



TISCALI S.p.A.

Legal offices in Cagliari, in Sa Illetta, S.S. 195 km. 2.3

Paid-up Share Capital EUR 308,272,742.50

Tax Identification Number, VAT Identification Number and registration in the
Companies' Register of Cagliari no. 02375280928

REPORT OF THE BOARD OF DIRECTORS PREPARED PURSUANT TO
ARTICLE 2446 OF THE CIVIL CODE AND TO ARTICLE 74 OF THE
11971/99 REGULATION OF THE NATIONAL COMMISSION OF
COMPANIES AND THE STOCK EXCHANGE [CONSOB], AS AMENDED
("ISSUERS' REGULATION") WRITTEN ACCORDING TO ATTACHMENT 3A
AND THE ISSUERS' REGULATION

At the Shareholders' Meeting called for 28, 29 and 30 April 2009

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Dear Shareholders,

this report is prepared pursuant to article 2446 of the civil code and article 74 of the Issuers' Regulation and is prepared in accordance with Attachment 3A, framework n. 5 of the same Regulation, with the scope of illustrating the net worth and economic status of Your Company at 31 March 2009, to be submitted to the Shareholders' Meeting called at the legal offices in Cagliari, in Sa Illetta, S.S. 195 km 2.3 at 11:00 on 28, 29 and 30 April 2009, at the first, second and third meeting, respectively.

This report is prepared to update the asset and economic situation of your Company compared with that of 31 December 2008 presented on the occasion of the Share-holders' Meeting taking place on 30 April 2008, also in order to cover the losses aimed at resolutions to increase the share capital prior to the process of restructuring the debt of the Group.

In particular, on 30 April 2009, the Meeting of the Share-holders of the Company approved the balance-sheet for the period as at 31 December 2008 and decided, according to article 2446 of the Civil code, on the partial rescheduling of the overall losses accumulated as at 31 December 2008, equal to 1,142.7 million Euro, by making full use of the share premium reserve, carrying forward the remainder of the losses (equal to 151.8 million Euro).

At this date, in fact, the company bodies did not consider it appropriate to propose any change to the share capital, neither an increase nor a reduction, declaring that the loss for the period had been determined for the most part by devaluation of holdings due essentially to the exceptional market situation – as explained in detail in the directors' management report on the balance-sheet closed as at 31 December 2008 -. The Board of Directors, meeting on 14 May 2009, to approve the quarterly report of the Group as at 31.03.2009 and on 11 June 2009 to approve the separate asset situation of Tiscali as at 31.03.2009 (appended to this report sub. 1), having approved the financial prospectuses acknowledged about the Net Worth and Economic Status of the Company as at 31 March 2009:

- There is an operating loss equal to EUR 370,848.35, which leads to an accumulation of losses (including the previous periods) as at 31 March 2009 of EUR 152,201,246.25;
- The Net Worth as at 31 March 2009 proves to be thus reduced to EUR 153,893 million (EUR 154,096 million as at 31 December 2008) as regards the amount of share capital equal to EUR 308,272,742.50, with a decrease of this share capital by more than one third;
- This situation calls, therefore, for the case provided for by article 2446 of the civil code.

The financial prospectuses have been prepared in accordance with international accounting standards (IAS/IFRS) approved by the European commission. The same criteria of evaluation and measurement have been adopted to compile the compared economic and net worth status reports.

The net worth and economic status at 31 March 2009 and the compared net worth and economic status at 31 March 2008 have not been audited.

This report, together with the observations of the Board of Statutory Auditors, is put at the disposition of the public in accordance with article 2446 of the civil code and article 74 of the Issuers' Regulation, at least eight days before the date determined for the shareholders' meeting.

1. PRINCIPAL FINANCIAL PROSPECTUSES AT 31 MARCH 2009

Following, the financial prospectuses of operation of Tiscali S.p.A. at 31 March 2009 are reported, subject of the assumptions provided for by article 2446 of the civil code, along with the relative explanatory notes.

In order to provide a more complete representation of the accounting results, in the following section the corresponding prospectuses relating to the consolidated financial statements of the Tiscali Group are also reported.

For other details relating to the net worth status, income statement, the prospectus of the variations in the shareholders' equity, the financial report and the notes of the financial statement of the Company at 31 December 2008 and the net worth of the Company at 31 March 2009 (and therefore, regarding the financial prospectuses displayed below) please refer to the Draft Financial Statement at 31 December 2008, approved by the Board of Directors on 30 April 2009 and the financial prospectuses at 31 March 2009 of the Company – approved by the Board of Directors on 11 June 2009 which satisfies the net worth and economic status indicated in article 2446 of the civil code.

In analysing the prospectuses indicated below, it is however noted that, on 30 April 2009 (that is, after 31 March 2009), the Meeting of the share-holders of the Company approved the balance-sheet for the period as at 31 December 2008 and decided, according to article 2446 of the Civil code, on the partial rescheduling of the overall losses accumulated as at 31 December 2008, equal to 1,142.7 million Euro, by making full use of the share premium reserve, carrying forward the remainder of the losses (equal to EUR 151.8 million).

In view of this decision, therefore, as at the date of this report the share premium is cancelled and the losses carried forward are equal to about 151.8 million EUR. The net worth and economic status at 31 March 2009, is therefore prepared in order to provide an update of the net worth and economic status of Your Company compared with that of 31 December 2008 presented on the occasion of the Meeting of the Share-holders taking place on 30 April 2008, also in order to cover the losses aimed at resolutions to increase the share capital prior to the process of restructuring the debt of the Group.

