HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2008

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TISCALI S.P.A.
Registered office: SS195 Km 2.3, Sa Illetta, Cagliari
Share Capital EUR 287,103,021.50
Cagliari Companies' Register and VAT No. 02375280928 Econ. & Admin. Roster - 191784

THE TISCALI GROUP

DIRECTORS AND AUDITORS

Corporate Boards

Board of Directors

Chairman[1] and CEO
Mario Rosso

Directors
Arnaldo Borghesi
Francesco Bizzarri
Massimo Cristofori
Umberto De Iulio[1]

Board of Statutory Auditors

Chairman

Aldo Pavan

Acting Auditors
Piero Maccioni
Andrea Zini[2]

Alternate Auditors
Rita Casu

Manager responsible for preparing the Company's financial reports

Romano Fischetti

Independent auditors

Reconta Ernst & Young S.p.A.[1]

[1] As from 29.04.08
[2] As from 12.06.2008

INTERIM MANAGEMENT REPORT

SELECTED DATA

Economic data (EUR mln)	30 June 2008	30 June 2007	% Change
• Revenues	535.2	393.0	+36%
• Gross Operating Result (EBITDA) adjusted	95.8	61.9	+55%
• Gross Operating Result (EBITDA)	74.7	51.5	+45%
• Operating result	(32.7)	(28.5)	-8%

Equity and income data (EUR mln)	30 June 2008	31 December 2007
• Total Assets	1,567.8	1,599.9
• Net Financial Debt	578.9	636.5
• Net financial debt "Consob"	599.6	657.4
• Shareholders' equity	217.8	206.9
• Investments	108.2	193.5

Operating data (thousands)	30 June 2008	31 December 2007	30 June 2007
Access and Voice users	3,192	3,475	3,320
ADSL users (broadband)	2,412	2,383	2,036
of which: Direct ADSL users (ULL)	1,241	974	788

ALTERNATIVE PERFORMANCE MEASURES

In this interim management report, in addition to the conventional measures established by the IFRS, certain alternative performance measures are presented (EBITDA and Adjusted EBITDA) which are used by the management of the Tiscali Group to monitor and assess the operating performance of the Group. As these indicators are not identified as an accounting measurement within the IFRS, they should not be considered as a substitute measures for evaluation of the performance of the Tiscali Group's results. As the composition of the EBITDA and the Adjusted EBITDA is not set by the reference accounting principles, the determination criterion applied by the Tiscali Group may not be the same as the criterion adopted by others and thus may not be comparable.

The EBITDA and Adjusted EBITDA (operating result before write downs of receivables and the costs incurred for stock options) are the performance indicated which are not defined by the accounting principles of reference and consist of:

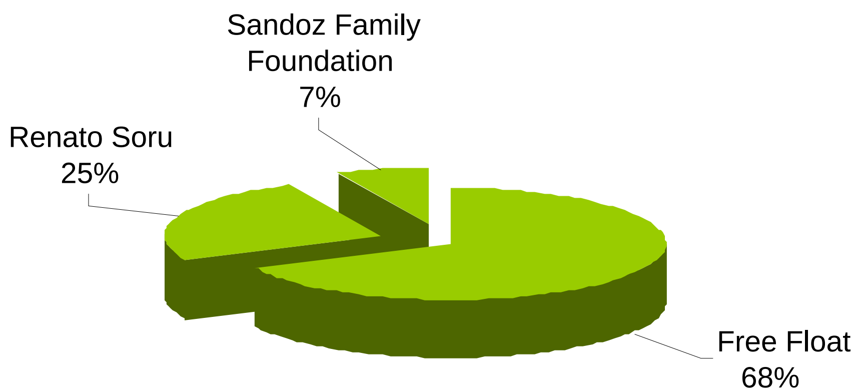
Profit before tax and the result deriving from assets held for sale
+ Financial charges
- Financial income
+/- Income/expenses deriving from investments in associates
Operating result
Restructuring costs
+ Amortisation/depreciation
+/- Other unusual income
Gross Operating Result (EBITDA)
+ Write-downs of receivables from customers
+ Stock option plan cost
Gross Operating Result (Adjusted EBITDA)

