

## Quarterly Report as at 31 March 2010

## Table of contents

<b>1</b>	<b>Summary information</b> .....	<b>4</b>
<b>2</b>	<b>Alternative performance indicators</b> .....	<b>5</b>
<b>3</b>	<b>Directors and Auditors</b> .....	<b>6</b>
<b>4</b>	<b>Interim report on operations as at 31 March 2010</b> .....	<b>8</b>
4.1	Tiscali shares .....	8
4.2	Analysis of the Group economic, equity and financial position .....	10
4.3	Significant events during the first quarter of 2010 .....	23
4.4	Events subsequent to the end of the first quarter of 2010 .....	23
4.5	Going concern basis .....	23
4.6	Outlook and prospects .....	24
<b>5</b>	<b>Consolidated accounting statements and explanatory notes as at 31 March 2010</b> .....	<b>26</b>
5.1	Consolidated income statement .....	26
5.2	Overall income statement .....	27
5.3	Consolidated balance sheet .....	27
5.4	Consolidated cash flow statement (in condensed form) .....	29
5.5	Statement of changes in consolidated shareholders' equity .....	29
<b>6</b>	<b>Statement by the Executive in Charge</b> .....	<b>40</b>
<b>7</b>	<b>Appendix - Glossary</b> .....	<b>41</b>

---

Issue date: 31 March 2010

This report is available on the website [www.tiscali.com](http://www.tiscali.com)

**TISCALI S.P.A.**

Registered office: SS195 Km 2.3, Sa Illetta, Cagliari

Share Capital EUR 92,016,815.67

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

Page	
3	

## 1 Summary information

<b>Income Figures</b> (EUR mln)	<b>31 March 2010</b>	<b>31 March 2009 (* Restated)</b>	<b>Changes %</b>
Revenues	68.6	73.5	(6.8%)
Adjusted Gross Operating Result (EBITDA):	18.0	18.5	(2.7%)
Gross Operating Result (EBITDA)	14.4	15.0	(3.9%)
Operating Result	3.8	1.6	132.9%
<b>Balance Sheet</b> (EUR mln)	<b>As at 31 March 2010</b>	<b>As at 31 December 2009</b>	<b>Changes %</b>
Total Assets	420.6	428.6	(1.9%)
Net Financial Debt	217.2	211.2	2.8%
Net financial debt as per Consob communication no. DEM/6064293 of 28 July 2006	230.3	224.4	2.6%
Shareholders' equity	(67.7)	(67.0)	1.1%
Investments	7.0	40.8	(82.8%)
<b>Operating Figures</b> (000)	<b>As at 31 March 2010</b>	<b>As at 31 March 2009 (* Restated)</b>	<b>Changes %</b>
Voice and Data Users	608.4	631.1	(3.6%)
ADSL (broadband) users	571.9	553.6	3.3%
of which: Direct ADSL users (LLU)	389.5	373.0	4.4%

\* The figures as at 31 March 2009 have been restated on the same perimeters as that existing at 31 March 2010

## 2 Alternative performance indicators

---

In this report on operations, in addition to the conventional indicators envisaged by IFRS, a number of alternative performance indicators are present (EBITDA and Adjusted EBITDA) used by Tiscali Group management for monitoring and assessing the operational performance of the same, and given they have not been identified as an accounting measure within the sphere of the IFRS, must not be considered as alternative measures for the assessment of the performance of the Tiscali Group. Since the composition of EBITDA and Adjusted EBITDA is not regulated by reference accounting standards, calculation criteria applied by the Tiscali Group may not be the same as that adopted by others and therefore may not be comparable.

The Gross Operating Result EBITDA and operating result before the write-down of receivables and costs for the stock option plans (Adjusted EBITDA) are the economic performance indicators not defined by reference accounting standards and are formed as stated below:

### **Pre-tax result and result arising from assets intended for disposal**

+ Financial charges

- Financial income

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

### **Operating Result**

+ Restructuring costs

+ Amortisation/depreciation

+/- Atypical charges/income

### **Gross Operating Result (EBITDA)**

+ Write-downs of receivables from customers

+ Stock option plan costs

### **Gross Operating Result (Adjusted EBITDA)**

### 3 Directors and Auditors

---

#### **Board of Directors**

##### **Chairman and Chief Executive Officer**

Renato Soru

##### **Directors**

Franco Grimaldi

Gabriele Racugno

Luca Scano

Victor Uckmar

#### **Board of Statutory Auditors**

##### **Chairman**

Paolo Tamponi

##### **Statutory Auditors**

Piero Maccioni

Andrea Zini

##### **Deputy Auditors**

Rita Casu

Giuseppe Biondo

#### **Executive appointed to draw up the accounting and corporate documents**

Luca Scano

#### **Independent Auditing Firm**

Reconta Ernst & Young S.p.A.

**Interim Report on Operations  
as at 31 March 2010**

**4 Interim report on operations as at 31 March 2010**

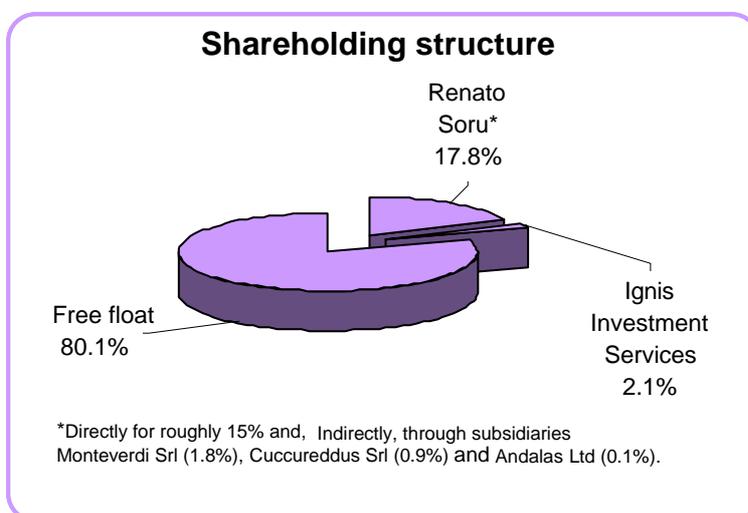
**4.1 Tiscali shares**

Tiscali shares have been listed on the Milan Stock Exchange (Milan: TIS) since October 1999. As at 31 March 2010, market capitalisation was equal to EUR 305.8 million, calculated based on the price per share at that date of EUR 0.1643.

On 31 March 2010 the number of shares representing the Group's shareholder equity was equal to 1,861,491,326.

Tiscali's shareholder base as at 31 March 2010 is illustrated below:

**Fig. 4.1 – Tiscali Shares**



Source: Tiscali:

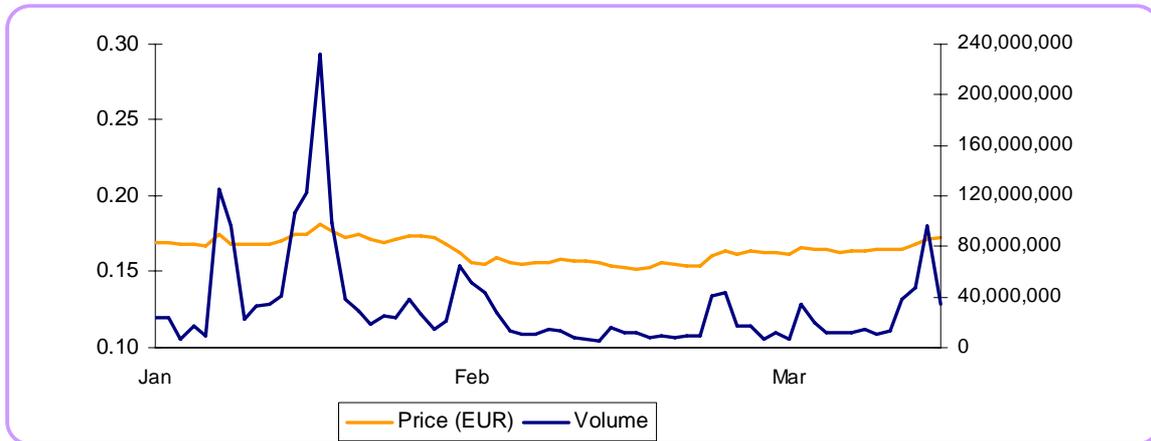
**Share Capital Structure as at 31 March 2010**

SHARE CAPITAL STRUCTURE		
	No. shares	Incidence with respect to share capital
Ordinary shares	1,861,491,326	100%
OTHER FINANCIAL INSTRUMENTS		
	No. of outstanding warrants	Listing market
2009-2014 warrants ***	1,799,471,231	Italian Stock Exchange

The Warrants – combined free of charge with newly issued shares relating to the increase in share capital launched last October - offer the right to subscribe ordinary company shares at the ratio of 1 conversion share for every 20 warrants exercised.

The graph below illustrates Tiscali's share trend during the course of the first quarter of 2010 characterised by sustained trading volumes, particularly in the month of January.