1.1 Tiscali S.p.A.: Financial Prospectuses at 31.03.2009

i. Tiscali S.p.A.: Financial Position

<i>(EUR)</i>	31 March 2009	31 December 2008
<i>Non-current assets</i>		
Intangible assets	230,812	306,966
Property, plant and equipment	56,531	68,557
Equity investments	235,763,764	235,743,924
Other financial assets	2,407,616	5,496,440
	238,458,723	241,615,887
<i>Current assets</i>		
Trade receivables	28,223,872	23,782,983
Other receivables and other current assets	1,454,872	2,421,118
Other current financial assets	2,604,475	2,604,475
Cash and cash equivalents	1,373,591	1,373,247
	33,656,810	30,181,823
Assets classified as held for sale	-	-
Total Assets	272,115,533	271,797,710
<i>Share capital and reserves</i>		
Share capital	308,272,743	308,272,743
Share premium reserve	990,857,353	990,857,353
Stock option reserve	4,008,000	3,840,707
Equity reserve	(6,186,581)	(6,186,581)
Retained earnings	(1,143,058,599)	(1,142,687,751)
Total net assets	153,892,915	154,096,471
<i>Non-current liabilities</i>		
Other non-current liabilities	2,815,295	3,622,967
Liabilities from pension and severance plans	259,081	271,188
Provision for risks and charges	39,818,566	40,220,386
	42,892,941	44,114,541
<i>Current liabilities</i>		
Payables to banks and other lenders	629,327	626,825
Payables to suppliers	24,340,735	22,077,214
Other current liabilities	50,359,615	50,882,660
	75,329,678	73,586,699
Liabilities directly related to assets held for sale	-	-
Total Net Assets and Liabilities	272,115,533	271,797,710

ii. Tiscali S.p.A.: Income Statement

	31 March 2009	31 March 2008
<i>(EUR)</i>		
Revenue	3,472,857	3,280,198
Other income	-	-
Purchase of materials and other outsourced services	(719,403)	(2,090,119)
Payroll and related costs	(2,543,112)	(5,562,272)
Other operating costs	(439,643)	(622,127)
Writedown of receivables from customers	-	-
Other writedowns	-	-
Amortisations	(88,181)	(97,125)
Operating Result	(317,482)	(5,091,444)
Portion of results of equity investments carried at equity	-	-
Net financial income (charges)	11,297	(314,032)
Pre-tax result	(306,185)	(5,405,476)
Income taxes	(64,664)	-
Net result from operating activities (on-going)	(370,848)	(5,405,476)
Loss from assets disposed of and/or destined to be disposed of	-	-
Net result	(370,848)	(5,405,476)

iii. Tiscali S.p.A.: Net financial status at 31 March 2009

The following prospectus is prepared according to the framework provided by the Recommendation of the CESR on 10 February 2005 "Recommendation for the uniform realization of the European commission regulation on information prospectuses," in accordance with what is provided by the CONSOB Communication no. DEM/6064293 of 28 July 2006.

<i>(thousands of EUR)</i>	31 March 2009	31 December 2008
A. Cash	2	1
B. Other equivalents	1,372	1,372
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	1,374	1,373
E. Current financial receivables	-	-
F. Current bank payables	(629)	(627)
G. Current portion of non-current debt	-	-
H. Other current financial payables to group companies	(46,050)	(45,753)
I. Current financial payables (F) + (G) + (H)	(46,679)	(46,379)
J. Net current financial debt (I) – (E) – (D)	(45,306)	(45,006)
K. Non-current payables to banks	-	-
L. Bonds issued	-	-
M. Other non-current payables to group companies	(2,294)	(3,108)
N. Other non-current payables to minorities	(521)	(515)
O. Non-current financial debt (K) + (L) + (M) + (N)	(2,815)	(3,623)
P. Net financial debt (J) + (O)	(48,121)	(48,630)

Assets

Short-term items

The liquid assets at the end of the first quarter of 2009 amount to EUR 1.4 million and include the liquidity of the company retained essentially in bank current accounts.

Middle term items

There are no non-current financial receivables.

Liability items

Short-term items

The current bank payable entry, equal to EUR 0.6 million, includes only payables to banks for the outstanding of current account necessary to confront the necessities of liquidity derived from management.

The other current payables to Group, equal to EUR 46.0 million, refer to the financial debt to the company Tiscali International B.V., a sub-holding of the Gruppo Tiscali.

Middle- term items

The other non-current payables, together equal to EUR 2.8 million, refer to bank short-term lines of credit of which:

- EUR 2.3 million are for non-current payables to group companies (EUR 2.3 million to Tiscali Italia S.p.A. and EUR 16 thousand to Tiscali International Network SA);
- EUR 0.5 million are for other payables to Tiscali International Network B.V., reclassified as third-party payables via the preliminary agreement of cessation of operations reached in February 2009.

The net financial Position indicated in the table above reconciles with the net Financial Debt presented in Relation to the management in the following way:

<i>(thousands of EUR)</i>	31 March 2009	31 December 2008
Net financial debt in the Report of management	(44,062)	(43,605)
Current financial receivables	(4,059)	(5,025)
Net financial position	(48,121)	(48,630)

iv. Tiscali S.p.A.: Prospectus of the Variations of Equity

(EUR)	Share Capital	Share Premium Reserve	Accumulated Losses and Period Result	Stock Option Reserve	Equity Reserve	Total
Balance at 1 January 2009	308,272,743	990,857,353	(1,142,687,751)	3,840,707	(6,186,581)	154,096,471
Increases/Decreases	-	-	-	167,293	-	167,293
Transfers covering losses	-	-	-	-	-	-
Net Profit (Loss) of operations	-	-	(370,848)	-	-	(370,848)
Balance at 31 March 2009	308,272,743	990,857,353	(1,143,058,599)	4,008,000	(6,186,581)	153,892,915

The period loss is equal to EUR 0.4 million.

The equity investments are registered at the cost, depreciated due to lasting losses of value determined through impairment tests. During the first quarter of 2009 there were no losses in value of the investments, compared with the balance of the same at 31 December 2008.

The following table shows, in detail, the composition of the balance and the movements taking place in the first quarter of 2009.

