Acquisition Costs – SACs). These costs, which up to 1 July 2010, were deferred over 24 months (corresponding to the minimum contractual commitment provided under the sales contract), were capitalised and amortised over the same period starting from that date.

In addition, starting from 1 July 2010, the provisioning costs were included in the definition of SACS, both incurred internally and sub-contracted externally.

Change in Accounting Standards

Effective from 1 January 2010, certain amendments were also applied to the international accounting standards and interpretations listed below:

- Amendments to IFRS 3 (Business Combinations). On 3 June 2009, with Regulation no. 495/2009 the European Commission approved an updated version of IFRS 3. The main changes concern the elimination of the obligation to value each asset and liability of subsidiaries at fair value for every subsequent acquisition in the event of subsidiary acquisition in phases. Goodwill is determined only in the final acquisition phase and equal to the difference between the value of any equity investments immediately prior to acquisition, payment for the transaction and the fair value of net assets acquired. Moreover, if the Group does not acquire 100% of the company, the shareholdings of minority interests can be valued at fair value or by using the method already provided by IFRS 3. The revised version of the standard also provides that all costs related to the business combination are charged to the income statement and liabilities for payments subject to conditions at the date of the acquisition are to be reported. The new rules must be applied starting from 1 January 2010. The application of said provisions did not impact the consolidated financial statements as at 30 September 2010.
- Amendments to IAS 27 (Consolidated and Separate Financial Statements). With Regulation no. 494/2009 of 3 June 2009 the European Commission amended IAS 27 and established that changes in shareholdings that do not constitute a loss of control shall be treated as equity transactions and so offset with shareholders' equity, excluding the previously accepted practice of reporting any goodwill or capital gain as the difference between the amount paid/received and the pro-rata value of the net assets acquired/sold. Moreover, it was established that when a Parent Company loses control of its subsidiary, but continues to hold interests in the company, it values the investment maintained in the financial statements at fair value and charges any profit or loss deriving from the loss of control to the income statement. Lastly, the amendment to IAS 27 requires that all losses attributed to minority shareholders should be allocated to the minority share, even when they exceed their share in the equity of the company. The new rules shall be applied starting from 1 January 2010. Amendments to IFRS 5 (Non-current assets held for sale and discontinued operations). This standard prescribes that if an entity undertakes a sale which involves the loss of control over a subsidiary, it must reclassify all the assets and liabilities of the subsidiary as held for sale, even when after the sale it maintains a minority interest in the former subsidiary. The new rules shall be applied starting from 1 January 2010. The application of said provisions did not impact the consolidated financial statements as at 30 September 2010.
- Amendments to IAS 36 (Impairment of Assets). The amendment of this standard provides that additional information be provided if the Group determines the recoverable value of cash generating units using the discounted cash flow method. The application of said provisions did not impact the consolidated financial statements as at 30 September 2010.

- Amendments to IAS 24 (Related Party Disclosures). On 4 November 2009, IASB issued a new version of IAS 24 Disclosure of Related Party Transactions, which simplifies the disclosure requirements concerning related parties involving public entities and clarifies the definition of “related party”. To date, the competent bodies of the European Union had not yet concluded the approval process necessary for the application of this standard. The application of said provisions did not impact the consolidated financial statements as at 30 September 2010.

Revenues

(EUR 000)	**30.09.10**	**30.09.09**
Revenues	206,933	221,589

The reduction in revenues is mainly due to the contraction in the Internet access segment (both broadband and narrowband), the “media and value added service” revenues and the analogue voice services and company service revenues. Please refer to the interim report on operations for further details.

Acquisition of materials and outsourced services, payroll and related, service and other operating costs

(EUR 000)	**30.09.10**	**30.09.09**
Purchase of materials and outsourced services	126,495	119,647
Payroll and related costs	33,851	30,499
Other operating costs	-2,190	3,904

The increase in the costs of line rental/traffic and interconnection with respect to the same period last year largely reflects the increase in the number of customers, especially in Bitstream mode, and the rise in the number of dual play customers.

The increase in payroll and related costs compared to the first half of 2009 is essentially due to the in-sourcing of call centre services, which involved the hiring of 248 staff by the subsidiary Tiscali Contact S.r.l., and the increase in the sales force regarding business and media services.