**Fig. 4.2 – Tiscali's share performance during the first quarter of 2010**



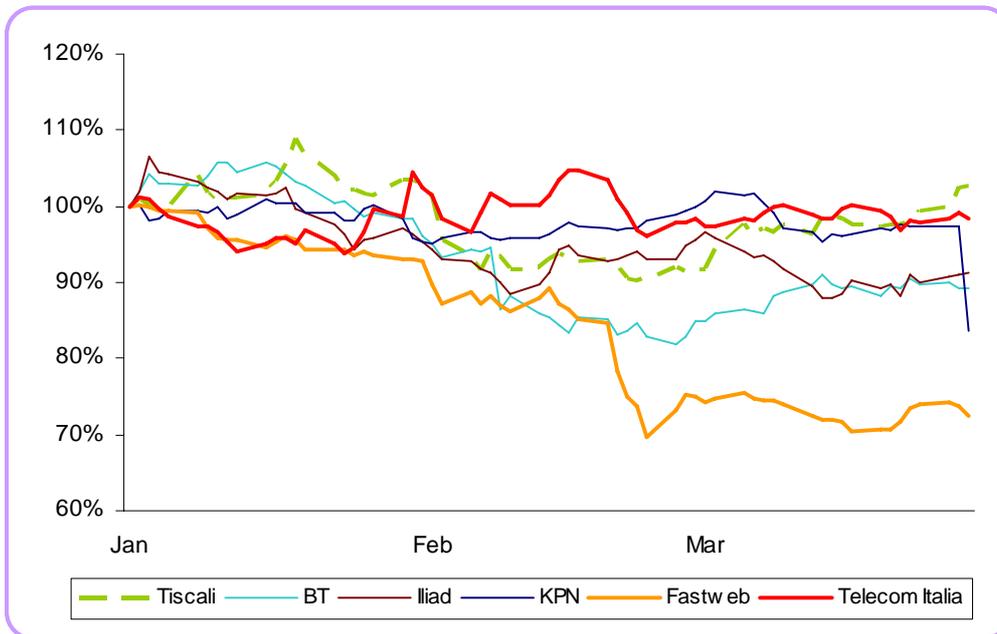
Source: Bloomberg data processing

The average monthly price over the quarter was EUR 0.164. The maximum price during the period, of EUR 0.181, was reached on 21 January, whilst the lowest price of EUR 0.151 was reached on 25 February.

Trading volumes stood at a daily average of about 33.2 million items, with a daily average trade value of EUR 5.5 million.

Average exchanges of Tiscali share on the Italian Stock Exchange in the first quarter of 2010		
	Price (EUR)	Number of shares
January	0.171	56,251,118
February	0.159	20,741,320
March	0.163	22,776,189
<b>Average</b>	<b>0.164</b>	<b>33,256,209</b>

Fig. 4.3 – Share prices of the main TLC operators in Europe in the first quarter of 2010



Source: Bloomberg data processing

## 4.2 Analysis of the Group economic, equity and financial position

### Foreword

Founded in 1998, Tiscali is one of the leading alternative telecommunications operators in Italy. With 685 thousand customers, as at 31 March 2010, Tiscali is among the main providers of Broadband services with xDSL technology (more than 571 thousand customers) and voice and narrowband services (about 113 thousand customers). Thanks to a cutting edge network based on IP technologies, Tiscali can offer its customers a wide range of services, from broadband and narrowband Internet access, to private users and companies. This offering also includes voice services (VOIP and CPS), portal services and mobile telephony, thanks to service supply agreement with Telecom Italia Mobile (MVNO). Following a major re-focus on the scope of consolidation, culminating with the sale of the UK subsidiary to the Carphone Warehouse Group on 3 July, the group concentrated its operations in Italy offering its products to consumer and business customers, including Internet access services, services via analogue and VoIP mode, and mobile telephony. In addition to the Tiscali.it portal, with more than 14.3 million unique monthly browsers (source: Webtrends) it is confirmed as one of the main Italian portals, able to form an important and efficient showcase for telecommunications services and to attract major advertising investment, thanks to the Tiscali Advertising division, one of the most important online concessionaires on the Italian market.

## Economic position

<i>EUR (000)</i>				
<b>CONSOLIDATED INCOME STATEMENT</b>	<b>31 March 2010</b>	<b>31 March 2009 Restated</b>	<b>Change</b>	<b>% Change</b>
Revenues	68.6	73.5	(4.9)	(6.8%)
Other income	0.6	1.2	(0.6)	(50.5%)
Purchase of materials and outsourced services	41.8	43.6	(1.8)	(4.3%)
Payroll and related costs	11.1	11.5	(0.4)	(3.2%)
Other operating costs	(1.8)	1.1	(2.9)	n/a
<b>Gross Operating Result (Adjusted EBITDA)</b>	<b>18.0</b>	<b>18.5</b>	<b>(0.5)</b>	<b>(2.7%)</b>
Write-downs of receivables from customers	3.6	3.4	(0.2)	6.6%
Stock option plan cost	-	0.2	(0.2)	(82.0%)
<b>Gross Operating Result (EBITDA)</b>	<b>14.4</b>	<b>15.0</b>	<b>(0.6)</b>	<b>(3.9%)</b>
Restructuring costs, provisions for risk reserves and write-downs	0.1	0.5	(0.4)	(73.9%)
Amortisation/depreciation	10.4	12.9	(2.5)	(18.9%)
<b>Operating result</b>	<b>3.8</b>	<b>1.6</b>	<b>2.2</b>	<b>132.9%</b>
Share of results of equity investments valued using the equity method	-	(0.1)	0.1	n/a
Net financial income (charges)	(4.1)	(19.7)	15.6	(79.2%)
<b>Pre-tax result</b>	<b>(0.3)</b>	<b>(18.1)</b>	<b>17.8</b>	<b>(98.6%)</b>
Income taxes	-	(0.5)	0.5	(104.8%)
<b>Net result from operating activities (on-going)</b>	<b>(0.2)</b>	<b>(18.6)</b>	<b>18.3</b>	<b>98.8%</b>
Result from assets disposed of and/or destined for disposal	(0.1)	1.2	(1.2)	(105.2%)
<b>Net result</b>	<b>(0.3)</b>	<b>(17.4)</b>	<b>17.1</b>	<b>98.3%</b>
<b>Minority interests</b>	<b>-</b>	<b>(0.2)</b>	<b>0.2</b>	<b>n/a</b>
<b>Group Net Result</b>	<b>(0.3)</b>	<b>(17.2)</b>	<b>16.9</b>	<b>98.3%</b>



**Italy****Operational Income Statement - Italy**

<i>EUR (mln)</i>	<b>31 March 2010</b>	<b>31 March 2009</b>
<b>Revenues</b>	<b>68.9</b>	<b>75.0</b>
<i>of which: ADLS revenues</i>	30.8	31.6
<i>of which: Voice revenues</i>	24.2	24.8
<b>EBITDA</b>	<b>14.7</b>	<b>21.3</b>
<b>EBIT</b>	<b>0.7</b>	<b>5.0</b>

During the course of the first quarter of 2010 Tiscali Italia S.p.A. has achieved income of EUR 68.9 million, down by 8.1% compared with the amount of EUR 75.0 million for the corresponding period for the year 2009. This decrease is attributable to various factors, the main ones being:

- 1) The contraction of narrowband income by over EUR 3 million, in line with the market trend that is seeing progressive migration towards broadband access services;
- 2) The reduction of average income of EUR 0.8 million shows on the other hand considerable recovery compared with the fourth quarter of 2009.

Income inherent in ADSL access services have been EUR 30.8 million slightly down by 2.5% with regard to the EUR 31.6 million in 2009, as a result of the decrease of the average user base for the quarter mainly as a result of termination by sleeping and inactive customers.

Voice revenues amounted to EUR 24.2 million in the half year, an increase of 2.6% compared to the first quarter of 2009 (EUR 24.8 million).

As at 31 March 2010 the total number of ADSL customers was about 598 thousand users (including customer awaiting connection), whilst those already connected to the Tiscali network were equal to 572 thousand, up by 3.3% compared to 31 March 2009, which is equal to 554 thousand clients. The number of already activated and connected customers by means of the Tiscali network infrastructure (unbundling) was about 389 thousand, up from 31 March 2009 (about 373 thousand clients).

Clients that have subscribed for the double play services (data and internet voice connections) are more than 332 thousand, which is an increase of about 7 thousand compared with the figure for 31 March 2009. The customer base that uses dial-up (narrowband) access and CPS voice services came to about 113 thousand, down from the corresponding figure for the first quarter of the previous year, equal to 237 thousand customers.