CONTROLLED COMPANIES (thousands of EUR)	Balance					Balance 31 March 2009
	31 December 2008	Increases	(Transfers)	Appreciation/ (Depreciation)	Other movements	
Energy Byte S.r.l. in liquidation	-	-	-	-	-	-
Tiscali Deutschland GmbH	-	-	-	-	-	-
Tiscali Finance SA	-	-	-	-	-	-
Tiscali Italia S.r.l.	111,817	33	-	-	-	111,850
Tiscali Motoring S.r.l.	-	-	-	-	-	-
World Online International N.V.	122,605	-	-	-	-	122,605
Tiscali Int.I Network S.p.A.	1,272	6	-	-	-	1,278
Tiscali Financial Services Sa	31	-	-	-	-	31
	235,725	39	-	-	-	235,764

1.2 Tiscali Group: Accounts Statement consolidated on 31.03.2009

Tiscali Group: Consolidated Statement of Assets and Liabilities

<i>(EUR in thousands)</i>	31 March 2009	31 December 2008
<i>Non running activities</i>		
Start	445,309	438,824
Intangible activities	177,440	191,931
Real estate, systems and machinery	229,298	232,288
Shares	-	33
Other financial activities	17,844	17,313
Deferred fiscal activities	10,507	10,507
	880,399	890,896
<i>Running activities</i>		
Remainders	5,726	6,880
Credits to clients	180,078	176,819
Other credits and different current activities	52,409	46,794
Other current financial activities	2,953	3,430
Liquid availability	8,656	24,202
	249,821	258,125
Activities held for sale	55,993	56,795
Total Assets	1,186,213	1,205,817
<i>Capital and reserves</i>		
Capital	308,273	308,273
Shares surcharge reserve	990,857	990,857
Stock option reserve	4,008	3,840
Equity Bond reserve	-	-
Losses accumulated and other reserves	(1,298,306)	(1,049,424)
Losses from the period	(17,196)	(242,724)
Net capital and reserves pertaining to the Group	(12,363)	10,823
Third party interest	(6,260)	(6,046)
Net capital and reserves pertaining to third parties	(6,260)	(6,046)
Net total of capital and reserves	(18,623)	4,777
<i>Non running deficit</i>		
Bonds	-	-
Debts to banks and other financial institutions	30,932	30,743
Debts for financial leasing	67,584	73,118
Other non current liabilities	105,103	95,444
Liabilities for retirement service and processing of severance indemnity	4,589	5,001
Risks and onus funds	23,795	25,384
Deferred taxes fund	-	-

	232,002	229,690
<i>Running liabilities</i>		
Debts to banks and other financial institutions	520,742	510,012
Debts for financial rental	22,688	21,399
Debts to suppliers	257,968	268,899
Other running liabilities	149,560	148,765
	950,957	949,076
Liabilities directly related to activities held for sale	21,877	22,274
Total net and liable capital and reserves	1,186,213	1,205,817

Tiscali Group: Consolidated Income Statement

	31 March 2009	31 March 2008
<i>(EUR in thousands)</i>		
Proceeds	202,603	268,991
Other proceeds	1,165	1,161
Acquisition of materials and external services	141,651	198,444
Staff costs	19,929	22,807
Stock options plans costs	162	1,542
Other operative onuses (proceeds)	1,146	1,192
Credits devaluation to clients	6,505	5,996
Restructuring costs and other devaluations	3,331	12,954
Depreciations	38,281	43,020
Operative Result	(7,238)	(15,802)
Quota for results from valued shares according to the net capital and reserves method	(66)	-
Net financial proceeds (Onuses)	(7,734)	(22,456)
Other net financial proceeds (Onuses)	-	-
Result before tax	(15,039)	(38,258)
Taxes on revenue	(491)	(90)
Net result of activities in operation (continuous)	(15,530)	(38,348)
Result from activities transferred and/or intended for transfer	(1,880)	(1,625)
Net result	(17,410)	(39,973)
Attributable to:		
- Group Leader result	(214)	(2,472)
- Third Parties result	(17,196)	(37,501)

The resulting amounts are indicated, including the impact of the Tiscali UK transfer. It is foreseen that such a transfer, where finalized following the achievement of the conditions to which the related execution is subordinate shall determine the onset of an important capital loss which will impact on the Tiscali Group Leader related period result, in accordance with that already communicated to the Market, and the consequent need to assess suitable measures to be adopted for the loss derivative of such an operation.

Tiscali Group: Consolidated Net Financial Situation on 31 March 2009

On 31 March 2009 the Tiscali Group were able to count on an entire liquid availability of EUR 8.7 million, compared with a negative net financial statement on the same date for EUR 629.8 million (EUR 601.1 million on 31 December 2008).

<i>(EUR in millions)</i>	31 March 2009	31 December 2008
A. Cash	8.7	24.2
B. Other liquid assets	13.0	12.7
C. Securities held for trading	-	-
D. Liquid assets (A) + (B) + (C)	21.7	36.9
E. Current financial receivables	4.8	5.3
F. Non current financial receivables	1.5	1.4
G. Current bank debts	520.7	510.0
H. Current part of non current debt	-	-
I. Other current financial debts (*)	22.7	21.4
J. Current financial debt (G) + (H) + (I)	543.4	531.4
K. Net current financial debt (J) – (E) – (F) – (D)	515.4	487.7
L. Non current bank debts	-	-
M. Bonds issued	-	-
N. Other non current debts (**)	114.5	113.4
O. Non current financial debt (L) + (M) + (N)	114.5	113.4
P. Net financial debt (K) + (O)	629.8	601.1

(*) include debts for leasing

(**) include debts for leasing and debts vs partners

The aforementioned statement includes VAT credits among current financial credits and caution money among the other liquid availabilities. Following this there is also a full report of the reconciliation of the aforementioned financial position, with the financial position edited on the basis of the scheme foreseen in the CESR Recommendation of 10 February 2005 – “Recommendations for the uniform achievement of European Commission regulations as regards information schedules”, complying with that anticipated in the Consob n. DEM/6064293 Communication of 28 July 2006.

<i>(EUR in millions)</i>	31 March 2009	31 December 2008
Consolidated net financial debt	(629.8)	(601.1)
Other liquid availability and current financial credits	(15.1)	(15.3)

Active Components

Short term items

Ready money amounts to EUR 8.7 million and includes liquid assets held essentially in bank current accounts.

The other liquid availabilities equal to EUR 13.0 million refer to caution money of which EUR 6.2 millions is calculated for the Italian subsidiary in relation to the *sale and lease back* operation on the real assets of Illetta SA, EUR 6.1 million relating to the rental contracts of the English subsidiaries, EUR 0.4 million relating to Tiscali Financial Services SA and EUR 0.3 million as regards the German subsidiaries.

The current financial credits of EUR 4.8 million include deposits of EUR 2.6 million calculated for Tiscali SpA, besides Tiscali Italia SpA. VAT credits requested as reimbursement for EUR 0.9 million, and VAT credits for an entire EUR 1.2 million.

Average term items

Non current financial credits of EUR 1.5 million related to financial credits from Tiscali to the Ti net Group.