SHARES

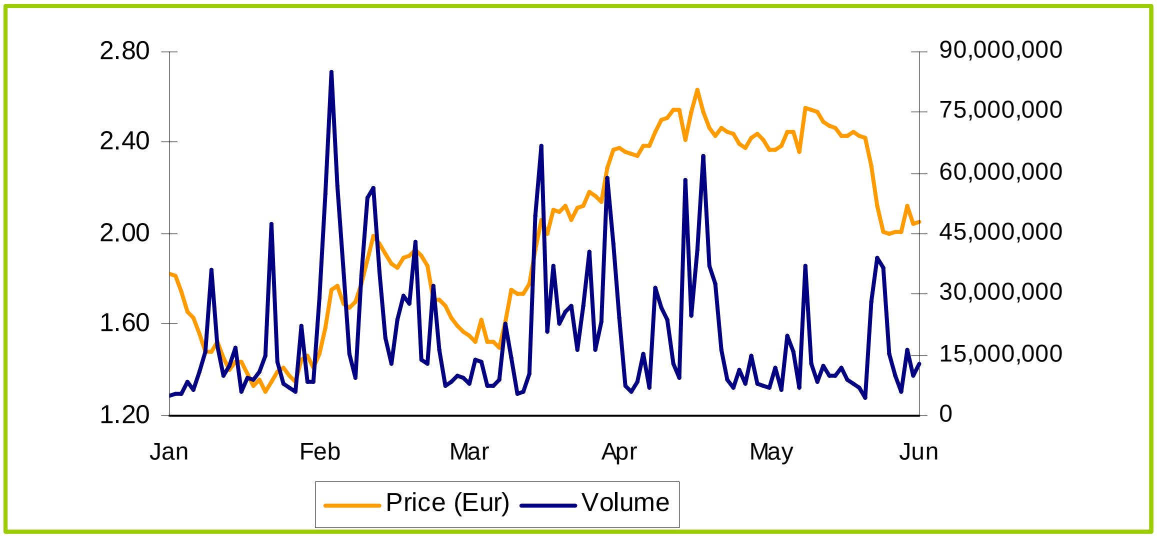
Tiscali shares have been listed on the Italian Stock Exchange (Milan:Tis) since October 1999. At 30 June 2008, market capitalization came to approximately EUR 1,178 million, calculated on the value of EUR 2.051 per share on that date.

On 31 June 2008, the number of shares representative of the Group's share capital came to 574,206,043.

Tiscali's shareholder base at 30 June 2008 is illustrated below::



The graph below shows the performance of the Tiscali share during the first half of 2008, which was positive with substantial trading volumes, particularly in the month of February. We note further more that, on 14 January, the company launched a capital increase under option of approximately EUR 150 million which was concluded in February and was the reason for the weakness of the share in the initial weeks of the current year.

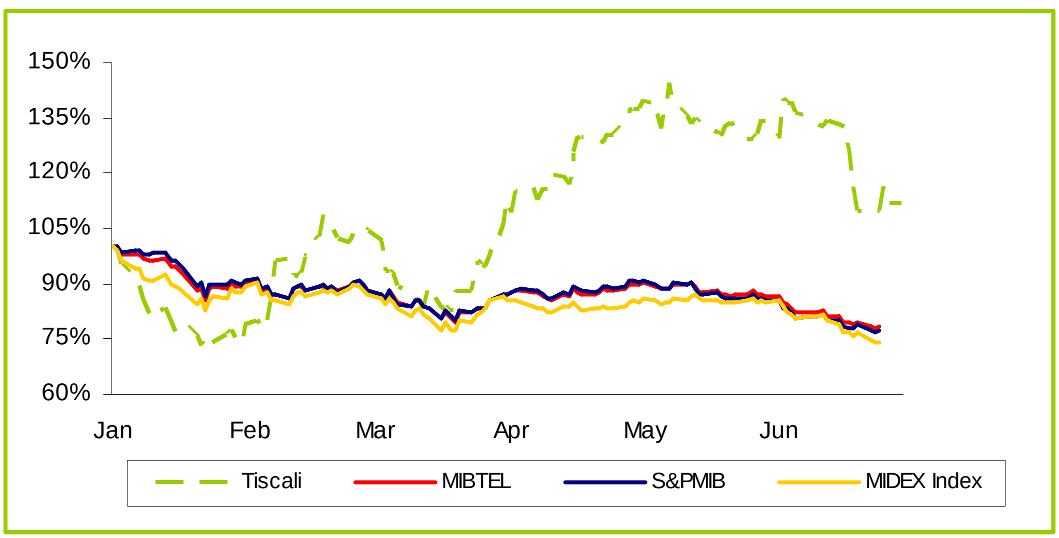


Source: Bloomberg data processing

The average price for the half year was EUR 1.984. The maximum price of EUR 2.637 for the period was recorded on 8 May, and the minimum of EUR 1.309 on 24 May.