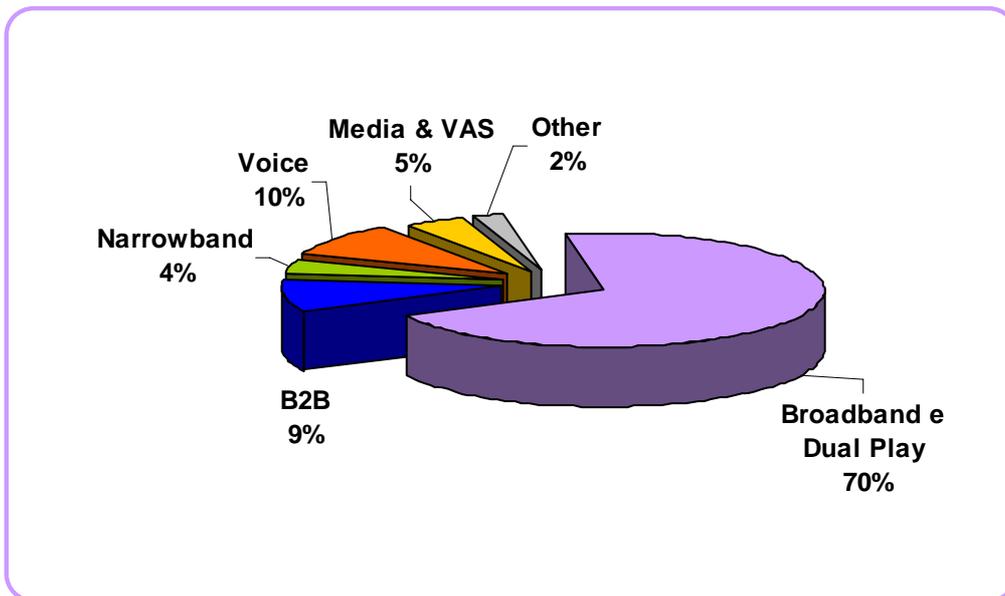
**Evolution in the customer base - Italy**

EUR (000)	31 March 2010	31 March 2009
<b>ADSL Customers</b>	571.9	553.6
<i>of which LLU</i>	389.5	373.0
<b>Narrowband and voice customers</b>	113.6	236.7
<b>Dual play customers</b>	332.3	261.9

Net coverage for unbundling in Italy as at 31 March 2010 was 651 sites, up by 33.9% compared with the number of sites as at 31 March 2009 (486).

**Revenues by business segment**

**Fig. 4.4 - Breakdown of revenues by business line and access mode<sup>1</sup>**



Source: Tiscali

<sup>1</sup> The graph shows the breakdown by business line which combines revenues from dual play and broadband.

**Access**

This segment includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services and the flat component of bundled offerings generated revenues during the quarter of EUR 33.4 million, representing around 48.7% of the Group's total revenues during the half year, a decrease compared to the figure for the same period in 2009 (EUR 37.3 million).

The total ADSL customer base was equal to about 598 thousand users, of which about 572 thousand were active (of which 389 thousand were direct), which is up on the number of ADSL users as at 31 March 2009 (amounting to about 554 thousand users).

**Voice**

The voice segment includes both the traditional telephone service and a component of the variable traffic generated by voice services on IP offered in bundled mode with internet access. During the course of the first quarter of 2010 income from these services were substantially in line with the previous year. The voice revenues for the first quarter of 2010 totalled EUR 24.2 million, compared to EUR 24.8 million for 2009. The total revenues for the first quarter included EUR 17.5 million for the voice traffic components generated by the VoIP services.

**Business services**

Revenues from business services (VPN, housing, hosting services, domains and leased lines), therefore excluding those from access and voice products for the same customer base which are included in their respective business segments, amounted in 2010 to EUR 6.4 million, up by 88.2% over the EUR 3.4 million in the first quarter of 2009.

**Media and value added services**

During the course of the first quarter of 2010 income from the media and value added services segment (arising from direct and indirect advertising by means of sale agreements with search engines) came to EUR 3.1 million, down from the previous year (EUR 6.3 million).

***Operational Income Statement of the Group***

<i>EUR (mln)</i>	<b>31 March 2010</b>	<b>31 March 2009 Restated</b>
<b>Revenues</b>	<b>68.6</b>	<b>73.5</b>
Access revenues	33.4	37.3
<i>of which: ADSL</i>	30.8	31.6
Voice revenues	24.2	24.8
<i>of which: dual play (traffic component)</i>	17.5	16.8
Revenues from business services	6.4	3.4
Revenues from media and value added services	3.1	6.3
Other revenues	1.5	1.8
<b>Gross Operating Margin (Gross Margin)</b>	<b>34.0</b>	<b>41.0</b>



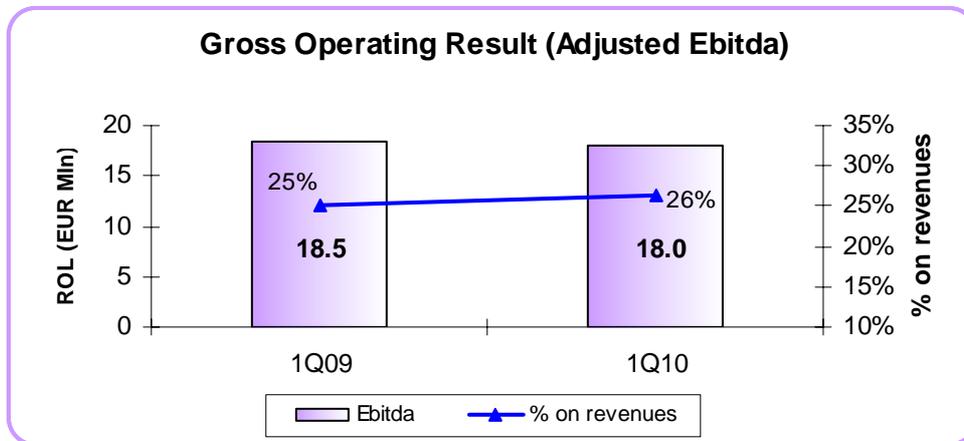
**Gross Operating Result (EBITDA)****Operational Income Statement – Group**

<i>EUR (mln)</i>	<b>31 March 2010</b>	<b>31 March 2009</b>
<b>Revenues</b>	<b>68.6</b>	<b>73.5</b>
<b>Gross Operating Margin (Gross Margin)</b>	<b>34.0</b>	<b>41.0</b>
<b>Indirect operating costs</b>	<b>18.5</b>	<b>23.5</b>
Marketing and sales	3.3	5.1
Payroll and related costs	11.1	11.5
Other indirect costs	4.0	6.9
Other income/charges	(2.5)	(1.1)
<b>Adjusted Gross Operating Result (EBITDA)</b>	<b>18.0</b>	<b>18.5</b>
Write-down of receivables and other provisions	3.6	3.6
<b>Gross Operating Result (EBITDA)</b>	<b>14.4</b>	<b>15.0</b>
Amortisation/depreciation	10.4	12.9
<b>Gross Result (EBIT) before restructuring costs and provision for risks</b>	<b>4.0</b>	<b>2.1</b>
<b>Gross Result (EBIT)</b>	<b>3.8</b>	<b>1.6</b>
<b>Group Net Result</b>	<b>(0.3)</b>	<b>(17.2)</b>

The adjusted Gross Operating Result (EBITDA) for the quarter, before provisions for risks, write-downs, depreciation and amortisation, was EUR 18.0 million, slightly down compared with the EUR 18.5 million in the 2009.

In 2010, EBITDA net of write-downs of receivables and other provisions was EUR 14.4 million (21% of revenues), slightly down on the figure for 2009 (EUR 15.0 million, equal to 20.4% of revenues).

Fig. 4.6 – Evolution of gross operating result (Adjusted EBITDA) in EUR-million



Source: Tiscali

**Indirect operating costs** during the course of the first quarter of 2010 came to EUR 18.5 million (26.9% of revenues), down compared with the figure from the previous year (EUR 23.5 million, 32.0% of revenues).

Within Indirect operating costs, **payroll costs** during 2010 came to EUR 11.1 million (16.2% of revenues), slightly down compared with the figure for the previous year (EUR 11.5 million, 15.7% of revenues). The increase over the fourth quarter of 2009 can be mostly found in the project to handle customer support services in-house, carried out in the first quarter of 2010, and to the development of the business commercial network.

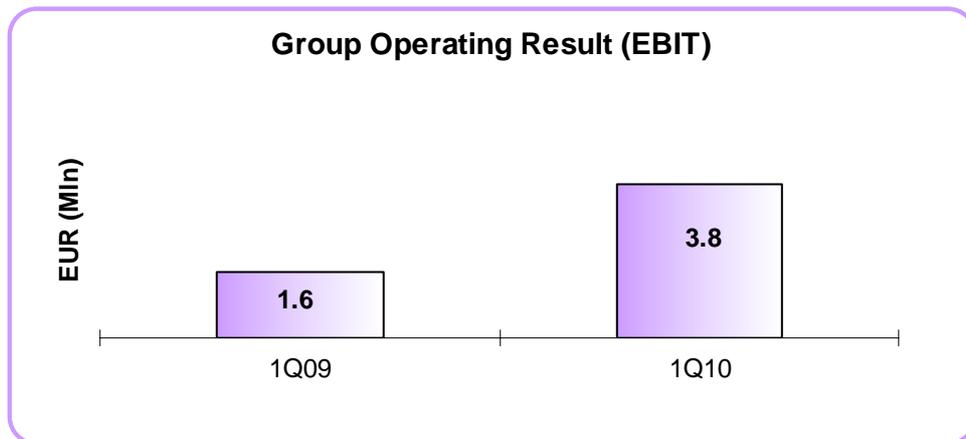
To illustrate the matter more clearly, here are the details of the operating costs/revenues making up the Gross Operating Result, as shown in the income statement table. In particular, the reconciliation between “purchase of materials and outsourced services” and “other operating costs” with the indirect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

<i>EUR (mln)</i>	<b>31 March 2010</b>	<b>31 March 2009 Restated</b>
<b>Revenues</b>	<b>68.6</b>	<b>73.5</b>
Other revenues	0.6	1.2
<b>Purchase of materials and services, of which:</b>	<b>41.8</b>	<b>43.6</b>
- <i>marketing</i>	3.3	5.1
- <i>indirect costs (*)</i>	3.8	6.0
- <i>other direct costs</i>	34.6	32.6
<b>Payroll costs</b>	<b>11.1</b>	<b>11.5</b>
<b>Other operating costs, of which:</b>	<b>(1.8)</b>	<b>1.1</b>
- other indirect costs (*)	0.2	1.0
- other operating costs	(2.0)	0.1
<b>Gross Operating Result (Adjusted)</b>	<b>18.0</b>	<b>18.5</b>
<b>(*) Total Indirect Costs</b>	<b>4.0</b>	<b>6.9</b>

### Operating result (EBIT)

Operating results (EBIT) for the first quarter of 2010, net of provisions, write-downs and restructuring costs, was positive by about EUR 3.8 million, which is more than the corresponding figure for 2009 of EUR 1.6 million.