Passive Components

Short term items

Current bank debts include EUR 503.0 million pertaining to financing from Banca Intesa San Paolo SpA and JP Morgan Europe Limited (reckoned on the basis of the IAS "amortized costs" criteria), in addition to EUR 17.2 million of bank debts for the Italian subsidiary (including EUR 4.1 million in financing debts for *factoring* companies for transfer of credits claimed from Tiscali by some suppliers) and EUR 0.6 million from Tiscali SpA bank debts.

The other running financial debts include debts for short term financial leasing of EUR 22.7 million.

Average term items

Other non running debts, equal to an approximate entirety of EUR 114.5 million, mainly include EUR 67.6 million for average and long term financial leasing and debt to other financiers of EUR 30.9 million, relating to the shareholder's loan by the partner Andalus Limited, in addition to EUR 15.9 million for *fair value* evaluation of the *swaps* contracts as regards financing from Banca Intesa San Paolo and JP Morgan.

Tiscali Group: Statement of Consolidated Net Capital and Reserves Variations

(EUR in millions)	Capital	Shares Reserve Surcharge	Stock Option Reserve	Losses Accumulated and other reserves	Capital and reserves net of Group purtenances	Minority Profit sharing	Total
Balance sheet on 1 January 2009	308,273	990,857	3,840	(1,292,147)	(10,823)	(6,046)	4,777

Increments/(Decrement)	-	-	168	-	168	-	168
Exchange differences derivative of balance sheets	-	-	-	(6,158)	(6,158)	-	(6,158)
Financial Year Net Profit (loss)	-	-	-	(17,196)	(17,196)	(214)	(17,410)
Balance sheet on 31 March 2009	308,273	990,857	4,008	(1,315,502)	(12,363)	(6,260)	(18,623)

2. PROPOSALS IN RELATION TO MEASURES TO ASSUME FOR LOSSES RE-PLANNING

The Board of Directors intends to submit itself to the Extraordinary Assembly, in order to proceed to:

- complete cover of the part of loss of EUR 151,830,397.90 carried over to a new account;
- cover for a further loss of EUR 370,848.35 accumulated on 31 March 2009, added to the aforementioned loss to make an entire amount of EUR 152,201,246.25.

Via reduction in company capital in proportion to the losses themselves; the company capital shall therefore go from EUR 308,272,742.50 to EUR 156,071,496.25.

For further details on the Tiscali debt restructuring project, see subsequent points 3 and 4 and the Board of Director's report drafted in accordance with article 72 of the Regulation of Issue and article 3 of Ministerial Decree 437/98 and, made available to the public in accordance with the terms foreseen in the regulatory measures and regulations in force.

3. INITIATIVES FOR MANAGEMENT IMPROVEMENT AND FOR COMPANY CONTINUITY CONDITIONS MAINTENANCE

On 8 May 2009 the Board of Directors took note of the Group's capital and reserves, economic and financial situation, in light of a deterioration in macroeconomic conditions, and aggravated by the sector's competitive context, already shown in the results on 31 December 2008 as well as the results on 31 March 2009, approved guidelines for a Group debt restructuring plan, to match the financial and capital and reserves requirements of the Tiscali Italia's industrial plan, which credit institutions have been ready to support.

The aim of the restructuring plan shall be the reduction, re-setting of expiry dates and the review of debt conditions, also using proceeds from the Tiscali UK transfer, as well as reinforcing the Group's capital and reserves stocks, to be achieved via a company capital increase operation for an entire amount of up to a maximum of around EUR 230 million (for more information regarding the company capital increase operations reference should be made to the Board of Director's report drafted in accordance with article 72 of the Regulation of Issue and article 3 of the Ministerial Decree 437/98 e, made available to the public according to terms foreseen in the regulatory measures and regulations in force).

In the approval of the balance sheet project and in subsequent communications to the Partner's Assembly of 30 April 2009, the Board of Directors has therefore borne in mind numerous factual and documental accounting evidence; negotiations with the banks shall also be pursued after approval of the balance sheet for 2008, with significant and imminent developments.

In particular:

- A. on 12 March 2009, the Company, after having proposed a standstill agreement to the principal financial backers, suspended the payment of interest on the medium- and long-term loan agreements contracted with Senior Financial Institutions;
- B. in a letter dated 27 March 2009, the Senior Financial Institutions expressed their willingness to award absolute priority to the renegotiation of the Company's debt burden;
- C. on 27 March 2009, the Company therefore signed a standstill agreement with the Senior Financial Institutions, valid until 5 June 2009, and with the principal objective of allowing an agreement for the restructuring of the outstanding liabilities of the Group and Company to be defined with the banks;
- D. on 27 March 2009, the Board of Directors of the Company approved a draft financial statement for 2008 recording a negative net financial position of EUR 48.6 million and net operating losses for the year of

EUR 981.3 million a relevant situation under art. 2446 of the Italian civil code. On the same date, the Board of Directors of Tiscali also approved the outline proposal for the industrial plan on a consolidated basis, subsequently validated by AT Kearney, which, together with the financial plan on a consolidated basis and the industrial and financial plans on the individual bases of Tiscali and Tiscali Italia S.p.A. currently being formulated, constitute an integral part of the Restructuring Proposal.

With regard to the financial statements, the auditing firm Ernst & Young S.p.A., in its report published in compliance with art. 156 of Italian legislative decree no. 58 of 24 February 1998, as amended (“**TUF**”), detected “*doubts whose relevance*” did not allow “*a conclusive judgement on the appropriateness of the prospects for the company’s continuing in business and, consequently, on the ability of Tiscali S.p.A. to conduct its own business and meet its liabilities in the normal course of operations*”, and therefore the auditors did not deem themselves to be in a position to pronounce judgement on the aforementioned financial statements;

