



TISCALI S.p.A.

Headquarters in Cagliari, località Sa Illetta, S.S. 195 km. 2,3

Capitale Sociale Versato Euro 308.272.742,50

Codice Fiscale, Partita IVA ed iscrizione al

Registro delle Imprese di Cagliari n. 02375280928

**NOTE OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLE 114, COMMA 5, OF
LEGISLATIVE DECREE 98, N. 58, AS SUBSEQUENTLY MODIFIED
ADDRESSED TO TISCALI'S SPA SHAREHOLDERS' MEETING CALLED ON APRIL 29TH
(FIRST CALL) AND APRIL 30TH (SECOND CALL)**

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Dear Shareholders.

following Consob's request to Tiscali S.p.A. on 22nd April 2009 we formulate and release this note that:

- Is made available to the Shareholders for the Annual General Meeting ("AGM") called on 29th and 30th April and being part of the AGM documentation;
- Will be read during the AGM and recorded in the AGM minutes;
- Will be attached to the above mentioned AGM minutes;
- Will be made available to the public in the press release the Company will issue at the end of the AGM, as per the article 66 of Consob rulin 11971/99, as modified.

We highlight that this note has been approved by the Board of Directors of Tiscali S.p.A., with the positive opinion of the Statutory Board during the meetings held on 27th April 2009.

1. Remarks of the Board of Directors regarding the declarations of the Auditors with regard to the business continuity assumptions underlying the draft statutory and consolidated financial statements.

Foreword

In the opinion by Reconta Ernst&Young S.p.A. (the "Auditors") dated 14th April 2009, regarding the auditing activity pursuant to Article 156 of Law Decree 24/02/98, n. 58 related to the draft statutory and consolidated financial statements as at 31st December 2008, the Auditors declared not to be in the position to express an opinion on Tiscali's the draft statutory and consolidated financial statements because of "fundamental uncertainties" concerning the business continuity.

In this respect, the Auditors have made reference to what declared by the Board of Directors in the draft financial statements, in particular that the Board of Directors believes that both the business continuity and the realization of the Business Plan are based upon the positive completion of the debt renegotiation process with main lending institutions.

Regarding the above mentioned audit reports, the Board of Directors has made the following considerations and remarks.

Remarks of the Board of Directors

Tiscali has acknowledged the Auditors' Reports which concluded declaring that Ernst&Young was not able to express an opinion on the statutory and consolidated financial statements at 31st December 2008 due to the "fundamental uncertainties" regarding the business as a going concern. In this regard, the Audit Company referred to that which had already been expressed by the Board of Directors in the management report, being that the assumption for the business as a going concern and the achievement of the Business Plan are based on the positive outcome of the renegotiation of the debt with the primary lending institutions.

The Company, objecting to the conclusions of the Report, deemed to have collaborated at best and to have provided all of the necessary disclosure in order to allow Ernst&Young to issue an opinion on the Statutory and Consolidated Financial Statements. In particular, with regard to the renegotiation process of the debt, it is to be highlighted that the Company had obtained a standstill period from the lending institutions until June 2009. The same financial institutions have declared themselves available, with a letter shared with the Auditors, to extend such standstill period until 31st December 2009, a timeframe consistent with that of the company as an ongoing-concern for audit purposes.

Furthermore, the Company deems that the renegotiation process of the debt, already underway and to which the banks have formally declared to give top priority with documental evidence also to be shared with Ernst&Young, can be completed within the timeframe foreseen for the standstill.

Notably, in the report to the Shareholders' Meeting, the Board of Statutory Auditors: "*having acknowledged the motivations of the audit company, deemed the evaluation of the existence of the business as a going-concern expressed by the Directors to be founded, based on the realisation of the Business Plan and the reasonable probability of executing an agreement with the lending institutions within the standstill period*".

Final evaluation of the Board of Directors

In light of the above considerations, the Board of Directors deems that at the current state a reasonable probability exists to arrive at the restructuring of the financial debt of the Tiscali Group consistent with the cash flows and suitable to support the new Business Plan.

In fact, the attention and interest demonstrated by the Lending Institutions towards the Company, the execution of the waiver and standstill agreement (executed in order to permit the execution of the restructuring agreement), the expressed willingness to extend the standstill period until 31 December 2009, the beginning of the negotiations, as well as the fact that the Business Plan just as the associated Financial Plan were drawn up pursuant to the requisites of maximum prudence and seriousness converge in the sense of the aforementioned positive evaluation on behalf of this Board.

As stated above, in their report to the Shareholders' Meeting, the Board of Statutory Auditors: *“having acknowledged the motivations of the audit company, deemed the evaluation of the existence of the business as a going concern expressed by the Directors to be founded, based on the realisation of the Business Plan and the reasonable probability of executing an agreement with the lending institutions within the standstill period”*.

2. Events happened after the publication of the above mentioned Auditors' reports which may have an impact the evaluation of the doubts and uncertainties that led the Auditors not to opine on the Company as a going concern and to declare not to be able to express an opinion on the 2008 statutory and consolidated financial statements.