**Provisions for risk, loan write-downs and other provisions** for the first quarter of 2010 amounted to EUR 3.7 million (EUR 4 million in the corresponding period in 2009). **Amortisation** for the first quarter of 2010 amounted to EUR 10.4 million (EUR 12.9 million in 2009).



Source: Tiscali

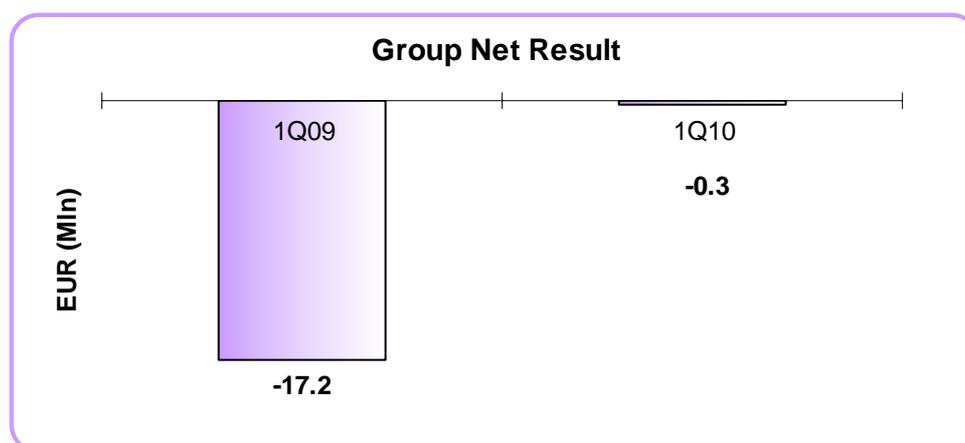
### Net result from operating activities (on-going)

The result from operating activities (on-going) was a negative EUR 231 thousand, a strong improvement compared to the corresponding figure in the previous year, a negative EUR 18.6 million. The improvement is attributable to EUR 15.6 million to the decrease in financial charges for the period, which went from EUR 19.7 million at the first quarter of 2009 to EUR 4.1 million in the first quarter of 2010, thanks to the restructuring and the significant senior debt reduction that took place during 2009. The balance of the Senior debt in fact was reduced from EUR 502.6 million as at 31 March 2009 to a value of EUR 160.9 million as at 31 March 2010.

### Group Net Result for the period

The Group net result for the period was a negative EUR 292 thousand, a strong improvement compared to the corresponding figure in the previous year, a negative EUR 17.4 million. The improvement is mainly attributable to the reduction in financial charges of EUR 15.6 million compared with the corresponding period in the previous year, as described in the previous paragraph.

Furthermore in the first quarter of 2010 the result of the assets sold and/or intended for sale was substantially nil, whilst during the first quarter of 2009 it was a positive EUR 1.1 million (to the extent that it was influenced by the positive effect of the EUR / Sterling exchange rate).



Source: Tiscali

## Results of subsidiary Tiscali Italia S.p.A.

### Operational Income Statement - Italy

EUR (mln)	31 March 2010	31 March 2009
<b>Revenues</b>	<b>68.9</b>	<b>75.0</b>
<b>Gross Operating Margin (Gross Margin)</b>	<b>33.7</b>	<b>41.7</b>
<b>Indirect operating costs</b>	<b>17.9</b>	<b>19.9</b>
<i>Marketing and sales</i>	3.3	5.1
<i>Payroll and related costs</i>	10.7	9.1
<i>Other indirect operating costs</i>	3.8	5.7
<b>Gross operating result (Adjusted EBITDA)</b>	<b>14.7</b>	<b>21.3</b>
<b>Operating result (EBIT)</b>	<b>0.7</b>	<b>5.0</b>

**Tiscali Italia S.p.A.** ended the first quarter of 2010 with a gross operating result (Adjusted EBITDA) of EUR 14.7 million (21.3% of revenues), a decrease on the EUR 21.3 million (28.4% of revenues) of 2009. Gross Margin, an indicator of industrial performance in the Italian subsidiary, decreased by around 19.2% on an annual basis and by about seven percentage points in terms of incidence on revenues, mainly due to the lower revenues from narrowband and high margin media. Operating costs went from EUR 19.9 million in 2009 to EUR 17.9 million in 2010 (decreasing by 10.4%) of which marketing costs reduced by 34.6% in absolute value terms on an annual basis (from EUR 5.1 million in 2009 to EUR 3.3 million in 2010).

In the first quarter of 2010, the operating result (EBIT) for Tiscali Italia S.p.A. was a gain of EUR 0.7 million compared to the profit of EUR 5 million in 2009.

**Equity and financial position**

	31 March 2010	31 December 2009
<b>CONSOLIDATED BALANCE SHEET (in abridged form)</b> <i>(EUR mln)</i>		
Non-current assets	235.6	239.6
Current assets	185.0	188.9
Assets held for sale	-	-
<b>Total Assets</b>	<b>420.6</b>	<b>428.6</b>
Group shareholders' equity	(67.7)	(67.0)
Shareholders' equity pertaining to minority shareholders	-	-
<b>Total Shareholders' equity</b>	<b>(67.7)</b>	<b>(67.0)</b>
Non-current liabilities	251.2	239.3
Current liabilities	236.2	255.4
Liabilities directly related to assets held for sale	0.9	0.9
<b>Total Liabilities and Shareholders' equity</b>	<b>420.6</b>	<b>428.6</b>

**Assets**Non-current assets

Non current assets as at 31 March 2010, equal to EUR 235.6 million, are down compared with the figure as at 31 December 2009, of EUR 239.6 Million.

The extension of the unbundling network and the operating investments relating to the connection and activation of new ADSL customers generated investments during the year of around EUR 7 million, including EUR 5.4 million for investments in intangible assets and around EUR 1.6 million for investments in tangible fixed assets. Investments mainly involve Tiscali Italia S.p.A.

Current assets

Current assets as at 31 March 2010 came to EUR 185.0 million, down compared with 31 December 2009 (EUR 188.9 million). Customer loans as at 31 March 2010 came to EUR 116.7 million, compared with EUR 112.2 million as at 31 December 2009. Amongst other loans and

sundry current assets, equal to EUR 28.7 million, are included in particular accrued income on access services provided for EUR 3.5 million, deferred costs for services of EUR 15.8 million, advance to suppliers of EUR 4.5 million, sundry loans, amongst which a VAT credit of EUR 3.6 million together with other loans of EUR 1.3 million.

## Liabilities

### Non-current liabilities

Noncurrent liabilities as at 31 March 2010 came to EUR 251.2 million, compared with the figure of EUR 239.3 million as at 31 December 2009. The figure includes, in addition to the items inherent in the financial position, for which reference should be made to the following section, the provision for risks and charges for EUR 7.6 million, the employee severance indemnity for EUR 4.2 million, medium to long term payables to suppliers of EUR 11.7 million and payables to suppliers for the purchase of long-term usage rights on transmission capacity (IRU) for EUR 12 million.

### Current liabilities

Current liabilities equal EUR 236.2 million as at 31 March 2010 (compared with EUR 255.4 million as at 31 December 2009). They include the current portion of financial payables (for which reference should be made to the following section) in addition to payables to suppliers of EUR 114.6 million, accrued expenses pertaining to the purchase of access service and line rentals of EUR 3.6 million, and deferrals of EUR 49.7 million, employee severance indemnity of EUR 5.1 million, debt to the Exchequer and to Social Security bodies of about EUR 7.6 million and other debts of EUR 3.1 million.

## Financial position

As at 31 March 2010, the Tiscali Group held cash and cash equivalents totalling EUR 6.3 million, against a net financial position, at the same date, of EUR 217.2 million (EUR 211.2 million as at 31 December 2009).