- E. in March and April 2009, the debt restructuring plan was outlined to the Senior Financial Institutions in Milan and London;
- F. in a letter dated 9 April 2009, the Senior Financial Institutions declared their readiness to extend the moratorium until 31 December 2009;
- G. on 30 April 2009, the Company’s General Meeting of Shareholders approved the financial statements for the year ending 31 December 2008 and deliberated, under art. 2446 of the Italian civil code, the partial write-off of all losses accumulated to 31 December 2008, to a total of EUR 1,142.7 million, via the full application of the share premium reserve, with the deferment of the residual part of losses (EUR 151.8 million);
- H. on 7/8 May 2009, the Board of Directors of the Company approved:
 - (i) the cash sale of 100% of the shares of Tiscali UK Ltd (“**Tiscali UK**”) to Carphone Warehouse Group plc, for a total enterprise value of GBP 255.5 million (of which around GBP 20 million account for the assumption of certain financial debts), subject among other conditions to the issue of an auditor’s statement of fitness in compliance with article 67, paragraph 3, section *d*) of the Italian Bankruptcy Act. The market was informed on the same date of the aforementioned operation. The objective of the operation was the partial paying off of the Company’s bank debts; and
 - (ii) the Outline Restructuring Proposal, whose execution the Senior Financial Institutions have manifested their willingness to support. The market was notified of this information on 9 May.
- I. on 14 May 2009, the Board of Directors of the Company:

- (i) approved the interim management report on 31 March 2009, which confirmed the situation of financial tension: on the aforementioned date, in fact, the Tiscali Group had total liquid assets of EUR 8.7 million, against a negative consolidated net financial position of EUR 645 million. On the same date, with consolidated net assets of EUR 18.6 million in the negative, and with losses for the period amounting to EUR 17.4 million, it was decided to enlist the services of an expert under art. 67 paragraph 3 section d) of the Italian bankruptcy act;
- J. on 15 May 2009, the Company and the Senior Financial Institutions jointly issued a term sheet included in an Outline Restructuring Proposal – subject nevertheless to amendments and additions, and to the compliance with certain conditions – which outlines the Restructuring plan of TISCALI and the Group;
- K. on 26 May 2009 the sale of the TiNet Group to the BS private equity fund was completed, at a price based on the estimated enterprise value of TiNet of around EUR 47 million, including an earn out potential of around EUR 7 million. This operation is also included in the Debt Restructuring Plan for the Tiscali Group. Following the completion of the debt restructuring operation, in fact, and notwithstanding the conditions currently provided under the financing agreements with the Senior Financial Institutions, the proceeds from the sale will go to covering the requirements of the Company and not to the early repayment of debts;
- L. on 28 May 2009 the Company and the Senior Financial Institutions signed a framework agreement (“**Framework Agreement**”) for restructuring the debts of the Group. On the same date, the Board of Directors of TISCALI decided to call an extraordinary meeting of shareholders scheduled for 28, 29 and 30 June 2009.

The Framework Agreement incorporates the principal objectives of the Outline Restructuring Proposal as indicated above, and whose essential elements are:

- (i) the reduction, rescheduling and revision of debt conditions with regard to the Senior Financial Institutions, to which the proceeds from the sale of Tiscali UK would also be applied; and
- (ii) reinforcement of the Group’s assets, via one or more increases in capital (“**Increases in Capital**”), in sums equivalent to the estimate for the financial and economic rebalancing of the Company and the Group.

As earlier announced to the market on 29 May 2009, the Framework Agreement in particular addresses the restructuring of:

- around EUR 500 million of senior debt, in addition to the respective interest and closing costs of hedging agreements (“**Senior Debt**”), already the object of the standstill agreement referred to in point C above;

- around EUR 100 million in debts originally contracted with regard to several minority shareholders in Tiscali UK and not subject to interest, as part of a restructuring and settlement agreement currently being formulated with these shareholders;
- around EUR 31 million of debt due, plus interest, to Andalus Ltd., a company owned by shareholder Renato Soru.

More specifically, the Framework Agreement stipulates the following operations:

- i. Divestment of Tiscali UK: The quota share repayment of the Senior Debt and of the debt to the minority shareholders in Tiscali UK for approximately EUR 200 million and EUR 8 million respectively, via application of the proceeds from the sale of Tiscali UK. At present, the net proceeds expected from the sale of Tiscali UK are approximately 236 million GBP (around EUR 260 million), for which around 36 million GBP (around EUR 40 million) will be assigned as collateral on certain contractual obligations;
- ii. Sustainable debt. The confirmation of financing, with regard to Senior Debt, for a total of EUR 165 million , under new terms and conditions, in particular:
 - **Tranche A**: medium- and long-term debt to the value of EUR 100 million , payable at 5 years;
 - **Tranche B**: medium- and long-term debt to the value of EUR 45 million , payable at 6 years;
 - **Tranche C**: medium- and long-term debt to the value of EUR 20 million , payable at 7 years, and to be obligatorily repaid at an earlier date via the application of any funds deriving from the release of the restricted account relative to the sale of Tiscali UK, or via the Third Increase in registered capital, under the terms and conditions specified in the report compiled for the purposes of art. 72 of the Issue Regulations;
- (iii) Increases in Capital: The reduction of the outstanding portion of the Senior Debt (i.e., short-term non-sustainable debt), to a maximum value of around EUR 193.5 million – including interest and hedging agreement closing costs and any additional associated and attendant liabilities which might emerge – shall be effected, respectively, via the first Increase in Registered Capital, and any Second Increase in Registered Capital made as a rights issue, with unpurchased shares underwritten by the Senior Financial Institutions in the terms and conditions specified in the report compiled for the purposes of art. 72 of the Issue Regulations.

Final evaluation of the Board of Directors

In the light of the considerations indicated above and the action subsequently taken at the end of the financial year 2008 and the first quarter of 2009, the

Board of Directors believes that there is a reasonable probability that the financial debt of the Tiscali Group can be restructured, consistent with cash flow and fit to support the new business plan. In the light of these considerations and the development of negotiations with the financial institutions, it is therefore believed that corporate continuity will be maintained.

4. INFORMATION WITH REGARD TO THE DEBT RESTRUCTURING PLAN AND TO THE ANTICIPATED TIME FRAME FOR THE PROCESS

The *management* of the Tiscali Group has submitted a corporate debt restructuring plan (the “**Restructuring Plan**”) to the banks, the ultimate aim of which is to make the financial debt compatible with the income and financial prospects of the Tiscali Group based on the business plan approved as far as its basic guidelines are concerned.

The aforementioned business plan is based on guidelines inspired by the optimisation of operating efficiency, cost reductions and investments and the generation of short/medium term funds. The outline of the guidelines is differentiated for each operating unit based on the particular characteristics of the context/reference market.

As indicated in point 3 above, the Restructuring Plan is currently in the definition and discussion phase with the Financial Institutions. Most importantly, within the scope of this Restructuring Plan, the Framework Agreement was signed on 28 May 2009.

