



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' Convention called for 29 and 30 April 2009

TABLE OF CONTENTS

1.	PRINCIPAL FINANCIAL PROSPECTUSES AT 31 DECEMBER 2008.....	4
1.1	Tiscali S.p.A.: Financial Prospectuses at 31 December 2008.....	5
1.2	Gruppo Tiscali: Consolidated financial prospectus at 31 December 2008	11
2.	PROPOSALS RELATIVE TO THE MEASURES TO BE TAKEN FOR THE SETTLEMENT OF LOSSES	16
3.	INITIATIVES FOR THE REORGANISATION OF MANAGEMENT AND FOR THE MAINTENANCE OF BUSINESS CONTINUITY CONDITIONS	17
4.	NOTES RELATING TO THE DEBT REORGANISATION PLAN AND THE TIMELY ESTABLISHMENT OF THE PROCESS	19
5.	STATEMENT OF THE MANAGER IN CHARGE OF DRAFTING THE COMPANY ACCOUNTING RECORDS	20
6.	OBSERVATIONS FROM THE BOARD OF STATUTORY AUDITORS	21

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 December 2008, 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 29 and 30 April 2009, at the first and second meeting, respectively.

The Board of Directors, which met on 27 March 2009 after having approved the draft financial statements at 31 December 2008 acknowledged about the Net Worth and Economic Status of the Company:

- There is an operating loss equal to EUR 981,324 million, which leads to an accumulation of losses at 31 December 2008 of EUR 1,142,688 million;
- The Net Worth proves to be thus reduced to EUR 154,096 million as regards the amount of share capital equal to EUR 308,273 million, 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 December 2008 and the compared net worth and economic status at 31 December 2007 have 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 DECEMBER 2008

Following, the financial prospectuses of operation of Tiscali S.p.A. at 31 December 2008 are reported, subject of the assumptions provided for by article 2446 of the civil code.

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 Gruppo Tiscali 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 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 27 March 2009 and located pursuant to law 14 April 2009, which satisfies the net worth and economic status indicated in article 2446 of the civil code.

1.1 Tiscali S.p.A.: Financial Prospectuses at 31 December 2008

1.1.1 Tiscali S.p.A.: Financial Position

<i>(EUR)</i>	31 December 2008	31 December 2007
<i>Non-current assets</i>		
Intangible assets	306,966	611,584
Property, plant and equipment	68,557	141,150
Equity investments	235,743,924	1,133,882,694
Other financial assets	5,496,440	53,143,805
	241,615,887	1,187,779,233
<i>Current assets</i>		
Trade receivables	23,782,983	45,022,880
Other receivables and other current assets	2,421,118	1,548,815
Other current financial assets	2,604,475	2,533,366
Cash and cash equivalents	1,373,247	2,182,977
	30,181,823	51,288,039
Assets classified as held for sale	-	-
Total Assets	271,797,710	1,239,067,271
<i>Share capital and reserves</i>		
Share capital	308,272,743	212,206,582
Share premium reserve	990,857,353	902,491,676
Stock option reserve	3,840,707	885,707
Equity reserve	(6,186,581)	
Retained earnings	(1,142,687,751)	(185,382,601)
Total net assets	154,096,471	930,201,364
<i>Non-current liabilities</i>		
Other non-current liabilities	3,622,967	1,792,328
Liabilities from pension and severance plans	271,188	344,796
Provision for risks and charges	40,220,386	22,061,890
	44,114,541	24,199,014
<i>Current liabilities</i>		
Payables to banks and other lenders	626,825	2,168,660
Payables to suppliers	22,077,214	43,999,361
Other current liabilities	50,882,660	238,498,873
	73,586,699	284,666,894
Liabilities directly related to assets held for sale		
Total Net Assets and Liabilities	271,797,710	1,239,067,271