<i>EUR (mln)</i>	<b>31 March 2010</b>	<b>31 December 2009</b>
A. Cash	6.3	16.2
B. Other cash equivalents	0.6	0.6
C. Securities held for trading	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>6.9</b>	<b>16.8</b>
<b>E. Current financial receivables</b>	<b>5.9</b>	<b>6.4</b>
F. Non-current financial receivables	12.5	12.7
G. Current bank payables	13.8	13.6
H. Current portion of non-current debt	5.4	10.9
I. Other current financial payables (*)	9.3	10.8
<b>J. Current financial debt (G) + (H) + (I)</b>	<b>28.6</b>	<b>35.3</b>
<b>K. Net current financial debt (J) – (E) – (F) - (D)</b>	<b>3.2</b>	<b>(0.7)</b>
L. Non-current bank payables	155.5	152.9
M. Bonds issued	-	-
N. Other non-current payables (**)	58.5	59.0
<b>O. Non-current financial debt (L) + (M) + (N)</b>	<b>214.0</b>	<b>211.8</b>
<b>P. Net financial debt (K) + (O)</b>	<b>217.2</b>	<b>211.2</b>

(\*) includes leasing payables

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

In order to ensure consistency with the data provided in former reports, the above table includes VAT receivables under current financial receivables and guarantee deposits under non-current financial loans. The table below provides a reconciliation of the above financial position with the same statement prepared in accordance with Consob resolution no. DEM/6064293 of 28 July 2006.

EUR (mln)	31 March 2010	31 December 2010
<b>Consolidated net financial debt</b>	<b>217.2</b>	<b>211.2</b>
Other cash, cash equivalents and non current financial receivables*	13.1	13.2
<b>Consolidated net financial debt prepared on the basis of Consob communication no. DEM/6064293 of 28 July 2006</b>	<b>230.3</b>	<b>224.4</b>

\* Non-current financial receivables include the loan to the purchaser of TiNet Group (Talia) of EUR 6.3 million. Current financial receivables include the guarantee deposit on the property at Sa Illetta, equal to EUR 6.3 million.

The reduction of the *Current part of the non-current debt* is attributable to the repayment of a part of the Senior loan, of EUR 5.4 million, carried out during the course of the first quarter of 2010.

It is pointed out that prudentially, the net financial position does not include the deposit pledged for the sale in the UK, entered in the financial statements as EUR 31.4 million.

#### 4.3 Significant events during the first quarter of 2010

##### Tiscali Italia S.p.A. new organisation for customer support activities

On 7 January 2010, Tiscali announced its decision, as part of its relaunch programme on the Italian market, also through an improvement in the quality of customer support and administrative services and optimisation in the use of internal resources, to continue with the in-sourcing of said activities. In-sourcing of pre- and post-sales support is one of the critical factors of success in the telecommunications sector and also allows savings in terms of costs.

#### 4.4 Events subsequent to the end of the first quarter of 2010

##### The Shareholders' Meeting passed the 2009 financial statements

On the 28 April 2010 the Annual general Meeting of Shareholders in Tiscali S.p.A., was held in Cagliari on a second call, and passed the financial statements for the year 2009 which closed with rising Ebitda and Ebit. The figures in the draft financial statements were confirmed, and approved by the Board of Directors on the 26 March 2010 last.

#### 4.5 Going concern basis

The present Quarterly Report as at 31 March 2010 has been drafted on a going concern basis. With regard to assessment by the Board of Directors of the going concern basis, please refer to the section "Valuation on a going concern basis and outlook and prospects" within Note 3.7 of the Consolidated Accounts as at 31 December 2009.

#### 4.6 Outlook and prospects

The Company will concentrate its management efforts to expand the user base, with particular emphasis on the base of dual play customers. Furthermore strengthening the business commercial structure and the sales of advertising is expected to enable an extension of the revenue base in the respective areas, with a view to fully exploiting the network infrastructure and the web positioning of the Tiscali brand. In addition special attention will be given to improving the collection cycle for mass customer and to improving activation procedures for ADSL customers, with a resulting reduction of the average activation time and an increase of redemption.

**Accounting statements and explanatory notes  
as at 31 March 2010**

## 5 Consolidated accounting statements and explanatory notes as at 31 March 2010

### 5.1 Consolidated income statement

	31 March 2010	31 March 2009 Restated
<i>EUR (000)</i>		
Revenues	68,574	73,549
Other income	576	1,165
Purchase of materials and outsourced services	41,772	43,633
Payroll and related costs	11,137	11,511
Stock option plan cost	29	162
Other operating charges (revenues)	(1,769)	1,057
Write-downs of receivables from customers	3,586	3,364
Restructuring costs and other write-downs	123	473
Amortisation/depreciation	10,432	12,865
<b>Operating result</b>	<b>3,840</b>	<b>1,649</b>
Portion of results of equity investments valued using the equity method	-	(66)
Net financial income (charges)	(4,094)	(19,682)
<b>Pre-tax result</b>	<b>(254)</b>	<b>(18,099)</b>
Income taxes	22	(465)
<b>Net result from operating activities (on-going)</b>	<b>(231)</b>	<b>(18,564)</b>
Result from assets disposed of and/or destined for disposal	(60)	1,154
<b>Result for the year</b>	<b>(292)</b>	<b>(17,410)</b>
<b>Attributable to:</b>		
- Result pertaining to the parent company	(292)	(17,196)
- Minority interests	-	(214)



## 5.2 Overall income statement

<i>EUR (000)</i>	31 March 2010	31 March 2009 Restated
<b>Result for the year</b>	<b>(292)</b>	<b>(17,410)</b>
Foreign exchange differences	-	-
Fair value equity bond differences	-	-
<b>Total overall income statement result net of tax</b>	<b>-</b>	<b>-</b>
<b>Total overall result net of tax</b>	<b>(292)</b>	<b>(17,410)</b>
<b>Attributable to:</b>		
- Group Net Result for the period	<b>(292)</b>	<b>(17,196)</b>
- Net Result for the period for minority interests	-	(214)

## 5.3 Consolidated balance sheet

<i>EUR (000)</i>	31 March 2010	31 December 2009
<b>Non-current assets</b>		
Goodwill	-	-
Intangible assets	83,782	85,187
Properties, plant and machinery	135,257	137,737
Equity investments	-	-
Other financial assets	16,568	16,723
Deferred tax assets	-	-
	<b>235,606</b>	<b>239,647</b>
<b>Current assets</b>		
Inventories	1,779	1,892
Receivables from customers	116,675	112,246
Other receivables and other current assets	28,758	27,087



Other current financial assets	31,441	31,484
Cash and cash equivalents	6,307	16,220
	<b>184,959</b>	<b>188,928</b>
<b>Assets held for sale</b>	<b>-</b>	<b>31</b>
<b>Total Assets</b>	<b>420,566</b>	<b>428,606</b>
<i>Share Capital and reserves</i>		
Share Capital	92,017	92,003
Share premium reserve	-	-
Stock option reserve	4,344	4,315
Conversion reserve	-	-
Results from previous years and Other Reserves	(163,812)	221,528
<b>Group Net Result for the period</b>	<b>(292)</b>	<b>(384,826)</b>
<b>Group shareholders' equity</b>	<b>(67,743)</b>	<b>(66,980)</b>
Minority interests	-	-
<b>Shareholders' equity pertaining to minority shareholders</b>	<b>-</b>	<b>-</b>
<b>Total Shareholders' equity</b>	<b>(67,743)</b>	<b>(66,980)</b>
<i>Non-current liabilities</i>		
Payables to banks and to other lenders	155,542	152,875
Payables for financial leases	58,498	58,952
Other non-current liabilities	25,302	14,234
Liabilities for pension obligations and staff severance	4,233	4,218
Provisions for risks and charges	7,642	9,002
	<b>251,218</b>	<b>239,281</b>
<i>Current liabilities</i>		
Payables to banks and other lenders	19,229	24,453
Payables for financial leases	3,304	4,349
Payables to suppliers	144,571	150,894
Other current liabilities	69,105	75,678
	<b>236,209</b>	<b>255,374</b>
<b>Liabilities directly related to assets held for sale</b>	<b>881</b>	<b>930</b>
<b>Total Liabilities and Shareholders' equity</b>	<b>420,566</b>	<b>428,606</b>



**5.4 Consolidated cash flow statement (in condensed form)**

	31 March 2010	31 March 2009
<i>EUR (000)</i>		
Net result from operating activities (on-going)	(231)	(18,564)
<b>NET CASH GENERATED BY OPERATIONS</b>	<b>(1,684)</b>	<b>10,136</b>
<b>NET CASH USED FOR THE INVESTMENT ACTIVITY</b>	<b>(6,348)</b>	<b>(6,707)</b>
<b>NET FINANCIAL LIQUIDITY ARISING FROM/(USED IN) FINANCIAL ASSETS (including assets sold and/or intended for sale)</b>	<b>(1,881)</b>	<b>(3,413)</b>
<b>NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS in the period</b>	<b>(9,913)</b>	<b>15</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>16,220</b>	<b>6,236</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER</b>	<b>6,307</b>	<b>6,251</b>

**5.5 Statement of changes in consolidated shareholders' equity**

<i>EUR (000)</i>	Share Capital	Share premium reserve	Stock option reserve	Accumulated losses and other reserves	Group shareholders' equity	Minority interests	Total
<b>Balance at 1 January 2010</b>	<b>92,003</b>	<b>-</b>	<b>4,315</b>	<b>(163,297)</b>	<b>(66,980)</b>	<b>-</b>	<b>(66,980)</b>
Increases/Decreases	14	-	29	(510)	(467)	-	(467)
Exchange differences arising on the translation of the financial statements of foreign companies	-	-	-	(4)	(4)	-	(4)
Net profit (loss) for the period	-	-	-	(292)	(292)	-	(292)
<b>Balance as at 31 March 2010</b>	<b>92,017</b>	<b>-</b>	<b>4,344</b>	<b>(164,103)</b>	<b>(67,743)</b>	<b>-</b>	<b>(67,473)</b>



## EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2010

Tiscali S.p.A. is a limited company incorporated under the laws of the Republic of Italy at the Cagliari Companies' Register.