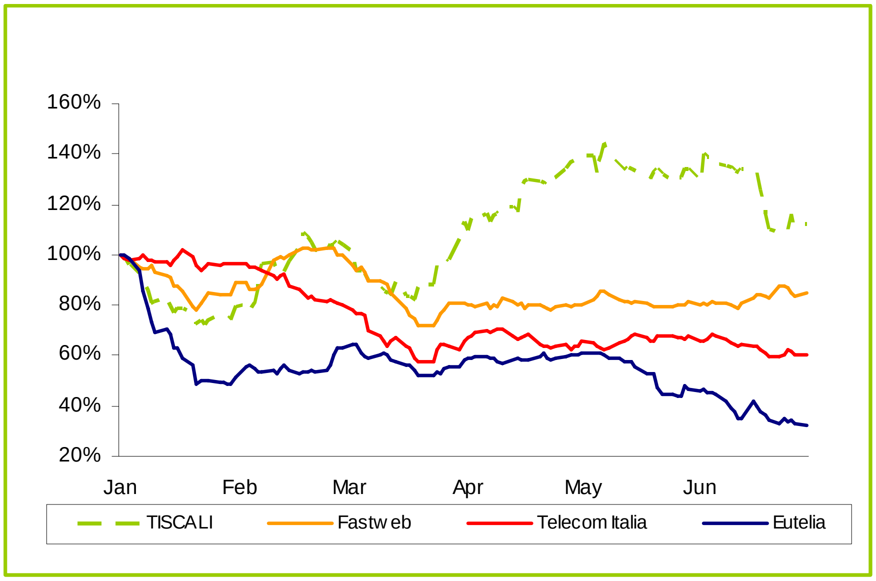
In comparison with market indices, Tiscali stock shows a trend in line with the three reference indices - S&P MIB, MIBTEL and MIDEX - in the first of the 6 months in question, whilst stock performance is recorded as above the performance of these three indices at the end of March.

The graph below illustrates Tiscali stock trends in comparison with market indices:



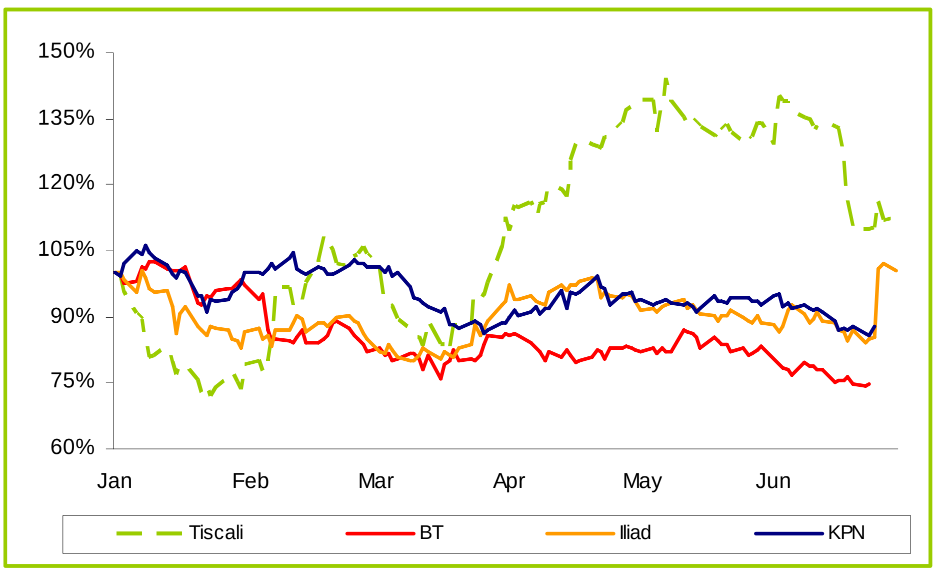
Source: Bloomberg data processing

In the initial months of the first half of the year, the performance of the Tiscali share was in line with the shares of its Italian competitors, while from April to June, the share's performance was better than that of its competitors.



Source: Bloomberg data processing

At the European level, the performance of the Tiscali share from the months of January to March was in line with that of other sector operators. Conversely, from March to June the share outperformed the shares of the main telephone operators.



Source: Bloomberg data

Trading volumes stood at a daily average of about 19.9 million items, with a daily average trade value of EUR 39.6 million.