The “other operating costs” at 30 September 2010 include about EUR 2.4 million in the release of risk and charges provisions for the dispute regarding the sale of German subsidiaries' properties. The release was made because of a redefinition of the extent of the entire disputed amount, made in relation to the negotiations in place with the counterparty.

Stock option plan cost and other provisions

(EUR 000)	**30.09.10**	**30.09.09**
Stock option plan cost and other provisions	0,048	0,339

The amount reflects the provision made for charges relating to the stock option plan of the Italian companies, Tiscali S.p.A. and Tiscali Italia S.p.A.

Restructuring costs, provisions for risk reserves and write downs

(EUR 000)	**30.09.10**	**30.09.09**
Write-downs of receivables from customers	15,228	14,984
Restructuring costs and other write-downs	0,514	11,641

The write-down of receivables from customers represents around 7.4% of revenues, up with respect to the percentage in the same period of 2009 (6.8%). This increase is to attribute to the application of more stringent policies regarding management or receivables from consumer and business customers, and the higher write-down applied on receivables with greater seniority.

The “restructuring costs and other write-downs” includes charges for the restructuring and reorganisation of the financial debt of the group for EUR 0.5 million. The comparable data at 30 September 2009 included charges for restructuring the debt of about EUR 10 million.

Financial income and charges

The financial charges and their movements are linked to the debt structure of the Group. The figure for the first nine months, equal to EUR 10.7 million compared to the corresponding period of the previous year, equal to EUR 49.6 million, is to be considered in relation to the different composition and relative debt cost. Specifically, the financial charges on the Senior debt are reduced by about EUR 30 million, in addition to the loss of the impact of the fair value valuation of the IRSs, which amounted to a negative EUR 4.9 million at 30 September 2009. Finally, there were no more charges for the shareholder Andalas loan, which amounted to EUR 1.3 million in the first nine months of 2009.

Result from assets disposed of and/or destined for disposal

The Result from Operating assets disposed of and/or assets held for sale, a negative EUR 4.4 million, includes the following elements*:*

- recording of earn out (extra sales price) of EUR 4.3 million, following closure of the operation for the sale of Ti net by the BS Fund to Neutral Tandem on 1 October 2010 (see 4.3 “Significant events in the first nine months of 2010”)

- write-down of the Escrow relating to the sale of UK subsidiaries on 3 July 2009, for a total of EUR 6.9 million. The Escrow, originally amounting to GBP 35.4 million, was written down by GBP 7.5 million at 31 December 2009 and amounted to EUR 31.4 million at that date.

Following disputes raised by both parties (Tiscali and the purchaser Talk Talk), establishment of the methods of defining the value of the Escrow was entrusted to an independent expert. The dispute was resolved with an agreement signed on 2 August 2010.

Based on said agreement, the amount collectable by Tiscali was set at GBP 20.4 million (equal to EUR 24.9 million), collectable in three tranches. The first tranche, amounting to GBP 17.9 million (EUR 21.2 million), was collected in August 2010 and will partially repay the Senior loan. The second and the third tranches, amounting to a total of GBP 2.5 million, will be collected by 31 December 2010.

The final amount of the Escrow is EUR 2.9 million at 30 September 2010.

- other charges (consultancy and legal fees) relating to the sale of the UK subsidiaries amounting to EUR 0.7 million,
- write-down of tax receivables for roughly EUR 1.1 million relating to a German subsidiary that is no longer operating.

Non-current assets

(EUR 000)	**30 September 2010**	**31 December 2009**
Goodwill	-	-
Intangible assets	83,653	85,187
Properties, plant and machinery	127,646	137,737
Equity investments	-	-
Other financial assets	10,284	16,723
Deferred tax assets	-	-

The non current assets include the other intangible and tangible fixed assets relating to properties, plant and machinery for a total value at 30 September 2010 of EUR 221.6 million (EUR 239.6 million at 31.12.09).