The Tiscali Group offers its customers, individuals and companies, a vast range of services, from Internet access, in dial-up and ADSL modes, to more specific products and technological advances to meet market demands.

This offering, which also includes voice services (including mobile telephony) and portal services enables Tiscali to compete effectively with other market operators.

Thanks to its unbundling network (ULL) and its offering of innovative services and its established brand, Tiscali is positioned in a strategic position in the telecommunications market.

The financial statements are presented in thousands of Euro (€) which is the currency used to conduct most of the Group's operations.

In preparing the present financial statements, the directors have assumed the business will continue in business and thus have prepared the financials statements using the principles and criteria applicable to going concerns.

### Format and content of accounting statements

The present interim operational financial statements as at 31 March 2010, have been prepared in compliance with International Accounting Principles ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. By IFRS are also meant all the revised international accounting principles ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC").

Form and contents comply with the information provided under International Accounting Standard no. 34 '*Intermediate Financial Statements*' (IAS 34), and in compliance with art. 154-ter of Italian Law Decree dated 24 February 1998 no. 58 (Consolidated Finance Act –TUF) as later amended and extended, also taking account of other CONSOB communications and resolutions on the topic.

The notes have been prepared in abbreviated form, applying the option provided in IAS 34 and thus do not include all the information required for an annual financial statement prepared in compliance with IFRS; to the extent that the following intermediate management account in the logic of IAS 34 has the purpose of providing an update of the asset-cash flow and income situation compared with that provided in the consolidated financial statements as at 31 December 2009.

The present intermediate financial management statement, as permitted by the reference standards, has been prepared on a consolidated base and has not been subjected to audit by Reconta Ernst & Young S.p.A.

The consolidation principles, the accounting principles, the criteria and valuation estimated adopted in preparing the intermediate financial management statements as at 31 March 2010 have been consistently applied as when drafting the consolidated financial statements as at 31 December 2009, presented for comparative purposes, to which please refer for a complete exposition. For the purpose of easier comparison, the figures for the comparative period have been adjusted as required.

Page	
30	

It is pointed out that from 1 January 2010 the following amendments to the international accounting principles have been applied, from which no major effects on the consolidated group accounts are expected to arise in the case of adoption:

- Amendments to IFRS 3 (*Business combinations*). On 3 June 2009 the European Commission under Regulation no. 495/2009 approved an updated version of IFRS 3. The main amendments made refer to the elimination of the requirement to value single assets and liabilities in subsidiaries at fair value for each successive acquisition, in the case of purchase of subsidiaries in stages. Goodwill will only be calculated in the final acquisition stage and shall be equal to the difference between the value of any shareholding immediately prior to purchase, the consideration of the transaction and the fair value of the net assets purchased. In addition, in the case where a group does not acquire 100% of the shareholding, the interest stake held by third parties may be valued either at fair value or by using the approach previously adopted in IFRS 3. The revised version of the principle also provides for the allocation to the financial statement of all costs connected with business combinations and the entry at the date of purchase of all liabilities for conditional payments. The new rules must be applied in statement form from 1 January 2010.
- Changes to IAS 27 (*Consolidated and separate financial statements*). By means of Regulation no. 494/2009 on 3 June 2009 the European Commission has amended IAS 27, establishing that the changes in the shareholdings that do not form a loss of control must be treated as equity transactions and thus must have as a cross-entry the net assets, excluding the option previously available to note any goodwill or a capital gain as the difference between the consideration paid/received and the value per share of the net assets acquired/sold. Furthermore it has been established that when a parent company sells control in its own subsidiary, but continues nevertheless to maintain an interest in the company, it must value the shareholding kept in the financial statements at fair value and allocate any profits or losses arising from the loss of control to the income statement. Lastly, the amendment to IAS 27 demands that all losses attributable to minority shareholders be allocated to minority shareholdings, even if they exceed the share actually held in the capital of the subsidiary. The new rules must be applied in statement form from 1 January 2010.
- Changes to IFRS 5 (*Non current assets held for sale and operational assets sold*). This principle established that if a company has committed to a sales plan that includes the loss of control of a subsidiary, all the assets and liabilities of the subsidiary must be reclassified as assets intended for sale, even if after the sale the company will still hold a minority shareholding in the subsidiary. The amendment must be applied in statement form from 1 January 2010.
- Amendments to IAS 36 (*Asset impairment*). The amendment to this principle provides that additional information must be provided in the case in which the Group determines the recoverable value of *cash generating units* by using the updated cash flow approach.
- Amendments to IAS 24 (*Transactions with related parties*) On 4 November 2009, IASB – issued a revised version of IAS 24 financial statement information about transactions with related parties that simplifies the requirements for information concerning the related parties where public bodies are involved and that clarifies the definition of "related party". As of the date of issue of the present document, the competent bodies of the European

Union had not yet concluded the approval process necessary for the application of this standard.

## Revenues

<i>EUR (000)</i>	<b>31 March 2010</b>	<b>31 March 2009 Restated</b>
Revenues	68,574	73,549

The decrease in revenues is mainly due to the contraction of the access segment (both for broadband and for narrowband), in “media and value added services” revenues and from voice services.

## Purchases of material and outsourced services, payroll costs and other operating costs

<i>EUR (000)</i>	<b>31 March 2010</b>	<b>31 March 2009 Restated</b>
Purchase of materials and outsourced services	41,772	43,633
Payroll and related costs	11,137	11,511
Other operating costs	(1,769)	1,057

The decrease in costs compared with the same period last year is attributable to the contraction of revenues and the rationalisation of industrial costs.

## Cost of stock option plans and other allowances

<i>EUR (000)</i>	<b>31 March 2010</b>	<b>31 March 2009 Restated</b>
Cost of stock option plans and other allowances	29	162

The amount is attributable to the allowance for charges relating to the stock option plan on the Italian companies Tiscali S.p.A. and Tiscali Italia S.p.A.

**Restructuring costs, provisions for risk reserves and write-downs**

<i>EUR (000)</i>	<b>31 March 2010</b>	<b>31 March 2009 Restated</b>
Write-downs of receivables from customers	3,586	3,364
Restructuring costs and other write-downs	123	473

As shown in the table, the costs of the item in question as at 31 March 2010 came in total to about EUR 3.7 million. The balance includes EUR 3.6 million of costs for loan depreciation (EUR 3.4 million in the same period in 2009).

**Financial income and charges**

Financial charges and their related changes are connected to the Group debt structure. The figure for the first three months of EUR 4.1 million compared with that of the corresponding period in the previous year of EUR 19.7 million has to be related to the different composition and relative cost of debt. In particular, the financial charges on the Senior debt have reduced by EUR 9.3 million, in addition to the reduction of the impact of the valuation at fair value of the IRS, which came to a negative EUR 4.9 million in the first quarter of 2009. Lastly, charges for the funding of the Andalus company have gone, which were EUR 0.5 million in the first quarter of 2009.

**Result from assets disposed of and/or intended for sale**

In the first quarter of 2010 the result of assets sold and/or intended for sale was substantially nil, whilst in the first quarter of 2009 it was positive for EUR 1.1 million.

The figure for the first quarter of 2009 included the result for the period from the English business and from the TiNet group (disposed of during the year 2009), which was negative for EUR 4.7 million. This result was offset by a positive exchange rate effect on the asset items in the English businesses of EUR 5.8 million, due to the positive Euro/Sterling exchange rate difference as at 31 March 2009. The overall result on the item "assets sold and/or intended for sale" was thus positive for EUR 1.1 million at the first quarter of 2009.

**Non-current assets**

<i>EUR (000)</i>	<b>31 March 2010</b>	<b>31 December 2009</b>
Goodwill	-	-
Intangible assets	83,782	85,187
Properties, plant and machinery	135,257	137,737
Equity investments	-	-
Other financial assets	16,568	16,723
Deferred tax assets	-	-

Non-current include intangible and tangible fixed assets relating to properties, plant and machinery are recorded with a total value as at 31 March 2010 of EUR 219 million (EUR 222.9 million as at 31 December 2009).

Non current assets also include Other Financial Assets of EUR 16.6 million (EUR 16.7 million as at 31 December 2009) which include guarantee deposits of EUR 6.8 million of which EUR 6.3 million were deposits entered for the Italian subsidiary Tiscali Italia S.p.A. for the sale and leaseback transaction on the Sa Illetta building in addition to EUR 6.3 million of loans arising from the sale of the Tinet Group. This item also includes the value of the shareholding held by Tiscali Italia S.p.A. in Janna for EUR 2.3 million.