Average trading of the Tiscali share on the Italian Stock Exchange in the first half of 2008

	Price (Euro)	Number of shares
January	1.487	12,788,138
February	1.755	32,117,697
March	1.661	13,822,070
April	2.249	26,158,202
May	2.454	20,151,529
June	2.299	14,820,141
Average	**1.984**	**19,976,296**

INFORMATION ON OPERATIONS: ANALYSIS OF THE GROUP ECONOMIC, EQUITY AND FINANCIAL POSITION

Tiscali is one of the main alternative telecommunications operators in Europe. With approximately 3.3 million customers as at 30 June 2008, Tiscali is one of the major providers of Broadband services with xDSL technology (over 2.4 million customers) and voice and narrowband services (approximately 1.3 million customers). Through a state of the art network based on IP technology, Tiscali is able to provide its customers with a wide range of services, from internet access through narrowband or broadband to more specific, technologically advanced products according to market requirements. This also includes other voice services (CPS and VoIP), portal services and multimedia services (IPTV).

Following a significant refocusing of its consolidation perimeter, the Group concentrated its activities in two major European countries, Italy and the United Kingdom, offering its own products to consumer and business customers, mainly through four lines of business: (i) the “Accesso” line in broadband (ULL; Wholesale/bitstream*)* and narrowband; (ii) the “Voce” line which encompasses both traditional (CS and CPS) and VoIP telephone traffic services; (iii) the “Servizi alle Imprese” (B2B) line, which includes, among other things, VPN, hosting, domain selling and leased lines services provided to companies and finally (iv) the "Media e servizi a valore aggiunto" line which includes media, advertising and other services.

The revenues of the Tiscali Group for the first half of 2008 amounted to EUR 535.2 million, up by 36% compared to the figure of EUR 393.0 million for the first half of 2007. The 2008 figures include both systematic growth and growth via external channels in relation to the acquisition of Pipex in the UK. As from the half year underway the subsidiaries in Germany and the Czech Republic (no longer operational after the disposal of the related assets and currently in liquidation) have been included under continuing operations and consequently have been reflected in the individual lines of the half year profit and loss account.

In the first half of 2008 internet access and voice services – the Group’s core business – represented around 86% of total turnover. Group profitability increased, with a Gross Operating Income (EBITDA) before provisions of EUR 95.8 million, up by 55% compared to the Adjusted EBITDA of EUR 61.9 million recorded during the first half of 2007. Profitability as a percentage of revenues increased by 2 percentage points (18% in the first half of 2008 compared to 16% in the first half of 2007).

ADSL users have grown by around 376 thousand compared to 30 June 2007, bringing the total number of customers to over 2.4 million, including over 1.2 million ULL customers and more than 1.1 million customers purchasing "bundled" services (voice with VoIP and CPS and internet access). We note that the greater competitive pressure during the second quarter, as well as the redefinition of the customer records and database in Italy and the UK led to a slowdown in growth at individual operating company level, especially in the English market. On the other hand, the Group ARPU for the half year remained stable compared to 2007, amounting to EUR 29 per retail ADSL user.

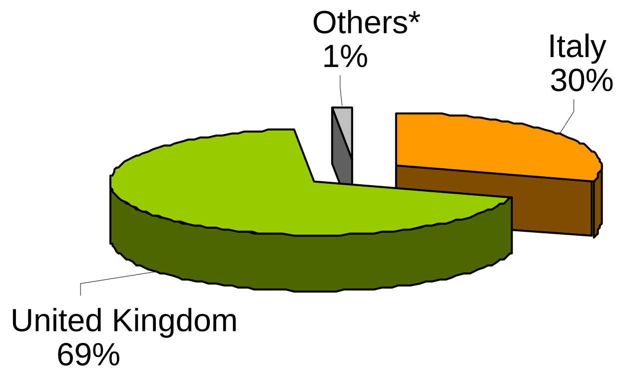
We note that the reclassified income statement below can be reconciled with the consolidated income statement included in this half-year report.

ECONOMIC PERFORMANCES

CONSOLIDATED INCOME STATEMENT	First half of 2008	First half of 2007
(EUR 000)		
Revenues	**535,172**	**393,053**
Other income	2,520	4,203
Purchase of materials and outsourced services	398,315	282,755
Payroll and related costs	53,904	50,204
Other net financial income (charges)	(10,315)	2,354
Gross Operating Result (Adjusted EBITDA)	**95,788**	**61,942**
Stock option plan cost	5,025	1,197
Write-downs of receivables from customers	16,038	9,198
Gross Operating Result (EBITDA)	**74,726**	**51,548**
Restructuring costs and other write-downs	21,738	8,062
Amortisation/depreciation	85,707	71,982
Operating result	**(32,719)**	**(28,496)**
Share of results of equity investments valued using the equity method	(305)	(422)
Net financial income (charges)	(34,804)	(26,773)
Other net financial income (charges)	-	(17,881)
Pre-tax result	**(67,828)**	**(73,572)**
Income taxes	4,774	2,082
Net result from operating activities (on-going)	**(63,054)**	**(75,654)**
Net result	**(63,054)**	**20,144**
Minority interests	(5,831)	(2,285)
Group Net Result	**(57,223)**	**22,429**