Subsequent to 14th April 2009, date of publication of the above mentioned audit reports, the Company has confirmed the existence of negotiations for the disposal of its activities in the UK, in parallel with the above mentioned debt renegotiation process.

The outcome of the above negotiations, uncertain to date, could be functional to the process of debt restructuring and, therefore, may affect on the evaluations regarding the business as a going concern expressed by the Board of Directors and the Auditors.

3. With respect to description of the “Actions undertaken” included in the paragraph related to “Evaluation of the business continuity”, highlight the main guidelines and the estimated approval date of the new Industrial Plan.

The Board of Directors, having acknowledged the economic and financial situation of the Group, as well as in light of the deterioration of the macro-economic conditions and the worsening of the competitive context in the sector already indicated in the results at 31st December 2008, and from the predictable management evolution based on the tendencies during the first months of the year 2009, assessed the need to prepare a new Business Plan and an associated Financial Plan which would permit the Tiscali Group to launch a process aimed at restructuring the debt and guaranteeing financial balance over the long-term.

The Business plan, for which the key guidelines have been approved by the Shareholders' Meeting on 27th March 2009, shall be based on the following key actions, in part implemented as of today:

- a) execution with the senior Lending Institutions of a standstill agreement until June 2009, which envisages the suspension of the payment of the capital and interest due pursuant to the medium/long-term financial contracts as well as the relevant financial covenants. The senior Lending Institutions also expressed their willingness, where necessary, to consider an extension in good faith of the aforementioned standstill agreement until 31st December 2009;
- b) the execution, on behalf of the banks and real estate leasing credit companies, of a standstill agreement on the payments and the suspension of the covenants with expiry at 30th June 2009;
- c) appointment of advisors as a support to the Group for business, financial and legal aspects;
- d) elaboration of the financial manoeuvre aimed, amongst other things, at rendering the financial debt of the Tiscali Group compatible with the relevant income and financial prospects, even in light of that which is foreseen in the Business Plan guidelines;
- e) commencement of negotiations for the definition of an agreement with the Lending Institutions, aimed at restructuring the financial debt of the Group. The Board of Directors pointed out that the negotiations had commenced with the above-mentioned institutions for the definition of a new debt structure consistent with the expected cash flows;
- f) execution of agreements with the primary suppliers in order to guarantee the regular continuation of operational activities; the Directors, in this regard, pointed out that the

business activities of the Group in Italy and the United Kingdom continue regularly towards both clients and suppliers.

In particular, the above-mentioned Business Plan is based on guidelines aspiring to the maximising of the operational efficiency, the reduction of costs and investments and the generation of short/medium-term cash flows. The guidelines are different for every operational unit in function of the peculiar characteristics of the context/market of reference.

The Board of Directors in the current conditions predicted that the Restructuring Plan and the Business Plan could be concluded within the timeframe foreseen by the standstill agreement in force with the Lending Institutions.

4. Highlight: (i) the amount of debt with main lending institutions; ; (ii) the entity of debt with banks and leasing lenders; (iii) the main commercial overdue debt positions with respect to the contractual terms.

The table below shows the breakdown of the different types of debt at 31 December 2008, highlighting the maturity dates and the standstill agreements in force as at the present date.

Debt at 31 December 2008	Nominal amount (EUR 000)	Maturity
Credit Facility **	50	31/12/2011
Revolving Credit Facility **	50	31/12/2011
Term Loan *	400	13/09/2014
Sale and Lease Back *	56	13/02/2022
Leasing Italy***	15	-
Leasing United Kingdom***	24	-
Short-term bank facilities *	13	-

* Standstill payments

** Standstill payments and suspension of financial covenants

*** Cumulated amounts that represent different contractual conditions

(iii) the main commercial debt overdue positions with respect to the contractual terms

The Company has also analysed the main trade debtors' positions which have expired pursuant to the contractual conditions, which reflect a situation substantially consistent with the terms of payment normally applied by the Group, notwithstanding the worsening of the commercial and business environment. As of 31st March 2009 the commercial debt positions external to the Group overdue by more than 30 days amounted to ca EUR 60 million. It is to be highlighted that the Company has also negotiated, with certain key suppliers, rescheduling of the commercial debt .

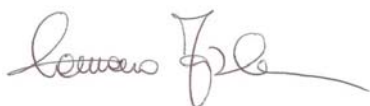
Cagliari, 27th April 2009

Tiscali S.p.A.
For the Board of Directors
CEO
Mario Rosso



5. Declaration of the executive in charge of drawing up the Company's accounting documents

I, the undersigned Romano Fischetti, Executive in charge of drawing up the Company accounting documents for Tiscali S.p.A., certify that pursuant to art. 154-bis, subsection 2, of the Legislative Decree 58/98, as modified, that the accounting information contained in the present Board of Directors' Note corresponds to the documental results, the books and the accounting entries.

A handwritten signature in black ink, appearing to read "Romano Fischetti". The signature is written in a cursive style with a long horizontal stroke extending to the right.