The Board of Directors anticipates that the Restructuring Plan can be defined and agreed within the time frame currently provided for in the existing *standstill* agreement with the *senior* Financial Institutions. The Board of Directors believes that, once completed, the Restructuring Plan may lead to an improvement in the economic and financial situation of the Company with significant effects on the operational progress of the Company and of the Tiscali Group.

Cagliari, 11 June 2009

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



5. STATEMENT OF THE MANAGER IN CHARGE OF PREPARING THE CORPORATE ACCOUNTING DOCUMENTS

I the undersigned Romano Fischetti, Manager in charge of preparing the corporate accounting documents of Tiscali S.p.A., certify pursuant to Art. 154 a, sub-section 2 of legislative decree 58/98, as amended, that the accounting report contained in this Board of Directors report and prepared pursuant to Art. 2446 of the Civil Code, corresponds to the documented results, books and accounting entries.

A handwritten signature in black ink, appearing to read 'Romano Fischetti', with a long horizontal flourish extending to the right.

Tiscali S.p.A.
Manager in charge of preparing the corporate accounting documents
Romano Fischetti

6. REMARKS OF THE BOARD OF AUDITORS

REMARKS OF THE BOARD OF ARTICLES RE. ARTICLE 2446 C.C.

To the shareholders of the company Tiscali SpA

The ordinary meeting of the company on 30 April 2009 approved the balance sheet at 31 December 2008 which shows a loss of € 981.324 million, bringing the loss accumulated at 31 December 2008 to € 1,142.688 million. The equity is therefore reduced to € 154.096 million compared with a share capital of € 308.273 million with a loss of more than a third of this capital. This situation therefore determined the present case provided by Art. 2446 of the Civil Code.

This meeting decided 1) to settle € 990.857 million of the losses accumulated at 31 December 2008, by using all the share premium reserve, which was therefore cleared; 2) to defer again the remaining part of the losses equal to € 151.830 million.

The Board of Directors approved an intermediate balance sheet from Tiscali SpA dated 31 March 2009, which shows a period loss of € 370,848 bringing the losses accumulated at 31 March 2009 to € 1,143.059 million. The equity at this date is therefore reduced to € 153.893 million compared to a share capital of € 308.273 million, confirming the reduction of over a third as indicated in Art. 2446 of the Civil Code.

The Report of the Directors, which is submitted for your attention in compliance with the provisions of Article 2446 of the Civil Code – illustrating the overall financial situation of the Group at 31 March 2009 – proposes to the meeting to settle the part of the losses brought forward from the previous financial year of € 151,830,398 and the remaining loss of € 370,848 shown on 31 March 2009 by reducing the share capital by the same amount, i.e. from € 308,272,742.50 to € 156,071,496.25.

The operation above is part of a wider programme of initiatives for the reorganisation of operations and for the maintenance of conditions of corporate continuity described in the report in question and in the report prepared pursuant to Art. 72 of the Consob "Listing Rules". We believe that the report of the Directors provides the reasoning required in order to decide the appropriate measures in relation to the loss at 31 March 2009.

Cagliari, 11 June 2009

THE BOARD OF AUDITORS

ALDO PAVAN



PIERO MACCIONI



ANDREA ZINI



Attachment 1

Tiscali S.p.A.
Schedule of Accounts and Explanatory Notes
to 31 March 2009

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1 Introduction

This document is an integral part of the Quarterly Report to 31 March 2009 approved by the Board of Directors of Tiscali on the 14 May 2009.

2 Tiscali S.p.A. – Schedule of Accounts and Explanatory Notes to 31 March 2009

2.1 Income Statement

	31 March 2009	31 March 2008
<i>(EUR)</i>		
Revenue	3,472,857	3,280,198
Other Income	-	-
Purchase of materials and other outsourced services	(719,403)	(2,090,119)
Cost of Personnel	(2,543,112)	(5,562,272)
Other Operating Costs	(439,643)	(622,127)
Write-downs of receivables from customers	-	-
Other write-downs	-	-
Amortisations	(88,181)	(97,125)
Operating Result	(317,482)	(5,091,444)
Portion of results of equity investments carried at equity	-	-
Net Financial Income (Expense)	11,297	(314,032)
Pre-Tax Result	(306,185)	(5,405,476)
Income Taxes	(64,664)	-
Net Result of Operating Activities (ongoing)	(370,848)	(5,405,476)
Result of assets disposed of or due to be disposed of	-	-
Net Result	(370,848)	(5,405,476)

2.2 Balance Sheet

<i>(EUR)</i>	31 March 2009	31 December 2008
<i>Non-current Assets</i>		
Intangible assets	230,812	306,966
Property, plant and equipment	56,531	68,557
Equity Investments	235,763,764	235,743,924
Other Financial Assets	2,407,616	5,496,440
	238,458,723	241,615,887
<i>Current Assets</i>		
Trade Receivables	28,223,872	23,782,983
Other Receivables and other Current Assets	1,454,872	2,421,118
Other Current Financial Assets	2,604,475	2,604,475
Cash and Cash equivalents	1,373,591	1,373,247
	33,656,810	30,181,823
Assets classified as held for sale		
Total Assets	272,115,533	271,797,710
<i>Share Capital and reserves</i>		
Share Capital	308,272,743	308,272,743
Share Premium Reserve	990,857,353	990,857,353
Stock Option Reserves	4,008,000	3,840,707
Equity Reserve	(6,186,581)	(6,186,581)
Retained Earnings	(1,143,058,599)	(1,142,687,751)
Total Net Equity	153,892,915	154,096,471
<i>Non-Current Liabilities</i>		
Other Non-Current Liabilities	2,815,295	3,622,967
Liabilities from Pension and Severance Plans	259,081	271,188
Provision for Risks and Charges	39,818,566	40,220,386
	42,892,941	44,114,541
<i>Current Liabilities</i>		
Payables to banks and other lenders	629,327	626,825
Payables to suppliers	24,340,735	22,077,214
Other Current Liabilities	50,359,615	50,882,660
	75,329,678	73,586,699
Liabilities directly related to assets held for sale	-	-
Total Net Equity and Liabilities	272,115,533	271,797,710