REVENUES BY COUNTRY

Distribution of revenues by geographic area



** The "Other" item includes revenues from Tinet and other minor subsidiaries.*

Italy[1]

Management income statement - Italy

(EUR mln)	30 June 2008	30 June 2007
Revenues	**158.1**	**139.7**
of which from ADSL	**59.1**	**47.9**
of which from Voice	**45.6**	**31.5**

Tiscali Italia S.p.A. generated revenues of EUR 158.1 million in the first half of 2008, an increase of 13% on the amount of EUR 139.7 million for the same period in 2007. The growth in voice and ADSL revenues, the Italian subsidiary's core business, was even higher. Specifically, revenues from ADSL access services amounted to EUR 59.1 million, an increase of 23% compared to EUR 47.9 million during the first half of 2007. We note that following the launch of the bundled voice offers and given the ADSL revenues, all "flat" components of offers are included (including access payments). The traffic generated, on the other hand, is included in the "Voice" revenue line.

Voice revenues amounted to EUR 45.6 million in the half year, an increase of 45% compared to the first half of 2007 (EUR 31.5 million).

[1] We also note that following the merger of Tiscali Italia S.p.A. and Tiscali Services S.p.A. with effect from 1 January 2008, the figures detailed in this report concerning the Italian subsidiary include within Tiscali Italia the new consolidation area that has been rendered equivalent also for the purposes of comparison with the half-year report at 30 June 2007.

At 30 June 2008 Tiscali recorded a net increase of around 74 thousand new ADSL customers in Italy compared to 30 June 2007, bringing the total customer base for this service up to 574,000, including over 233,000 already active and linked to the Tiscali network infrastructure (unbundled).
During the half year around 110 thousand customers subscribed to the double play services in Italy (data and voice via the internet), bringing the total number of double play customers up to 233 thousand. The customer base using dial-up access (narrowband) and CPS voice services stood at around 356 thousand users. The reduction in the narrowband client base is in line with the market trend of replacing narrowband with broadband when offering services to customers.

Evolution of the customer base - Italy

Thousands	30 June 2008	30 June 2007
ADSL customers	574	500
of which:	363	294
Narrowband and voice customers	356	632
Dual play customers	233	123

The unbundling network coverage in Italy at 30 June 2008 amounted to 1,150 sites (55% of the lines), including the virtual unbundling sites.
The ARPU for broadband services in Italy amounted to EUR 30 per month, an increase compared to the average for the year 2007 and in line with planned targets.

United Kingdom

Management income statement – United Kingdom

(EUR mln)	30 June 2008	30 June 2007
Revenues	**368.6**	**253.2**
of which from ADSL	**210.5**	**159.6**
of which from Voice	**119.1**	**51.6**

Tiscali UK generated revenues of EUR 368.6 million during the half year, an increase of 46% on the first half of 2007 (revenues of EUR 253.2 million).

This performance was the result of both organic and inorganic growth through the acquisition of VNIL (Homechoice) in 2006 and Pipex in September 2007.

The UK operations also saw the highest growth in the ADSL and Voice segments. Indeed, ADSL access services generated revenues of EUR 210.5 million (57% of total revenues) in the half year, an increase of 32% on the figure of EUR 159.6 million for the first half of 2007. Voice services, which also include analogue products sold alongside ADSL services, generated revenues of EUR 119.1 million, an increase of 131% on the EUR 51.6 million for the same period in 2007.

At 30 June 2008, approximately 288,000 ADSL users had been acquired with respect to 30 June 2007, bringing the total number of users up to 1,838,000, including 880,000 direct (ULL) customers, and around 884,000 customers subscribing to dual play services.