Non current assets also include other financial assets for EUR 10.3 million (EUR 16.7 million at 31 December 2009), that include guarantee deposits for EUR 6,9 million of which EUR 6.3 million of deposits accounted for the Italian subsidiary Tiscali Italia S.p.A. for the “Sale and Leaseback” operation on the Sa Illetta property and the value of the equity holding of Tiscali Italia S.p.A. in Janna for EUR 2.3 million.

Current assets

(EUR 000)	30 September 2010	31 December 2009
Inventories	0,722	1,892
Receivables from customers	110,397	112,246
Other receivables and other current assets	30,739	27,087
Other current financial assets	12,340	31,484
Cash and cash equivalents	24,595	16,220

Current assets include mainly Receivables from customers, EUR 110.4 million at 30 September 2010, compared with a balance of EUR 112.2 million at 31 December 2009.

Other loans and sundry current assets, equal to EUR 30.7 million, include in particular accrued income on access services provided for EUR 4.8 million, deferred costs for services of EUR 17.9 million, advance to suppliers of EUR 4.3 million, VAT receivables for EUR 3.2 million (mainly regarding the German subsidiaries) together with other loans for the remainder.

The current assets also include financial items, including the other current financial assets of EUR 12.3 million that include the escrow amount for the sale of the English subsidiaries for EUR 2.9 million, and the financial receivable of EUR 9.4 million for the earn out and vendor loan matured in relation to the agreement signed on 9 September 2010 with the BS fund (the purchaser of the Tinet group in May 2009). This receivable was cashed on 1 October 2010, the date of the closing of the sale of Ti net by the BS fund to Neutral Tandem.

Non-current liabilities

(EUR 000)	30 September 2010	31 December 2009
Payables to banks and to other lenders	128,090	152,875
Payables for financial leases	57,895	58,952
Other non-current liabilities	17,361	14,234
Liabilities for pension obligations and staff severance	4,474	4,218
Provisions for risks and charges	3,786	9,002

Non-current liabilities at 30 September 2010 amounted in total to EUR 211.6 million (EUR 239.3 million at 31 December 2009).

The non-current liabilities include the amount of new debt to the Senior Lenders, which was restructured starting from 3 July 2009, equal to EUR 162.3 million (including interest up to 30 September 2010); the debt recorded for the Italian subsidiary Tiscali Italia S.p.A. for the "Sale and Lease Back" operation on the property of Sa Illetta for EUR 57.9 million.

The Other non current liabilities item equal to EUR 17.4 million at 30 September 2010 (EUR 14.2 million at 31 December 2009) includes medium to long term debt to suppliers for the purchase of long term rights to use transmission capacity (IRU) of EUR 6.5 million and other debts to suppliers over the long term of EUR 9.2 million.

The balance of non current assets also includes, together with the staff severance fund for Italian companies (EUR 4.5 million at 30 September 2010), the provisions for risks and charges (EUR 3.8 million).

Current liabilities

(EUR 000)	**30 September 2010**	**31 December 2009**
Payables to banks and other lenders	47,654	24,453
Payables for financial leases	2,527	4,349
Payables to suppliers	150.038	150.894
Other current liabilities	70.770	75.678

Current liabilities amount to a total of EUR 271.0 million compared with EUR 255.4 million as at 31 December 2009.

The “Payables to banks and other lenders” item, equal to EUR 47.7 million (EUR 24.5 million at 31 December 2009) includes mainly the short term debt to the Senior Lenders, of EUR 34.2 million, and the bank debts of Tiscali Italia S.p.A. and Tiscali S.p.A. for EUR 13.5 million.

The Payables for financial leases of EUR 2.5 million mainly include short term leasing debts of the Italian subsidiary Tiscali Italia S.p.A.

The non financial items mainly refer to payables to suppliers (EUR 150.0 million Euro at 30 September 2010, against a balance of EUR 150.9 million at the end of the previous year).

The “Other current liabilities” include accrued liabilities inherent in the purchase of access services and line rentals of EUR 3.2 million, deferrals of EUR 46.7 million, debts to staff of EUR 4.9 million, debt to the exchequer and to social security bodies of about EUR 12.4 million and other debts of around EUR 3.5 million.