1.1.2 Tiscali S.p.A.: Income Statement

	31 December 2008	31 December 2007
<i>(EUR)</i>		
Revenue	17,424,709	15,455,110
Other income	-	367,643
Purchase of materials and other outsourced services	(7,883,497)	(7,589,143)
Payroll and related costs	(14,247,742)	(10,391,624)
Other operating costs	(1,769,006)	(2,685,916)
Writedown of receivables from customers	-	(873,410)
Other writedowns	(972,045,889)	(17,346,862)
Amortisations	(375,112)	(390,457)
Operating Result	(978,896,537)	(23,454,660)
Portion of results of equity investments carried at equity		
Net financial income (charges)	(1,915,079)	(310,351)
Pre-tax result	(980,811,616)	(23,765,011)
Income taxes	(262,604)	(76,588)
Net result from operating activities (on-going)	(981,074,220)	(23,841,599)
Loss from assets disposed of and/or destined to be disposed of	(250,000)	-
Net result	(981,324,220)	(23,841,599)

1.1.3 Tiscali S.p.A.: Net financial status at 31 December 2008

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 n.DEM/6064293 of 28 July 2006.

<i>(thousands of EUR)</i>	31 December 2008	31 December 2007
A. Cash	1	171
B. Other equivalents	1,372	2,012
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	1,373	2,183
E. Current financial receivables	-	-
F. Current bank payables	(627)	(2,169)
G. Current portion of non-current debt		
H. Other current financial payables to group companies	(45,753)	(234,270)
I. Current financial payables (F) + (G) + (H)	(46,379)	(236,439)
J. Net current financial debt (I) – (E) – (D)	(45,006)	(234,256)
K. Non-current payables to banks	-	-
L. Bonds issued	-	-
M. Other non-current payables to group companies	(3,108)	(1,792)
N. Other non-current payables to minorities	(515)	-
O. Non-current financial debt (K) + (L) + (M) + (N)	(3,623)	(1,792)
P. Net financial debt (J) + (O)	(48,630)	(236,048)

Assets

Short-term items

The liquid assets at the end of 2008 operations amount to EUR 1.4 million and include the liquidity of the company retained essentially in bank current accounts.

There are no current financial receivables.

Middle term items

There are no non-current financial receivables.

Liability items

Short-term items

The current bank payable entry, equal to EUR .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 45.7 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 3.6 million, refer to bank short-term lines of credit of which:

- EUR 3.1 million are for non-current payables to group companies (EUR 3.1 million to Tiscali Italia S.p.A. and EUR 16 thousand to Tiscali International Network SA);
- EUR .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 December 2008	31 December 2007
Net financial debt in the Report of management	(43,605)	(231,966)
Current financial receivables	(5,025)	(4,082)
Net financial position	(48,630)	(236,048)

1.1.4 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 2008	212,206,582	902,491,676	(185,382,601)	885,707	-	930,201,364
Increases/Decreases	96,066,161	112,207,277	177,471	2,955,000	(6,186,581)	205,219,327
Transfers covering losses	-	(23,841,599)	23,841,599	-	-	-
Net Profit (Loss) of operations	-	-	(981,324,220)	-	-	(981,324,220)
Balance at 31 December 2008	308,272,743	990,857,353	(1,142,687,751)	3,840,707	(6,186,581)	154,096,471

The period loss, equal to EUR 981,324 million, is due almost entirely to the depreciation of the equity investments concerning Tiscali S.p.A. and in particular relative to World Online International N.V., which is operated by English activities.

The equity investments are registered at the cost, depreciated due to lasting losses of value determined through impairment tests. For strategic equity investments, directly or indirectly held, the verification of the book value of the equity investments was carried out, analogously and consistently with the preceding operation, through the development of a specific impairment test, founded on the realisation of the discounted cash flow (DCF), as resulting from Gruppo Tiscali's business plan.

CONTROLLED COMPANIES	Balance					Balance 31 December 2008
(thousands of EUR)	31 December 2007	Increases	(Transfers)	Appreciation/ (Depreciation)	Other movements	
Connect Software Inc.	-	-	-	-	-	-
Energy Byte S.r.l. <i>in liquidation</i>	-	-	-	-	-	-
Quinary S.p.A.	357	1,160	(751)	(766)	-	-
Tiscali Czech Republic a.s.	-	-	-	-	-	-
Tiscali Deutschland GmbH	-	-	-	-	-	-
Tiscali Finance SA	-	-	-	-	-	-
Tiscali Italia S.p.A.	55,439	56,378	-	-	-	111,817
Tiscali Motoring S.r.l. <i>in liquidation</i>	-	-	-	-	-	-
World Online International N.V.	1,076,270	-	-	(953,665)	-	122,605
Tiscali Int.l Network S.p.A.	1,306	85	-	(119)	-	1,272
Tiscali Financial Services Sa	31	-	-	-	-	31
	1,133,403	57,623	(751)	(954,550)	-	235,725

Equity Investments- Verification of the reduction in value

The Company carried out a certification of the reduction in value of the controlled interests, as detailed following.