2.3 Schedule of the Variations of Net Equity

<i>(EUR)</i>	Share Capital	Share Premium Reserve	Retained Earnings	Stock Option Reserve	Equity Reserve	Total
Balance at 1 January 2009	308,272,743	990,857,353	(1,142,687,751)	3,840,707	(6,186,581)	154,096,471
Increases / Decreases	-	-	-	167,293	-	167,293
Transfers covering losses	-	-	-	-	-	-
Net Result of operating activities	-	-	(370,848)	-	-	(370,848)
Saldo al 31 marzo 2009	308,272,743	990,857,353	(1,143,058,599)	4,008,000	(6,186,581)	153,892,915

2.4 Financial Statement (Cash Flow statement)

FINANCIAL STATEMENT <i>(EUR)</i>	31-March 2009	31-March 2008
OPERATING ACTIVITIES		
Net Result of the period	(370,848)	(5,405,476)
<i>Adjustments for:</i>		
Amortisation - tangible assets	61,551	85,380
Amortisation - intangible assets	304,618	304,877
Write-down of equity investments	955,011,889	7,215,158
Provision for loss on investments	19,639,918	-
Release of funds previously reserved	(1,481,422)	-
Unrealised losses / (unrealised gains), deriving from investments	250,000	-
Stock Option Costs	2,261,995	885,707
	975,677,701	3,085,646
(Increase)/Decrease in receivables	(1,082,668)	(7,658,486)
Increase/(Decrease) of payables to suppliers	4,681,995	14,347,478
Net Variation to the provision for risks and charges	(226,904)	(4,459,816)
Net Variation to the Severance Plan funds	(66,550)	28,650
Other Variations - Liabilities	4,850,026	(115,495,653)
Other Variations - Assets	256,293	243,515
	8,412,192	(112,994,312)
NET CASH AND CASH EQUIVALENT DERIVING FROM OPERATING ACTIVITIES	984,089,893	(109,908,666)
INVESTMENT ASSETS		
- <i>Variation to other Financial Asserts</i>	1,293,070	(32,360,922)
- <i>Acquisition of Tangible Assets</i>	7,019	(11,168)
- <i>Acquisition of Intangible Assets</i>	-	5,176,00
- <i>Receipts from the sale of Financial Assets</i>	(818,844)	8,207,282
NET CASH AND CASH EQUIVALENTS USED IN INVESTMENTS	481,245	(24,169,984)
FINANCIAL ASSETS		
Variation to financial assets	-	-
Increase (decrease) of other non-current liabilities	(1,346,212)	-
Variation to Net Assets	(982,368,081)	132,441,358
NET CASH AND CASH EQUIVALENTS DERIVING FROM/(USED FOR) FINANCIAL ASSETS	(983,714,293)	132,441,358
Variation in assets disposed of or held for sale		
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	856,845	(1,637,292)
CASH BALANCE AND CASH EQUIVALENTS FOR THE PERIOD	516,750	2,678,501
CASH AND CASH EQUIVALENTS	1,373,595	1,041,209

2.5 Net Financial Situation

The following statement has been drawn up according to the schedule defined by the CESR (Committee of European Securities Regulators) "Recommendation" dated 10 February 2005 "Recommendations for the uniform accomplishment of the European Commission on informative prospects", as defined by Consob (Commissione Nazionale per le Società e la Borsa, the supervisory authority for Italian financial products market) in its Communication no DEM/6064293 dated 28 July 2006.

<i>(thousands of EUR)</i>	31 March 2009	31 December 2008
A. Cash	2	1
B. Other equivalents	1,372	1,372
C. Securities held for trading	-	-
D. Cash and Cash equivalents (A) + (B) + (C)	1,374	1,373
E. Current financial receivables	-	-
F. Current bank payables	(629)	(627)
G. Current portion of non-current debt	-	-
H. Other current financial payables to group companies	(46,050)	(45,753)
I. Current financial payables (F) + (G) + (H)	(46,679)	(46,379)
J. Net current financial debt (I) – (E) – (D)	(45,306)	(45,006)
K. Non-current payables to banks	-	-
L. Bonds issued	-	-
M. Other non-current payables to group companies	(2,294)	(3,108)
N. Other non-current payables to minorities	(521)	(515)
O. Non-current financial debt (K) + (L) + (M)+ (N)	(2,815)	(3,623)
P. Net financial debt (J) + (O)	(48,121)	(48,630)

Assets

Short-term items

Cash and cash equivalents the end of the first quarter 2009 was EUR 1.4 million and includes the cash of the Company held principally in current bank accounts.

Medium-term items

There are no current financial receivables.

Liabilities

Short-term items

The item current bank payable entry, equivalent to EUR 0.6 million, includes only payables for the current bank account overdraft, necessary to cover the requirements of cash deriving from the management of the company.

The item other current payables to Group, equivalent to EUR 46.0 million, refers to the financial debt to towards the company Tiscali Internationals B.V., a sub-holding of the Tiscali Group.

Medium-term items

The other non-current payables, for a total of EUR 2.8 million , refer to bank short-term loans of which:

- EUR 2.3 million are for non-current payables to companies in the Group (EUR 2.3 million to Tiscali Italia S.p.A. and EUR 16.000 to Tiscali International Network SA);
- EUR 0.5 million for other payables to Tiscali International Network B.V., reclassified as third-party payables by way of the preliminary agreement of cessation of operations reached in February 2009.

The net financial position in the above table reconciles with the net Financial Debt presented in the Report on the management of the company in the following way:

<i>(thousands of EUR)</i>	31 March 2009	31 December 2008
Net financial debt in the Report on the management	(44,062)	(43,605)
Current financial receivables	(4,059)	(5,025)
Net financial position	(48,121)	(48,630)

2.6 Explanatory Notes

Tiscali S.p.A. is a public limited liability company, registered constituted in Italy at the Office for the Register of Companies of Cagliari. The Tiscali Group offers telecommunication services using landlines in the United Kingdom and in Italy. Tiscali offers integrated internet access services, telephony, multimedia services and in particular is positioned in the segment of services using IP technology which allows the supply of voice, internet and video through the same technological platform.

The following interim Financial Statement of management at 31 March 2009 is expressed in EUR (€), as this is the currency used for the greater part of the operations conducted by the parent company.

The Income Statement and the Balance Sheet, the Financial Statement, the Schedule of variations to Net Assets and the values reported in the integrating note are presented in EUR.