Shareholders’ equity

(EUR 000)	**30 September 2010**	**31 December 2009**
Share capital	92,017	92,003
Share premium reserve	0,000	0,000
Stock Options reserve	4,363	4,315
Accumulated losses and other reserves	-164,097	221,527
Result for the period	-15,382	-384,826
Minority interests	-	-
Total Shareholders’ equity	**-83,100**	**-66,981**

Changes in the shareholders' equity items are detailed in the relevant table.

At 30 September 2010, shareholders' equity came to EUR 92.0 million corresponding to 1,861,491,422 ordinary shares.

Business segment information (geographic areas)

With Regulation (EC) no. 1358/2007 of 21 November 2007, the European Commission approved the introduction of IFRS 8 "Operating Segments" to replace IAS 14 "Segment Reporting". IFRS 8 lays down the information to provide in the financial statements concerning the operating segments where the company operates.

Operating segment means the unit of an entity:

- that undertakes business activities that generate revenues and costs (including revenues and costs related to transactions with other units of the same entity);

- whose operating results are regularly reviewed by upper level management in order to make decisions on the resources to allocate to the segment and assess results;

- who has separate financial statements.

Unlike the provisions of IAS 14, this standard substantially prescribes to determine and report the results of operating segments according to the "management approach", i.e., according to methods used by management for internal reporting to assess performance and allocate resources to the various segments.

The application of this standard did not have an impact on the segment report since the operating segments are the same as when IAS 14 "Segment Reporting" was applied.

The activities of the Tiscali Group and the related strategies, as well as the underlying activities linked to head office control, are structured and defined by geographic area, which therefore represents the primary segment for the purposes of segment reporting. The geographic areas are represented in particular by:

- Italy

- Corporate and other business: minor Italian companies and corporate activities.

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

Income Statement at 30 September 2010

(EUR 000)	**Italy**	**Other**	**Corporate**	**HFS/Discontinued**	**Cancellation adjustments**	**Total**
Revenues						
From third parties	206,630	-	0,302	-	-	206,933
Intra-group	1,006	4,039	4,897	-	-9,943	-
Total revenues	**207,636**	**4,039**	**5,200**	**-**	**-9,943**	**206,933**
Operating result	**-5,543**	**2,235**	**3,999**	**-**	**-**	**0,689**
Portion of results of equity investments						**-**
Net financial income (charges)						-10,715
Pre-tax result						-10,025
Income taxes						-0,942
Net result from operating activities (ongoing)						-10,967
Result from assets disposed of and/or destined for disposal						-4,415
Net result						**-15,382**

Income Statement at 30 September 2009

(EUR 000)	**Italy**	**Other**	**Corporate**	**HFS/Discontinued**	**Cancellation adjustments**	**Total**
Revenues						
From third parties	216,225	0,128	5,236	268,069	-268,069	221,589
Intra-group	2,173	-	8,734	8,416	-19,322	-
Total revenues	**218,398**	**0,128**	**13,970**	**276,484**	**-287,391**	**221,589**
Operating result	**17,082**	**-2,106**	**-24,807**	**-29,068**	**31,125**	**5,288**
Portion of results of equity investments carried at equity						**-0,033**
Net financial income (charges)						-49,576
Pre-tax result						-44,321
Income taxes						-11,832
Net result from operating activities (ongoing)						-56,152
Result from assets disposed of and/or destined for disposal						-364,397
Net result						**-420,550**

Disputes, contingent liabilities and commitments

The Tiscali Group is involved in a number of legal proceedings, the description of which can be found in the similarly named paragraph in the Consolidated financial report as at 30 June 2010. The management of the Group does not believe, in the terms specified in the description in the Consolidated financial report as at 30 June 2010, that any significant liabilities can arise from those proceedings or that in any case, an unfavourable outcome in current proceedings could have a significant negative effect on the financial, asset and cash flow position of the Tiscali Group or the future results of its business. We also note, that if not explicitly stated in the relevant section of the Consolidated financial report as at 30 June 2010, no provisions for risks were made in the absence of certain and objective elements or if a negative outcome of the dispute is held not to be probable.

Renato Soru

Chairman and CEO

Renato Soru

6 Statement by the Director in Charge

The Director in charge of preparing the corporate accounting documents Luca Scano declares, in accordance with paragraph 2, article 154-bis of the Consolidated Finance Act, that the accounting information contained in this Interim Report on Operations of the Tiscali S.p.A. Group as at 30 September 2010, corresponds to the entries in the documents, books and accounting records.