The recoverable amount of the Cash Generating Units (CGU) has been determined based on the value of use calculated using the projections of cash fluxes derived from the new Business Plan 2009/2013.

The Business Plan is based on guidelines inspired by the maximisation of operating efficiency, cost reduction and investments and the generation of short-/middle-term cash. The outline of the guidelines is differentiated for each operating unit based on the particular characteristics of the context/reference market. From the point of view of economic/financial objectives, the principal differentiated assumptions for CGU regard:

- Explicit forecast period equal to the duration of the plan (five years);

- Percentage EBITDA margin, resulting from the assumption of evolution of the market and the business in the first five years of the plan (2009-2013);
- Investments to maintain the foreseen business evolution and the pre-determined level of profitability, in particular for the activation of clients toward the incumbent, for the supply of modems to the final client for the maintenance of company assets;
- Exchange tax between GBP and EUR;
- Cost of Capital;
- Determination of the long-term value calculated as a perpetuity based on the projection of the last year of the plan;
- Long-term Growth (LTG) after the five years of the plan;

The cost of capital is estimated considering the determination criteria provided for by the Capital Asset Pricing Model (CAPM). In particular in the determination of the WACC:

- a) the beta coefficient has been evaluated considering both the value of Tiscali in different time horizons for a period of more than twelve months, and a panel of alternative telecommunication operators in Europe adjusted to take into account the financial structure of Tiscali ;
- b) the spread of credit on risk free has been evaluated in line with the conditions of the current financial debt;
- c) the risk premium has been evaluated within a prudent range compared to the current financial market conditions.

The final values of WACC, verified with the Company's advisors and employees for the value verifications, are reported in the following table.

%	WACC
Italy	9.88
United Kingdom	9.79
GRUPPO TISCALI	9.86

The long-term growth rate has been determined to be 2%, in line with analyst previsions, also following the announcement of the stand-still request.

Increases of one percentage point of the WACC and reduction of one percentage point of the long-term growth tax have not shown enough of a loss of value to significantly influence the representation of financial statement data.

1.2 Gruppo Tiscali: Consolidated financial prospectus at 31 December 2008

1.2.1 Gruppo Tiscali: Consolidated Equity

	31 December 2008	31 December 2007
<i>(thousands of EUR)</i>		
<i>Non-current assets</i>		
Goodwill	438,824	515,022
Intangible assets	191,931	286,042
Property, plant and equipment	232,288	272,260
Equity investments	33	2,465
Other financial assets	17,313	28,269
Deferred tax assets	10,507	106,634
	890,896	1,210,692
<i>Current assets</i>		
Inventories	6,880	10,756
Receivables from customers	176,819	164,452
Other receivables and other current assets	46,794	71,652
Other current financial assets	3,430	8,158
Cash and cash equivalents	24,202	134,231
	258,125	389,249
Assets held for sale	56,795	-
Total Assets	1,205,817	1,599,941
<i>Share capital and reserves</i>		
Share capital	308,273	212,207
Share premium reserve	990,857	902,492
Stock option reserve	3,840	9,969
Equity Bond reserve	-	22,053
Retained earnings	(1,049,424)	(911,765)
Period Result	(242,724)	(65,308)
Shareholders' equity pertaining to the group	10,823	169,647
Minority interest	(6,046)	37,322
Shareholders' equity pertaining to minority shareholders	(6,046)	37,322
Total Equity	4,777	206,970
<i>Non-current liabilities</i>		
Bonds	-	43,842
Payables to banks and other lenders	30,743	480,139
Payables for financial leases	73,118	79,467
Other non-current liabilities	95,444	120,807
Liabilities for pension obligations or staff severance	5,001	5,852
Provision for risks and charges	25,384	28,624
Provision for deferred taxation	-	27,891
	229,690	786,623
<i>Current liabilities</i>		
Payables to banks and other lenders	510,012	176,204
Payables for financial leases	21,399	19,502
Payables to suppliers	268,899	239,127
Other current liabilities	148,765	171,515
	949,076	606,348
Liabilities directly related to assets held for sale	22,274	-
Total liabilities and shareholders' equity	1,205,817	1,599,941