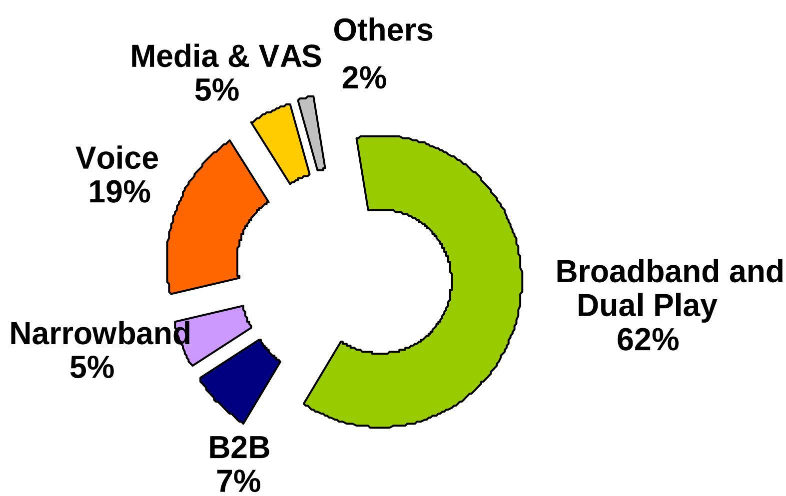
Evolution of the customer base – United Kingdom

Thousands	30 June 2008	30 June 2007
ADSL customers	1,838	1,536
of which:	878	494
Narrowband and voice customers	427	652
Dual play customers	884	n.a.

The unbundling network coverage in the United Kingdom at 30 June 2008 amounted to 897 sites (57% of the lines). The ARPU for broadband services in the UK stood at EUR 29 per month, stable compared to the year 2007, despite the greater competitive pressure.

REVENUES BY BUSINESS LINE

Break-down of revenues by business line and access mode[2]



[2] Note: The graph includes one business line that includes dual play with broadband revenues.

Management income statement -Group

(EUR mln)	**30 June 2008**	**30 June 2007**
Revenues	**535.2**	**393.0**
Access revenues	298.9	251.8
of which from ADSL	269.6	207.5
Voice revenues	164.9	84.3
Of which from dual play (traffic component)	66.5	55.8
Revenues from services to businesses	35.9	26.9
Revenues from media and value added services	25.6	24.5
Other revenues	9.6	5.6
Gross Operating Margin (Gross Margin)	**244.8**	**181.5**

Access

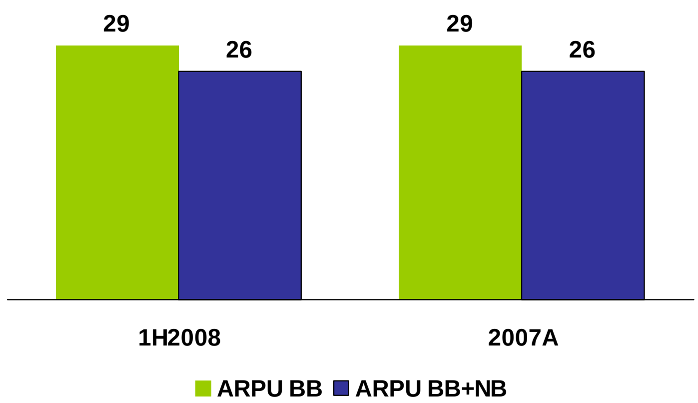
This segment includes revenues from broadband (ADSL) and narrowband (dial-up) internet access services and the flat component of bundled offers to generate revenues during the half year of EUR 298.9 million, representing around 56% of the Group's total revenues during the half year, an increase of 19% compared to the figure for the same period in 2007 (EUR 251.8 million). An analysis of ADSL revenues on their own, which include the "flat" component of bundled access and voice service offers, reveals an increase for the first half of 2008 compared to first quarter of 2007 of 30% (EUR 269.6 million against EUR 207.5 million).

The ADSL customer base acquired during the first half year amounted to 376 thousand, bringing the total customers who access this service up to over 2.4 million, half of whom (1.2 million) are direct customers, i.e. connected via the Tiscali ULL network.

Evolution of the customer base - Group

Thousands	**30 June 2008**	**30 June 2007**
ADSL customers	2,412	2,036
of which:	1,241	788
Narrowband and voice customers	779	1,284
Dual play customers	1,117	n.a.

Evolution of retail ARPU in the half year (Euro)



Voice

The voice segment includes both the traditional telephone service and a component of the variable traffic generated by voice services on IP offered together with internet access. These services have enabled the achievement of significant growth in revenues during the first half of the year (+96%), especially thanks to the offers of voice products (both in analogue and VoIP mode) provided to customers together with access services. The voice revenues for the first half of 2008 totalled EUR 164.9 million, compared to EUR 84.3 million for the first half of 2007. The total revenues for the first half year included EUR 66.5 million for the voice traffic components generated by the VoIP services.

Business services

During the first six months of 2008, revenues from business services (VPN services, housing, hosting, domains and leased lines), which do not include revenues from access and/or voice products for the same customer base that are included within their respective business lines, amounted to EUR 35.9 million, a 33% increase over the EUR 26.9 million in the first half of 2007. This figure reflects the acquisition of Pipex B2B users in England and a greater focus on the development of services in Italy.