Luca Scano

Executive in charge of preparing corporate and accounting documents

Luca Scano

7 Appendix - Glossary

Shared access

Technique for shared access to a local network in which a former monopoly operator rents part of the capacity to other operators: in that portion of the bandwidth the operator can provide Broadband services, whilst the former monopoly operator on the portion of the bandwidth not hired out, continues to provide telephony services.

ADSL

Acronym for Asymmetric Digital Subscriber Line, (the available bandwidth in reception is greater than that available for transmission) to enable Internet access at high speed.

ADSL2+

An ADSL technology that extends the ADSL base capacity by doubling the download bit flow. The bandwidth can reach 24 Mbps in download and 1.5 Mbps in upload and depends on the distance between the DSLAM and the customer's location.

Uncovered Areas

Also called "indirect access areas" to identify the geographic areas which are not directly served by the network owned by Tiscali (see also Bitstream and Wholesale)

ARPU

Average returns for fixed and mobile telephony for the user calculated in the course of a given period for an average number of active (for other operators) or Tiscali Group customers in the same period.

Bitstream

Bitstream (or digital flow) services: service consisting of the supply on the part of an operator of access to the fixed public telephone network of the transmission capacity between an end user workstation and the point of presence of an operator or an ISP that wants to provide broadband services to the end user.

Broadband

Data transmission system in which several data packets are sent simultaneously to increase the actual speed of transmission with a data flow equal to or greater than 1.5 Mbps.

Broadcast

Simultaneous transmission of information to all nodes on a network.

Access fee

Is the amount debited by national operators for each minute of use of their network by the managers of other networks. This is also called "interconnection fee".

Carrier	Company that physically makes a telecommunications network available.
Capex	Acronym for Capital Expenditure. Identifies the outgoing cash flows generated by the investments in an operating structure.
Co-location	Dedicated spaces in the machine rooms of an incumbent operator for the installation by Tiscali of its own network devices.
CPS	Acronym for Carrier Pre Selection, a system for preselecting an operator: this enables an operator/supplier of local services to automatically route calls on the network of the carrier selected by a client who no longer has to enter special selection codes.
CS	Acronym for Carrier Selection, a system for selecting an operator: enables a client to select, by entering a special code, a long distance national or international operator other than that with whom he/she has a network access subscription.
Business clients	SoHos, small medium and large businesses.
Consumer customers	Customers who subscribe to an offer intended for families.
Dial Up	Narrowband Internet connection by means of a normal telephone call, usually charged by time.
Digital	This is the way of representing a physical variable in a language that uses only the figures 0 and 1, and the figures are transmitted in binary code as a series of impulses. Digital networks, which are rapidly replacing the old analogue networks, allow greater capacities and greater flexibility by using computerised technologies for the transmission and handling of calls. Digital systems offer less noise interference and can include encryption as protection from outside interference.
Double Play	Combined offering of access to the Internet and fixed telephony.
DSL Network	Acronym for Digital Subscriber Line Network, which is a network built from existing telephone lines using DSL technology instruments that, by using sophisticated modulation mechanisms, enable data packets to be sent along copper wires and thus the linking of a telephone handset to a modem at a home or in an office.

DSLAM	Acronym for Digital Subscriber Line Access Multiplexer, a device used in DLS technologies, to multiply the transmission of data at high capacities on telephone wires, where a multiplexer means a device that enables the transmission of information (voice, data, videos) in flows by means of direct and continuous connections between two different points on a network.
Fibre Optic	Thin fibres of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fibre optic cable contains various individual fibres, each capable of carrying a signal (light impulses) over a virtually limitless band length. They are usually used for long distance transmissions, for the transmission of "heavy data" so that the signal arrives protected from interference which it might encounter along its own path. A fibre optic cable's carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.
GigaEthernet	Term uses to describe the various technologies that implement the nominal speed of an Ethernet network (the standard protocol for cards and cables for high speed connections between a computer and a local network) of up to 1 gigabit per second.
Home Network	Local network made up from various kinds of terminals, devices, systems and user networks, with related applications and services including all the apparatus installed at user premises.
Hosting	Service that consists of allocating on a web server the pages of a website, thus making it accessible from the Internet network.
Incumbent	Former monopoly operator active in the telecommunications field.
IP	Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol) designed for interconnecting disparate networks for technology, services and management.
IPTV	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
IRU	Acronym for Indefeasible Right of Use, long term agreements that guarantee the beneficiary the option of using the grantor's fibre optic network for a long period.