1.2.2 Gruppo Tiscali: Consolidated Income Statement

	31 December 2008	31 December 2007
<i>(thousands of EUR)</i>		
Revenues	983,623	883,115
Other income	12,448	5,192
Purchase of materials and outsourced services	710,484	633,287
Payroll and related costs	91,090	89,965
Stock option plan costs	7,607	11,697
Other operating (revenue) costs	(2,529)	6,316
Writedowns of receivables from customers	34,327	27,144
Restructuring costs and other writedowns	78,853	39,686
Amortisations	176,146	155,152
Operating Result	(99,905)	(74,939)
Portion of results of equity investments carried at equity	(101)	(10)
Net financial income (Charges)	(96,468)	(72,638)
Other net financial income (Charges)	-	(17,881)
Pre-tax result	(196,474)	(165,468)
Income taxes	(64,884)	17,525
Net result from operating activities (on-going)	(261,358)	(147,944)
Loss from assets disposed of or destined to be disposed of	(9,732)	72,619
Net result	(271,090)	(75,324)
Attributable to:		
- Result pertaining to the parent company	(242,724)	(65,308)
- Minority interests	(28,365)	(10,016)
From operating activities and those disposed of:		
- Basic	-0.43	-0.15
- Diluted	-0.43	-0.14
From operating activities:		
- Basic	-0.42	-0.32
- Diluted	-0.42	-0.30

1.2.3 Gruppo Tiscali: Consolidated Net Financial Situation at 31 December 2008

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 n.DEM/6064293 of 28 July 2006.

<i>(Millions of EUR)</i>	31 December 2008	31 December 2007
A. Cash	24.2	134.2
B. Other equivalents	12.7	16.3
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	36.9	150.5
E. Current financial receivables	5.3	12.1
F. Non-current financial payables	1.4	-
G. Current bank payables	510.0	176.2
H. Current portion of non-current debt	-	-
I. Other current financial payables (*)	21.4	19.5
J. Current financial debt (G) + (H) + (I)	531.4	195.7
K. Net current financial debt (J) – (E)– (F) – (D)	487.7	33.1
L. Non-current bank payables	-	450.1
M. Bonds issued	-	43.8
N. Other non-current payables (**)	113.4	109.5
O. Non-current financial debts (L) + (M) + (N)	113.4	603.4
P. Net financial debt (K) + (O)	601.1	636.5

(*) includes debts for leasing

(**) includes debts for leasing and debts to partners

Following, to be complete, we furthermore report the reconciliation of the financial position noted here above, with the financial position 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 n.DEM/6064293 of 28 July 2006.

<i>(Millions of EUR)</i>	31 December 2008	31 December 2007
Net consolidated financial debt	601.1	636.5
Other liquid assets and current financial receivables	15.3	20.9
CONSOB net consolidated financial debt	616.4	657.4

Assets

Short-term items

The cash amounts to EUR 24.2 million and includes liquidity retained essentially in bank current accounts.

The other liquid assets equal to EUR 12.7 million refer to security deposits of which EUR 6.2 million are accountable to the Italian-controlled companies, relative to the operation of sale and lease back of the Sa Illetta property, EUR 6.3 million regard leasing contracts of the English-controlled company and EUR .2 million are relative to the German-controlled assets.

The current financial receivables equal to EUR 5.3 million include deposits accountable to Tiscali S.p.A. for EUR 2.7 million and VAT credits for EUR 2.3 million.

Middle- term items

The non-current financial receivables, equal to EUR 1.4 million, are relative to other receivables.