Media and value added services

In the first half of 2008, the revenues in this segment (linked to direct and indirect advertising through commercial contracts with search engines) amounted to EUR 25.6 million, an increase of 4% compared to the revenues for the first half of 2007 (EUR 24.5 million). This revenue line does not include the revenues from the sale of content (such as video on demand within the IPTV service).

GROSS OPERATING RESULT (EBITDA):

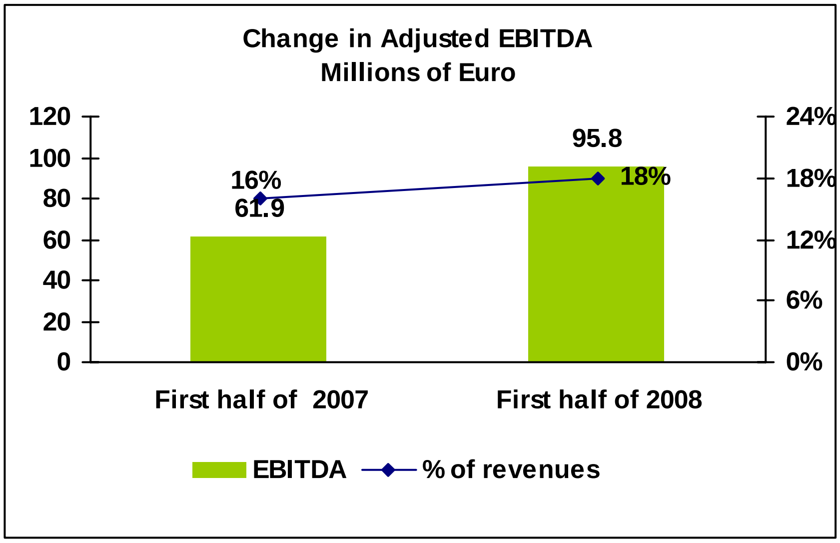
Management income statement -Group

(EUR mln)	30 June 2008	30 June 2007
Revenues	**535.2**	**393.0**
Gross Operating Margin (Gross Margin)	**244.8**	**181.5**
indirect operating costs	**163.2**	**121.5**
Marketing and sales	60.9	42.5
Payroll and related costs	53.9	50.2
Other indirect costs	48.4	28.8
Adjusted Gross Operating Result (EBITDA)	**95.8**	**61.9**
Write-downs of receivables and other provisions	21.1	10.4
Gross Operating Result (EBITDA)	74.7	51.5
Amortisation/depreciation	85.7	71.9
Gross result (EBIT) before restructuring costs	(11.1)	(20.9)
Gross result (EBIT):	**(32.7)**	**(28.5)**
Group Net Result (operating activities)	**(57.2)**	**(73.4)**

The Adjusted Gross Operating Result (EBITDA) for the half year, before provisions for risks, write-downs, depreciation and amortisation, was EUR 95.8 million, an increase of 55% compared to the EUR 61.9 million in the first half of 2007.

In terms of the percentage of revenues for the period, the increase in this result, from 16% to 18%, was due to the reduction in the impact of indirect costs on revenues, and the impact of non-operating items relating to the company in Germany.

In the first half of 2008, EBITDA net of write-downs of receivables and other provisions was EUR 74.7 million (14% of revenues), an increase of 45% on the figure for the first half of 2007 (EUR 51.5 million, 13% of revenues).



During the half year, **indirect operating costs** stood at EUR 163.2 million (30% of revenues), a reduction in terms of proportion of revenues compared to the first half of last year (EUR 121.5 million, 31% of revenues).

Payroll and related costs which are part of in direct operating costs were EUR 53.9 million in the first half of 2008, at the same level as in the first half of 2007, but lower in terms of effect on revenues (13% in the first half of 2007 compared to 10% in the first half of 2008). Controlling payroll costs is even more significant when the growth of the group during 2007 with the acquisition of the Pipex broadband and voice division is taken into account.

Marketing costs, including sales and distribution expenses, are up in absolute terms. The figure for the first quarter of 2008 is EUR 60.9 million (11% of revenue), compared to EUR 42.5 million in the first half of 2007 (11% of revenue), in line with the company's strategy aimed at increasing sales in Italy as well as the United Kingdom.

Other indirect **operating costs** in the first half of 2008 stood at EUR 48.4 million (9% of revenues),up compared to the figure for the first half of last year (EUR 28.8 million, 7% of revenues). The increase is mainly dues to the acquisition of the Pipex broadband and voice division.