Form and contents of the Schedule of Accounts

Standards used in compiling the Schedules

The present interim report of the management of the company to 31 March 2009 has been drawn up according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. By IFSR we mean also all the International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called Standing Interpretations Committee ("SIC").

The form and the contents have been drawn up according to the International Accounting Standard n. 34 '*Interim Statements*' (IAS 34), as defined by article 154-ter of D. Lgs 24.2.98 n. 58 (TUF) and subsequent modifications and integrations, taking into account further communications and rulings by CONSOB on the matter.

The notes have been presented in an abbreviated way, as allowed by IAS 34, and so do not include all the information required for an Annual Balance Sheet drawn up according to the standards required by IFRS; inasmuch the following interim statement of management within the logic of IAS 34 has the objective of presenting an updated net asset-financial and economic situation relative to that presented in the Consolidated Balance Sheet as at 31 December 2008.

The present interim report on the management, as allowed by the rules of referral, is not subjected to audit by Reconta Ernest & Young S.p.A..

The standards of consolidation, the accounting standards, the principles and the methods of evaluation adopted in the drawing up of the report, and for the periods of comparison, are homogenous to those used when drawing up the Balance Sheet at 31 December 2008, and can be referred to for completeness.

Please note that from 1 January 2009 the following modifications to the International Accounting Standards were issued, for which we do not foresee, if they should be adopted, any significant effects on the Consolidated Accounts of the Group:

- IFRS 8 (*Operating segments*), which replaces IAS 14 (*Segment Reporting*) and requires that an entity provides information (quantitative and qualitative) on the relative sectors subject of the information (*reportable segments*). The *reportable segments* are part of an entity (operating segments of groups of operating segments) for which there are distinct financial information procedures subject to periodical valuation by the so-called *Chief Operating Decision Maker* (CODM) with the intent to allocate the resources of the sector and evaluate the results. Financial information must be represented with the same modalities and the same principles used in internal reporting for the CODM.
- Modifications to IAS 23 (*Borrowing Costs*) relative to the elimination of the option in the previous version of the principle which allowed fiscal liabilities the possibility to be written off to the Income Statement in the period in which they occurred instead of being capitalised.
- Modification to IAS 1 (*Presentation of Financial Statements*) which prescribes: the presentation in the schedule of the transactions of Net Equity all the variations deriving from operations with share-holders; and the exhibition of other variations to the transactions of Net Equity (other than those with share-holders).
- Modification to IAS 2 (*Share-based payment*) in terms of the "conditions of maturity (*vesting*)" which specifies the cases where the non-fulfilment of a condition determines the exposure of the annulment of the assigned right.

Income

(Thousands of EUR)	31-Mar-09	31-Mar-08
Income from provision of services to firms within Group	3,395	3,256
Income from provision of services to third parties	78	24
	3,473	3,280

“Income from the provision of services to firms within Group” refers mainly to the invoicing for services provided by the company for the benefit of the companies in the Group. This item also includes charges for user licenses for the Tiscali brand calculated as a percentage of the turnover of user firms in the Group.

Purchase of materials and external services, staff costs and other operating costs

Thousands of EUR	31-Mar-09	31-Mar-08
Purchase of materials and external services	(719)	(2,090)
Staff costs	(2,543)	(5,562)
Other operating costs	(440)	(622)

Financial income (obligations)

Thousands of EUR	31-Mar-09	31-Mar-08
Financial income		
Interest on bank deposits	23	-
Other	17	4
	40	4
Financial obligations		
Interest on debenture loans	-	-
Interest and other charges payable to banks	(19)	(6)
Other financial obligations	(10)	(312)
	(29)	(318)
Net financial obligations	11	(314)

Non current assets

Thousands of EUR	31-Mar-09	31-Dec-08
Intangible assets	231	307
Buildings, plants and machines	57	69
Shareholdings	235,764	235,744
Other financial assets	2,408	5,496
	238,459	241,616

The non current assets are mainly made up of majority holdings in the biggest companies in the Group to a value of EUR 235.8 million.

The holdings are recorded at the depreciated value where there are long-term losses calculated on the basis of impairment tests. During the first quarter of 2009, depreciation in the value of the holdings did not occur in relation to the figure for the holdings for 31 December 2008.

The tangible assets (buildings, plants and machines) and other non tangible assets total respectively EUR 57,000 and EUR 231,000, while the other financial assets amount to EUR 2.4 million.

Current assets

<i>Thousands of EUR</i>	31-Mar-09	31-Dec-08
Loans to clients	28,224	23,783
Other loans and various current assets	1,455	2,421
Other current financial assets	2,604	2,604
Liquid assets	1,374	1,373
	33,657	30,182

Current assets comprise mainly loans to clients of EUR 28.2 million (of which EUR 23.7 million represents loans to companies within the Group).

The same item also includes other loans and various current assets of EUR 1.4 million relating to fiscal credits and accruals and deferred expenditure on services.

Non current liabilities

<i>Thousands of EUR</i>	31-Mar-09	31-Dec-08
Other non current liabilities	2,815	3,623
Pension liabilities and severance pay	259	271
Risk funds and charges	39,819	40,220
	42,893	44,114

Non current liabilities mainly include risk funds and charges to a value of EUR 39.8 million generated from reserves for potential liabilities and disputes.

Current liabilities

<i>Thousands of EUR</i>	31-Mar-09	31-Dec-08
Loans from banks and other financial bodies	629	627
Sums payable to suppliers	24,341	22,077
Other current liabilities	50,360	50,883
	75,330	73,587

Current liabilities mainly comprise sums payable to suppliers of EUR 24.3 million (including EUR 13.9 million owed to companies in the Group) and other current liabilities of EUR 50.4 million of which EUR 46 million is debt owed to the subsidiary company Tiscali International B.V., a sub holding of the Tiscali Group.

Disputes, potential liabilities and undertakings

The Tiscali group is involved in legal proceedings, a description of which can be found in the budget of 31.12.2008. The management of the Group does not believe that significant liabilities will arise out of those proceedings or that, in any case, that an unfavourable outcome in the proceedings might have a significant negative impact on the financial and economic position of the Tiscali group or on future assets. Furthermore, if not explicitly indicated, provision for risk funds has not been made in the absence of definite, objective liabilities, a negative outcome in the dispute not being considered likely.



Chairman and CEO
Mario Rosso