**Current assets**

<i>EUR (000)</i>	<b>31 March 2010</b>	<b>31 December 2009</b>
Inventories	1,779	1,892
Receivables from customers	116,675	112,246
Other receivables and other current assets	28,758	27,087
Other current financial assets	31,441	31,484
Cash and cash equivalents	6,307	16,220

Current assets include mainly Receivables from customers, EUR 116.7 million as at 31 March 2010, compared with a balance of EUR 112.2 million as at 31 December 2009.

Amongst other loans and sundry current assets, equal to EUR 28.7 million, are included in particular accrued income on access services provided for EUR 3.5 million, deferred costs for services of EUR 15.8 million, advance to suppliers of EUR 4.5 million, sundry loans, amongst which a VAT credit of EUR 3.6 million together with other loans of EUR 1.3 million.

The balance also includes other items of a financial nature, amongst which are the other current financial assets item equal to EUR 31.4 million that includes the pledged deposit relating to the sale of the UK assets (which took place in 2009) and cash in hand (EUR 6.3 million as at 31 March 2009).

### Non-current liabilities

<i>EUR (000)</i>	<b>31 March 2010</b>	<b>31 December 2009</b>
Payables to banks and to other lenders	155,542	152,875
Payables for financial leases	58,498	58,952
Other non-current liabilities	25,302	14,234
Liabilities for pension obligations and staff severance	4,233	4,218
Provisions for risks and charges	7,642	9,002

Non-current liabilities as at 31 March 2010 amounted in total to EUR 251.2 million (EUR 239.3 million as at 31 December 2009).

The *Payables to banks and to other lenders* item includes the long-term debt to Senior Lenders, restructured from 3 July 2009, equal to EUR 155.5 million (including interest up to 31 March 2010).

The item *Payables for financial leases* includes the debt account for under the Italian subsidiary Tiscali Italia S.p.A. relating to the Sale and leaseback transaction on the Sa Illetta property, equal to EUR 58.5 million.

The *Other non current liabilities* item equal to EUR 25.3 million as at 31 March 2010 (EUR 14.2 million as at 31 December 2009) includes medium to long term debt to suppliers for the purchase of rights over several years to use transmission capacity (IRU) of EUR 12 million and debts to suppliers over the long term of EUR 11.7 million.

The balance of non current assets also includes, together with the staff severance fund for Italian companies (EUR 4.2 million as at 31 March 2010), the fund for risks and charges (EUR 7.6 million).

### Current liabilities

<i>EUR (000)</i>	<b>31 March 2010</b>	<b>31 December 2009</b>
Payables to banks and other lenders	19,229	24,453
Payables for financial leases	3,304	4,349
Payables to suppliers	144,571	150,894
Other current liabilities	69,105	75,678

Current liabilities amount to a total of EUR 236.2 million compared with EUR 255.4 million as at 31 December 2009.

The *Payable to banks and other lenders* item, equal to EUR 19.2 million (EUR 24.4 million as at 31 December 2009) includes mainly the bank debt of Tiscali Italia S.p.A. and Tiscali S.p.A. for EUR 13.8 million and the short-term component to Senior Lenders, equal to EUR 5.4 million.

*Payables for financial leases* of EUR 3.3 million mainly include short term leasing debts for the Italian subsidiary Tiscali Italia S.p.A.

*Due to suppliers* came to EUR 144.6 million as at 31 March 2010, against a balance of EUR 150.9 million at the end of the previous year.

*Other current liabilities* includes accrued liabilities inherent in the purchase of access services and line rentals of EUR 3.6 million, deferrals of EUR 49.7 million, debts to staff of EUR 5.1 million, debt to the Exchequer and to social security bodies of about EUR 7.6 million and other debt of EUR 3.1 million.

### Shareholders' equity

EUR (000)	31 March 2010	31 December 2009
Share capital	92,017	92,003
Share premium reserve	-	-
Stock Options reserve	4,344	4,315
Accumulated losses and other reserves	(163,812)	221,528
Result for the period	(292)	(384,826)
Minority interests	-	-
<b>Total Shareholders' equity</b>	<b>(67,743)</b>	<b>(66,980)</b>

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

As at 31 March 2010 shareholder equity came to EUR 92.0 million corresponding to 1,861,491,326 ordinary shares.

**Business segment information (geographic areas)**

By means of EC Regulation no. 1358/2007 on the 231 November 2007 the European Commission approved the introduction, of IFRS 8 "Operating Segments" as a replacement for IAS 14 "Sectoral Information", for information to be provided in financial statements about the operating segments where the party drafting the financial statements is active.

By operating segment is meant the component of an entity:

- That carried out entrepreneurial activity that generates income and costs (including the income and costs relating to transactions with other parts of the same entity);
- Whose operating results are periodically reviewed at the highest operational decision making level for the purpose of adopting decisions with regard to the resources to be allocated to the segment and to assessing results;
- For which separate financial statement information is available.

Unlike as provided under IAS 14, this principle demands substantially the identification and representation of the results from the operating segments in accordance with the "*management approach*", that is by following the approaches used by management in internal reporting work for the purpose of assessing performance and allocating resources amongst the segments themselves.

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

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

- Italy

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

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

<b>31 March 2010</b>						
<i>EUR (000)</i>	Italy	Other	Corporate	HFS/Disc ontinued	Cancellation adjustments	Total
<b>Revenues</b>						
From third parties	68,468	-	106	-	-	68,574
Intra-group	466	948	1,873	-	(3,287)	-
<b>Total revenues</b>	<b>68,935</b>	<b>948</b>	<b>1,979</b>	<b>-</b>	<b>(3,287)</b>	<b>68,574</b>
<b>Operating result</b>	<b>669</b>	<b>(30)</b>	<b>3,202</b>	<b>-</b>	<b>-</b>	<b>3,840</b>
Portion of results of equity investments carried at equity						-
<b>Net financial income (charges)</b>						<b>(4,094)</b>
<b>Pre-tax result</b>						<b>(254)</b>
<b>Income taxes</b>						<b>22</b>
<b>Net result from operating activities (on-going)</b>						<b>(231)</b>
<b>Result from assets disposed of and/or destined for disposal</b>						<b>(60)</b>
<b>Net result</b>						<b>(292)</b>

<b>31 March 2009</b>						
<i>EUR (000)</i>	Italy	Other	Corporate	HFS/Di scontin ued	Cancellat ion adjustme	Total
<b>Revenues</b>						
From third parties	70,930	28	2,591	137,780	(137,780)	73,549
Intra-group	4.	-	3,594	4,728	(12,434)	-
<b>Total revenues</b>	<b>75,042</b>	<b>28</b>	<b>6,185</b>	<b>142,508</b>	<b>(150,214)</b>	<b>73,549</b>
<b>Operating result</b>	<b>4,978</b>	<b>(215)</b>	<b>(897)</b>	<b>(12,513)</b>	<b>10,295</b>	<b>1,649</b>
Portion of results of equity investments carried at equity						<b>(66)</b>
<b>Net financial income (charges)</b>						<b>(19,682)</b>
<b>Pre-tax result</b>						<b>(18,099)</b>
<b>Income taxes</b>						<b>(465)</b>
<b>Net result from operating activities (on-going)</b>						<b>(18,564)</b>
<b>Result from assets disposed of and/or destined for disposal</b>						<b>1,154</b>
<b>Net result</b>						<b>(17,410)</b>



**Ongoing disputes, contingent liabilities and commitments**

The Tiscali Group is involved in a few legal proceedings, for a description of which please refer to the comparable paragraph contained in the financial statements as at 31 December 2009. The management of the group does not believe that any significant liabilities can arise from those proceedings or that in any case, an unfavourable outcome in current proceedings could have a significant negative effect on the financial, asset and cash flow position of the Tiscali group or the future results of its business. It is further pointed out that, if not explicitly stated in the relevant section of the 2009 Financial Statements, no provisions for risks in the absence of certain and objective elements or if a negative outcome of the dispute is held not to be probable.



---

Chairman and CEO

Renato Soru

**6 Statement by the Executive in Charge**

---

The Director in charge of preparing the corporate accounting documents Luca Scano declares under paragraph 2, article 154-bis of the Consolidated finance Act that the accounting information contained in the present Intermediate management account for the Tiscali S.p.A. Group as at 31 March 2010 corresponds to the results of documents, the books and accounting entries.



---

Executive in charge of preparing corporate and accounting documents

Luca Scano

## 7 Appendix - Glossary

---

<b>Access fee</b>	Is the amount debited by national operators for each minute of use of their network by the managers of other networks. This is also called “interconnection fee”.
<b>ADSL</b>	Acronym for Asymmetric Digital Subscriber Line, (the available bandwidth in reception is greater than that available for transmission) to enable internet access at high speed.
<b>ADSL2+</b>	An ADSL technology that extends the ADSL base capacity by doubling the download bit flow. The bandwidth can reach 24Mbps in download and 1.5 Mbps in upload and depends on the distance between the DSLAM and the customer’s location.
<b>ARPU</b>	Average returns for fixed and mobile telephony for the user calculated in the course of a given period for an average number of active (for other operators) or Tiscali Group customers in the same period.
<b>Bitstream</b>	Bitstream (or digital flow) services: Service consisting of the supply on the part of an operator of access to the fixed public telephone network of the transmission capacity between an end user workstation and the point of presence of an operator or an ISP that wants to provide broadband services to the end user.
<b>Broadband</b>	Data transmission system in which data is no more sent simultaneously to increase the actual speed of transmission with a data flow equal to or greater than 1.5 Mbps.
<b>Broadcast</b>	Simultaneous transmission of information to all nodes on a network.
<b>Business clients</b>	SoHos, small medium and large businesses.
<b>Capex</b>	Acronym for Capital Expenditure. Identifies the outgoing cash flows generated by the investments in an operating structure.
<b>Carrier</b>	Company that physically makes a telecommunications network available.