ISDN	Acronym for Integrated Service Digital Network, a telecommunications protocol in Narrowband able to carry in an integrated from various kinds of information (voice, data, texts, and images) coded in digital form on the same transmission line.
Internet Service Provider or ISP	Company that provides Internet access to single users or organisations.
Leased lines	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.
MAN	Acronym for Metropolitan Area Network, a fibre optic network that extends across a metropolitan area and links a Core Network to an Access Network.
Mbps	Acronym for megabit per second, a unit of measurement that states the capacity (and thus the speed) of data transmission along a computer network.
Modem	Modulator/demodulator. It is a device that modulates digital data in order to permit its transmission along analogue circuits, usually made from telephone lines.
MNO	Acronym for Mobile Network Operator, an operator of proprietary telecommunications on a mobile network that offers its own wholesale services to all MVNOs (Mobile Virtual Network Operator).
MPF	Acronym for Metallic Path Facility, the pair of copper wires (unscreened twisted pair) that comes from an exchange (MDF -Main Distribution Frame) in an operators telephone room and arrives at the users premises (individual or corporate). Connections can be Full or Shared. A Full type connection enables the use of the data service (broadband) in addition to voice traffic. A Shared kind of connection only enables the use of the data service (broadband). In a “shared access” service, the LLU operator (in disparate access) provides the ADSL services to the end user, whilst the incumbent operator provides the analogue telephony service using the same access line.
MSAN	Acronym for Multi-Service Access Node, a platform able to carry a combination of traditional services over an IP network and that supports a variety of access technologies such as, for example, a traditional telephone line (POTS), and ADSL2+ line, a symmetric SHDSL line, VDSL and VDSL2 over a copper or fibre-optic network.

MVNO	Acronym for Mobile Virtual Network Operators: a party that offers mobile telecommunications services to the public, using its own mobile network interconnection structures, its own HLR, its own mobile phone network code MNC, (Mobile Network Code), its own customer management (marketing, invoicing and support) and issuing its own SIM cards, but does not have assigned frequencies and takes advantage, for access, of agreements negotiated or regulated via one or more licensed mobile network operators.
Narrowband	System for connecting to data networks, for example the Internet, by means of a telephone call. In this kind of connection all the bandwidth used for the means of transmission is used as a single channel: one single signal occupies all the available bandwidth. The bandwidth of a communications channel identifies the maximum quantity of data that can be carried by means of transmission of the unit over time. The capacity of a communication channel is limited by the frequency interval that the equipment can sustain and by the distance to be travelled. An example of a Narrowband connection is the common modem narrowband connection at 56 kbps.
OLO	Acronym for Other Licensed Operators, operators other than the dominant one that operate in a national telecommunications services market.
Opex	Acronym for Operating Expenses which are direct and indirect costs that are recorded in the income statement.
Pay-Per-View	System by which a spectator pays to view a single programme (such as a sporting event or a film or concert) at the time it is transmitted or broadcast.
Pay TV	TV channels on payment. To receive Pay TV or Pay-Per-view, you have to connect a decoder and have an access system subject to conditions.
Platform	It is the total of the inputs, including hardware, software and equipment for running and the procedures for production (production platform) or for the management (management platform) or for a special service (service platform).
POP	Acronym for Point of Presence, a site at which telecommunications apparatus is installed and that forms a node on the network.
Portal	Website that forms a point of departure or an entry point for a major group of Internet resources or to an Intranet.