Liabilities

Short-term items

Payables to banks and other lenders include EUR 490.7 million relative to the financing of Banca Intensa San Paolo (accounted based on the IAS amortised costs criteria), and EUR 18.6 million of bank payables concerning the Italian-controlled company (including EUR 5.5 million of financial receivables to the factoring company for the disposal, on the part of some suppliers, of claimed credits toward Tiscali) and EUR .6 million of bank payables of the holding company Tiscali S.p.A.

It is noted that the middle- /long-term bank debt has been entirely reclassified to short, consistent with the standstill request and the debt renegotiation that is in process.

The other current financial payables include debts for short-term financial leasing equal to EUR 21.4 million.

Middle-term items

The other non-current payables, together equal to EUR 113.4 million, principally include EUR 73.1 million of payables for middle- and long- term financial leasing and payables to other lenders, equal to EUR 30.7 million, relative to the financing issued by the partner Andalus Limited.

1.2.4 Gruppo Tiscali: Prospectus of Variations of Consolidated Equity

<i>(thousands of EUR)</i>	Capital	Share premium reserve	Stock option reserve	Equity bond reserve	Accumulated losses and other reserves	Equity for owners of the group	Minority Interest	Total
Balance at 31 January 2008	212,207	902,492	9,969	22,053	(977,074)	169,647	37,322	206,970
Increase of share capital	96,066	112,207	-	-	-	208,273	-	208,273
Increases/ (Decreases)	-	-	(6,129)	(22,053)	5,933	(22,249)	-	(22,249)
Equity investments purchases	-	-	-	-	(6,187)	(6,187)	-	(6,187)
Transfers covering losses	-	(23,842)	-	-	23,842	-	-	-
Exchange differences from the conversion of foreign balances	-	-	-	-	(95,937)	(95,937)	(15,002)	(110,939)
Variations in consolidation	-	-	-	-	-	-	-	-
Net Profit (Loss) of operations	-	-	-	-	(242,724)	(242,724)	(28,365)	(271,090)
Balance at 31 December 2008	308,273	990,857	3,840	-	(1,292,147)	(10,823)	(6,046)	4,777

2. PROPOSALS RELATIVE TO THE MEASURES TO BE TAKEN FOR THE SETTLEMENT OF LOSSES

The Board of Directors acknowledges that the Net Worth and Economic Situation of the Company, prepared regarding 31 December 2008, indicates an operating loss equal to EUR 981,324 million which brings the losses accumulated at 31 December 2008 to EUR 1,142,688 million, and that the Equity is therefore reduced to EUR 154,096 million in respect to the sum of capital, which leads to the realisation of the case indicated by article 2446 of the civil code. The Board of Directors intends to pose to the Shareholders' Meeting a proposal of partial settlement of the losses accumulated at 31 December 2008 through the use of existent reserves, bringing forward the residual portion of the losses.

On the other hand, with this situation the Board of Directors does not retain it opportune to propose any modification to the share capital, neither by increase nor by reduction, highlighting that the operating loss was determined in a significant way by the depreciation of equity investments essentially due to the exceptional market situation, as better detailed in the Report of directors on the management of the financial statement closed on 31 December 2008. Before this situation, the Company already sent a revision of the business plan, as well as the definition of a debt reorganisation plan (as better detailed in the following paragraphs 3 and 4 of this report), with consequent expectations for the improvement of the financial economic situation of the Company

The Board of Directors intends, therefore, to present at the Shareholders' Meeting of the partners the following proposal of resolution:

- “- *Having acknowledged the financial statement at 31 December 2008 which indicates an operating loss of EUR 981,324,229 which leads to accumulated losses at 31 December 2008 of EUR 1,142,687,751;*
- *having acknowledged that, because of said losses, the equity is reduced to EUR 154,096,471 and therefore, that the share capital equal to EUR 308,272,743 has decreased by more than a third;*
 - *having considered that the operating financial statement at 31 December 2008 satisfies the equity situation indicated by article 2446 of the civil code;*
 - *having acknowledged all of the documentation prepared by directors and auditors for today's shareholders' meeting;*
 - *having acknowledged the report of directors and the observations of the Board of Statutory Directors, prepared according to article 2446 of the civil code and according to article 74 of the CONSOB Regulation 11971/99, as amended;*
 - *acknowledging ulterior communications from the President;*
- resolves*
1. *to cover the losses amassed at 31 December 2008, limited to the amount of EURO 990,857 million by way of integral use of the share premium reserve, which is thereby written off;*
 2. *to carry forward the remaining part of the losses equal to EURO 151,831 million;*
 3. *to confer to the President every authority so that, even by way of attorneys and with the observance of the terms and conditions of the law, he carries out this resolution, as well as produce additions, modifications and formal repeals that may be requested by the competent authorities."*