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

**DSLAM**

Acronym for Digital Subscriber Line Access Multiplexer, a device used in DLS technologies, to multiply the transmission of data at high capacities on telephone wires, where a multiplexer means a device that enables the transmission of information (voice, data, videos) in flows by means of direct and continuous connections between two different points on a network.

**Fibre Optic**

Thin fibres of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fibre optic cable contains various individual fibres, each capable of carrying a signal (light impulses) over a virtually limitless band length. They are usually used for long distance transmissions, for the transmission of "heavy data" so that the signal arrives protected from interference which it might encounter along its own path. A fibre optic cable's carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.

**GigaEthernet**

Term used to describe the various technologies that implement the nominal speed of an Ethernet network (the standard protocol for cards and cables for high speed connections between a computer and a local network) of up to 1 gigabit per second.

**Home Network**

Local network made up from various kinds of terminals, devices, systems and user networks, with related applications and services including all the apparatus installed at user premises.

**Hosting**

Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.

**Incumbent**

Former monopoly operator active in the telecommunications field.

**Internet Service Provider or ISP**

Company that provides Internet access to single users or organisations.

**IP**

Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol) born for interconnecting disparate networks by technology, services and handling.

<b><i>IPTV</i></b>	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
<b><i>IRU</i></b>	Acronym for Indefeasible Right of Use, long term agreements that guarantee the beneficiary the option of using for a long period the grantor's fibre optic network.
<b><i>ISDN</i></b>	Acronym for Integrated Service Digital Network, a telecommunications protocol in Narrowband able to carry in an integrated form various kinds of information (voice, data, texts, and images) coded in digital form on the same transmission line.
<b><i>Leased lines</i></b>	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.
<b><i>MAN</i></b>	Acronym for Metropolitan Area Network, a fibre optic network that extends across a metropolitan area and links a Core Network to an Access Network.
<b><i>Mbps</i></b>	Acronym for megabit per second, a unit of measurement that states the capacity (and thus the speed) of data transmission along a computer network.
<b><i>MNO</i></b>	Acronym for Mobile Network Operator, an operator of proprietary telecommunications on a mobile network that offers its own services wholesale to all MVNOs (Mobile Virtual Network Operator).
<b><i>Modem</i></b>	Modulator/demodulator. It is a device that modulates digital data in order to permit its transmission along analogue circuits, usually made from telephone lines.
<b><i>MPF</i></b>	Acronym for Metallic Path Facility, the pair of copper wires (unscreened twisted pair) that comes from an exchange (MDF -Main Distribution Frame) in an operators telephone room and arrives at the users premises (individual or corporate). Connections can be Full or Shared. A Full type connection enables the use of the data service (broadband) in addition to voice traffic. A Shared kind of connection only enables the use of the data service (broadband). In a "shared access" service, the LLU operator (in disparate access) provides the ADSL services to the end user, whilst the incumbent operator provides the analogue telephony service using the same access line.



**MSAN**

Acronym for Multi-Service Access Node, a platform able to carry on an IP network a combination of traditional services and that supports a variety of access technologies such as for example a traditional telephone line (POTS), and ADSL2+ line, a symmetric SHDSL line, VDSL and VDSL2 over a copper or fibre-optic network.

**MVNO**

Acronym for Mobile Virtual Network Operators: A party that offers mobile telecommunications services to the public, using its own mobile network interconnection structures, its own HLR, its own mobile phone network code MNC, Mobile Network Code), its own customer handling (marketing, invoicing and support) and issuing its own SIM cards, but does not has assigned frequencies and takes advantage, for access, of agreements negotiated or regulated via one or more licensed mobile network operators.

**Narrowband**

System for connecting to data networks, for example the Internet, by means of a telephone call. In this kind of connection all the bandwidth used for the means of transmission is used as a single channel. One single signal occupies all the available bandwidth. The bandwidth of a communications channel identifies the maximum quantity of data that can be carried by means of transmission of the unit over time. The capacity of a communication channel is limited by the frequency interval that the equipment can sustain and by the distance to be travelled. An example of a Narrowband connection is the common modem narrowband connection at 56 kbps.

**OLO**

Acronym for Other Licensed Operators, operators other than the dominant one that operate in a national telecommunications services market.

**Opex**

Acronym for Operating Expenses which are direct and indirect costs that are recoded in the income statement.

**Pay TV**

TV channels on payment. To receive Pay TV or Pay-Per-view, you have to connect a decoder and have an access system subject to conditions.

**Pay-Per-View**

System by which a spectator pays to view a single programme (such as a sporting event or a film or concert) at the time it is transmitted or broadcast.

<b>Platform</b>	It is the total of the inputs, including hardware, software and equipment for running and the procedures for production (production platform) or for the management (management platform) or for a special service (service platform).
<b>POP</b>	Acronym for Point of Presence, a site at which telecommunications apparatus is installed and that forms a node on the network.
<b>Portal</b>	Website that forms a point of departure of an entry point for a major group of Internet resources or to an Intranet.
<b>Router</b>	Hardware or in some cases software instrument that identifies the next point on the network to which a data packet is to be sent, and routes that data packet towards the end destination.
<b>Server</b>	Computer component that provides services to other components (typically called clients) access a network.
<b>Service Provider</b>	Party that provides end users and content providers a range of service, including that of an owned, leased or third party service centre.
<b>Set-top-box or STB</b>	Device able to handle and route data, voice and television connections, installed at the end user's premises.
<b>Shared access</b>	Technique for shared access to a local network in which a former monopoly operator rents part of the capacity to other operators: In that portion of the bandwidth the operator can provide Broadband services, whilst the former monopoly operator on the portion of the bandwidth not hired out, continues to provide telephony services.
<b>SHDSL</b>	Acronym for Single-pair High-speed Digital Subscriber Line. SHDSL is a technology for telecommunications of the XDSL family and is made by using direct ULL interconnections and enables high speed connections to be made in a balanced way in both directions (transmission and reception).
<b>Single Play</b>	Service including only broadband data access, not combined with other multiplay components such as voice and IPTV services. Broadband access may be provided through LLU platforms, Wholesale or Bitstream.



<b>Single Play voice</b>	Service including only voice access, not combined with other multiplay components such as broadband and IPTV access. Voice service can also be provided by VOPI and CPS procedures.
<b>SMPF</b>	Acronym for Shared Metallic Path Facilities which is synonymous with Shared Access (ungrouped access).
<b>SoHo</b>	Acronym for Small office Home office, for small offices, mostly professional offices or small firms.
<b>Syndication</b>	The sale of radio and TV transmissions by a media company that owns the rights and usually the delivery platform also.
<b>Triple Play</b>	A combined offering of fixed and/or mobile telephony, Internet and/or TV made by a single operator.
<b>Unbundling of the local loop or ULL</b>	Unbundled access to a local network, that is, the possibility that telephone operators have had, since the telecommunications market was liberalised, to use existing physical infrastructures built by another operator to offer its own services to customers, paying a rental to the operator that is the actual owner of the infrastructure.
<b>Uncovered Areas</b>	Also called “indirect access areas” to identify the geographic areas which are not directly served by the network owned by Tiscali (see also Bitstream and Wholesale).
<b>Unique browsers</b>	Number of different browsers that, in any time span, can visit a site one or more times.



**VAS**

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

**Virtual Unbundling of local loops or VULL**

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

**VISP**

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

**VoD**

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

**VoIP**

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

<b>VPN</b>	Acronym for Virtual Private Network, which can be realised on Internet or Intranet. Data between workstations and the server of the private network is sent along common public Internet networks, but using protection technologies against any interception by unauthorised persons.
<b>Wholesale</b>	Services that consist of the sale of access services to third parties.
<b>WI-FI</b>	Service for connection to the internet at high speed wirelessly.
<b>Wi-Max</b>	Acronym for Worldwide Interoperability for Microwave Access: it is a technology that enables access wireless access to broadband telecommunications. It has been defined by the WiMAX forum, a world-wide consortium made up of the largest companies in the fixed and mobile telecommunications field that has the purpose of developing, promoting and testing the interoperability of systems based on IEEE standard 802.16-2004 for fixed access and IEEE.802.16e-2005 for fixed and mobile access.
<b>WLR</b>	Acronym for Wholesale Line Rental, selling on by an operator of the telecommunications service for lines affiliated with an Incumbent.
<b>xDSL</b>	Acronym for Digital Subscriber Lines, a technology that, by means of a modem, uses the normal telephone twisted pair and transforms the traditional telephone line into a high speed digital connection for the transfer of data. ADSL, ADSL 2, and SHDSL etc belong to this family of technologies.