Router	Hardware or in some cases software instrument that identifies the next point on the network to which a data packet is to be sent, and routes that data packet towards the end destination.
Service Provider	Party that provides end users and content providers with a range of services, including that of an owned, leased or third party service centre.
Server	Computer component that provides services to other components (typically called clients) across a network.
Set-top-box or STB	Device able to handle and route data, voice and television connections, installed at the end user's premises.
Syndication	The sale of radio and TV transmissions by a media company that owns the rights and usually the delivery platform too.
SoHo	Acronym for Small office Home office, for small offices, mostly professional offices or small firms.
SHDSL	Acronym for Single-pair High-speed Digital Subscriber Line. SHDSL is a technology for telecommunications of the XDSL family and is made by using direct ULL interconnections and enables high speed connections to be made in a balanced way in both directions (transmission and reception).
Single Play	Service including only broadband data access, not combined with other multiplay components such as voice and IPTV services. Broadband access may be provided through LLU platforms, Wholesale or Bitstream.
Single Play voice	Service including only voice access, not combined with other multiplay components such as broadband and IPTV access. Party that provides end users and content providers with a range of services, including that of an owned, leased or third party service centre.
SMPF	Acronym for Shared Metallic Path Facilities which is synonymous with Shared Access (ungrouped access).
Triple Play	A combined offering of fixed and/or mobile telephony, Internet and/or TV made by a single operator.
Unbundling of the local loop or ULL	Unbundled access to a local network, i.e., the possibility that telephone operators have had, since the telecommunications market was liberalised, to use existing physical infrastructures built by another operator to offer its own services to customers, paying a rental to the operator that is the actual owner of the infrastructure.

VAS Acronym for Value-Added Services; services with added value provide a greater level of function compared with the basic transmission services offered on a telecommunications network for the transfer of information between terminals. These include switched analogue voice communications via cable or wireless, a direct digital point to point network “unrestricted” at 9600 bits/s; packet switching (called virtual); analogue and direct broadband transmission of TV signals and extra services, such as closed user groups; call waiting; reverse charging; call announcement and identification of the number called. The value added services provided over a network, from terminals or specialist centres include exchange services, messaging (MHS) (which can also be used for commercial documents in accordance with a predetermined format); electronic user directories, network and terminal addresses; e-mail; fax, teletext, videotext and videophone. Value added services may also include voice telephony value added services such as free numbers or paid telephone services.

VISP Acronym for Virtual Internet Service provision (sometimes also called Wholesale ISP). This is selling on Internet services purchased wholesale from an Internet Service Provider (ISP) that has network infrastructure.

VoD Acronym for Video On Demand. It is the supply of television programs on request by a user for payment of a subscription or of a sum for each programme (a film, or a football match) purchased. Broadcast in a special way by satellite TV and for cable TV.

VoIP Acronym for Voice over Internet Protocol, a digital technology that enables the transmission of voice packets through Internet, Intranet, Extranet and VPN networks. The packets are carried according to H.323 specifications, which are the ITU (International Telecommunications Union) standard that forms the basis for data, audio, video and communications on IP networks.

VPN Acronym for Virtual Private Network, which can be realised on Internet or Intranet. Data between workstations and the server of the private network is sent along common public Internet networks, but using protection technologies against any interception by unauthorised persons.

Virtual Unbundling of the local loop or VULL Procedure for accessing a local analogue network by which, even in the absence of physical infrastructures, the conditions and terms of access under ULL terms are replicated. This is a temporary access system that is usually replaced by ULL.

xDSL	Acronym for Digital Subscriber Lines, a technology that, by means of a modem, uses the normal telephone twisted pair and transforms the traditional telephone line into a high speed digital connection for the transfer of data. ADSL, ADSL 2, and SHDSL etc belong to this family of technologies.
WI-FI	Service for connection to the Internet at high speed wirelessly.
Wi-Max	Acronym for Worldwide Interoperability for Microwave Access: it is a technology that enables wireless access to broadband telecommunications. It has been defined by the WiMAX forum, a world-wide consortium made up of the largest companies in the fixed and mobile telecommunications field that has the purpose of developing, promoting and testing the interoperability of systems based on IEEE standard 802.16-2004 for fixed access and IEEE.802.16e-2005 for fixed and mobile access.
Wholesale	Services that consist of the sale of access services to third parties.
WLR	Acronym for Wholesale Line Rental, selling on by a telecommunications service operator of lines hired by the Incumbent.