3. INITIATIVES FOR THE REORGANISATION OF MANAGEMENT AND FOR THE MAINTENANCE OF BUSINESS CONTINUITY CONDITIONS

The Board of Directors, acknowledging the equity, economic and financial situation of the Group, also in light of the deterioration of the macroeconomic situation and the embitterment of the competitive context of the sector, shown already in the results at 31 December 2008 and from the foreseeable evolution of management based on tendencies in place in the first months of operation of 2009, evaluated the necessity to prepare a new Business Plan and a connected Financial Plan that allow for Gruppo Tiscali to begin a process aiming at debt reorganisation and aiming at guaranteeing long-term financial equilibrium.

The plan put into place by the Board of Directors is founded on the following action principles, in part beginning today:

- a) Stipulation with the senior Financing Institutions of a standstill agreement expiring on 5 June 2009 having as its subject the suspension of payment of capital shares and interest owed pursuant to medium-/long-term financing contracts as well as the relative financial covenants. The senior Financing Institutions have furthermore indicated their own openness, where necessary, to considering in good faith an extension of the aforementioned standstill agreement until 31 December 2009;
- b) Request to the banks and the crediting property leasing companies for a standstill agreement with an expiry of 30 June 2009 relative to short-term payables and financial property leasing;
- c) Nomination of a support advisor for the Group for business, financial and legal aspects;
- d) Definition of a new Business Plan, the guidelines of which have been approved by the Board of Directors of last 27 March;
- e) Definition of the financial manoeuvring aimed, among other objectives, at rendering the financial debt of Gruppo Tiscali compatible with its relative revenue and financial prospective, also in light of what is indicated in the guidelines of the Business Plan;
- f) Start-up of discussions for the definition of an agreement with the Financing Institutions, aimed at financial debt reorganisation of the Group. The Board of Directors notes that these discussions with the aforementioned institutions have begun for the definition of a new debt organisation consistent with the expected cash fluxes;
- g) Definition of agreements with principal suppliers to guarantee the regular continuation of operating activities; to this end, the Directors note that the business activities of the Group in Italy and the United Kingdom proceed regularly in regards both to the clients and to the suppliers.

Final evaluation of the Board of Directors

In light of the considerations noted above, the Board of Directors retains that in this situation, a reasonable probability exists that a financial debt reorganisation of Gruppo Tiscali can come about that is consistent with the cash fluxes and suitable for supporting the new Business Plan.

Actually, the attention and interest for the Company demonstrated by the Financing Institutions, the intervened signing of the waiver and standstill agreement (with the goal of consenting to the conclusion of the reorganisation agreement), the noted availability to extend the standstill period until 31 December 2009, the beginning of discussions, as well as the fact that both the Business Plan and the correlated Financial Plan were prepared according to the maximum prudence and seriousness convene in the sense of the aforementioned positive evaluation on the part of this Board.

In light of the considerations that precede, it is retained therefore that business continuity exists; this Board retaining that in this status there is a reasonable probability of concluding an agreement with these Financing Institutions.

Refer in any case in this regard to the report of the financial statement closed at 31 December 2008, issued by the independent auditing company Ernst & Young, which concludes stating that it is not able

to express judgement on the operating financial statement and consolidated financial statement at 31 December 2008 due to "notable uncertainties" on business continuity. To this end the auditing company refers to what has already been expressed by the Board of Directors in the report on management, or that the presupposition for business continuity and the realisation of the Business Plan, are based on the positive conclusion of the process of debt renegotiation with the principal Financing Institutions.

It is noted also in this regard that in its own report of the financial statement of 31 December 2008, the Board of Statutory Auditors, while acknowledging the motivations adopted by the auditing company, *"retains to be founded the evaluation of subsistence of business continuity formulated by the Directors, based on the realisation of the Work Plan and on the reasonable probability of concluding an agreement with the financing institutions in the time of standstill."*

4. NOTES RELATING TO THE DEBT REORGANISATION PLAN AND THE TIMELY ESTABLISHMENT OF THE PROCESS

Gruppo Tiscali's management presented the Company's debt reorganisation Plan to the financing banks (the "**Reorganisation Plan**"), the final objective of which is to render the financial debt compatible with the revenue and financial perspectives of Gruppo Tiscali based on the Business Plan approved in its fundamental guidelines.

The aforementioned Business Plan is based on guidelines inspired by the maximization of operating efficiency, cost reduction and investments and the generation of short/middle-term cash. The outline of the guidelines is differentiated for each operating unit based on the particular characteristics of the context/reference market.

The Business Plan is currently in the definition and discussion phase with the Financing Institutions.

The Board of Directors foresees that at this state the Reorganisation Plan can be defined and agreed upon in the time horizon currently expected for the standstill agreement occurring with the senior Financing Institutions. The Board of Directors retains furthermore that, where realized, the Reorganisation Plan could determine the improvement of the financial economic situation of the Company with relevant effects on the management trend of the Company and of Gruppo Tiscali.

Cagliari, 14 April 2009

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



5. STATEMENT OF THE MANAGER IN CHARGE OF DRAFTING OF THE COMPANY ACCOUNTING RECORDS

I, the undersigned Romano Fischetti, Manager in charge of drafting corporate accounting records of Tiscali S.p.A. attest, pursuant to article 154 *bis*, comma 2, of the Legislative Decree 58/98, as amended, that the accounting report contained in this Report of the Board of Directors prepared pursuant to article 2446 of the civil code corresponds to the documented results, books and accounting entries.

Cagliari, 14 April 2009

Tiscali S.p.A.

Manager in charge of drafting corporate accounting records

Romano Fischetti

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

6. OBSERVATIONS FROM THE BOARD OF STATUTORY AUDITORS

Prepared pursuant to and for the effects of article 2446 of the civil code and article 75 of the CONSOB Regulation 11971/99, as amended:

To the Shareholders of the company Tiscali SpA

The Board of Directors approved a draft financial statement of the company from which results in a loss equal to EUR 981,324 million, which brings the accumulated losses at 31 December 2008 to EUR 1,142,688 million. The equity results therefore reduced to EUR 154,096 million in respect to a share capital equal to EUR 308,273 million, with a loss of more than a third of this same capital. This situation satisfies therefore the case provided by article 2446 of the civil code.

Based on the report of the Directors, which is brought to your attention in accordance with what is provided for by article 2446 of the civil code, we report the following to you:

- i. The report details and illustrates the nature and causes of the period losses;
- ii. The report supplies an evaluation on the business continuity and on the actions being performed.

In this regard, we observe, in particular, the following:

- The financial statement at 31 December 2008 was prepared with a focus on the continuation of operations;
- Guidelines for a new business plan have been defined;
- Discussions are underway for a new organisation of the financial debt of the group consistent with the expected cash fluxes.

The Independent Auditing Firm Ernst & Young SpA issued its own reports on the operating financial statement and the consolidated financial statement, which report a statement that indicates the impossibility of expressing a judgement due to the existence of notable uncertainties on the suggestion of the business continuity of the group.

This Board of Statutory Auditors, in its own operating report of 2008, retained the evaluation of subsistence of the business continuity, formulated by the Directors, to be founded.

The Board of Directors proposes to cover the losses accumulated at 31 December 2008, limited to the amount of EURO 990,857 million by way of integral use of the share premium reserve, which is thereby written off and for the remaining part of the losses equal to EURO 151,830 million to be carried forward.

We retain that the report of the Directors supplies the necessary judicial elements to resolve the opportune preparations in relation to the loss at the date 31 December 2008.

Cagliari, 16 April 2009

THE BOARD OF STATUTORY AUDITORS

ALDO PAVAN [signature]

PIERO MACCIONI [signature]

ANDREA ZINI [signature]