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.

EUR 000	**First half of 2008**	**First half of 2007**
Revenues	**535,172**	**393,052**
Other revenues	2,520	4,203
Purchase of materials and services, of which:	**398,315**	**282,755**
- marketing	*60,894*	*42,498*
- indirect costs (*)	*47,041*	*28,675*
- other direct costs	*290,380*	*211,582*
Payroll costs	**53,904**	**50,204**
Other operating costs, of which:	**(10,315)**	**2,354**
- other indirect costs (*)	1,368	144
- other operating costs	(11,683)	2,210
Gross operating result	**95,788**	**61,942**
(*) Total indirect costs	**48,409**	**28,819**

OPERATING RESULT (EBIT):

In the first half of 2008 the operating result, net of provisions and restructuring costs, was a loss of EUR 11.1 million, a significant improvement compared to the loss of EUR 20.9 million recorded during the first half of 2007.

During the first half of 2008 the Operating Result (EBIT) was a loss of EUR 32.7 million compared to the loss of EUR 28.5 million of the first half of last year.

Restructuring costs, provisions to risk reserves and other write downs in the first half of 2008 totalled EUR 37.7 million (EUR 17.3 million in the same period of 2007). The increase is mainly attributable to the restructuring costs connected to the Pipex acquisition. In particular, the write downs of receivables in the first quarter of 2008 amount to EUR 16 million (EUR 9.2 million in the first half of 2007), while the restructuring costs equalled EUR 21.7 million (EUR 8.1 million in the first quarter of 2007), which are mainly attributable to the acquisitions of the Pipex broadband and voice division.

The **amortisation/depreciation** in the first half of 2008 amounted to EUR 85.7 million (EUR 71.9 million in the first quarter of 2007). This figure is affected by the investments carried out during the period for the development of the unbundling network and the ADSL services offer (modem and customer activation costs).

OPERATING RESULT BY GEOGRAPHIC AREA

The gross operating result (EBITDA) by geographic area is net of intra-group costs (mainly services provided by the parent company and IT services provided by the Italian company to other subsidiaries). This figure also does not include the write downs of receivables by country.

Management income statement - Italy

(EUR mln)	30 June 2008	30 June 2007
Revenues	**158.1**	**139.7**
Gross Operating Margin (Gross Margin)	**89.7**	**77.3**
indirect operating costs	**63.3**	**49.3**
Marketing and sales	29.0	20.2
Payroll and related costs	21.1	21.1
Other indirect costs	13.1	8.0
Gross Operating Result (Adjusted EBITDA)	**24.0**	**27.0**
Operating result (EBIT):	**(9.2)**	**(3.3)**

Tiscali Italia S.p.A. ended the first half of 2008 with a gross operating result (EBITDA)3 of EUR 24.0 million (15% of revenues), a decrease of 25% on the EUR 27 million (19% of revenues) in the first half of 2007. On the other hand, the Gross Margin, an indicator of the Italian subsidiary's business performance, increased by 16% on an annual basis and by 2 percentage points. The decrease in the result was therefore entirely due to the increase in operating costs, which rose from EUR 49.3 million in the first half of 2007 to EUR 63.3 in the first half of 2008 (+28%), including marketing costs up by 44% in absolute value on an annual basis (from EUR 20.2 million in the first half of 2007 to EUR 29.0 million in the first half of 2008) and by 4 percentage points in terms of proportion of revenues (from 14% to 18%).

In the first half of 2008, the operating result (EBIT) for Tiscali Italia S.p.A. was a loss of EUR 9.2 million compared to the loss of EUR 3.3 million in the first half of 2007.

Management income statement – United Kingdom

(EUR mln)	30 June 2008	30 June 2007
Revenues	**368.6**	**253.2**
Gross Operating Margin (Gross Margin)	**151.8**	**105.7**
indirect operating costs	**82.4**	**59.6**
Marketing and sales	30.4	21.4
Payroll and related costs	20.8	20.7
Other indirect costs	31.2	17.5
Gross Operating Result (Adjusted EBITDA)	**58.7**	**36.0**
Gross result (EBIT) before restructuring costs	**(7.9)**	**(11.7)**
Operating result (EBIT):	**(28.7)**	**(12.7)**

The subsidiary **Tiscali UK** (United Kingdom) recorded a gross operating result (EBITDA) of EUR 58.7 million (16% of revenues) for the first half of 2008, an increase of 63% on the EUR 36.0 million (14% of revenues) for the first half of 2007. Given that the gross margin was essentially stable, this increase was due to the acquisition of Pipex and the decrease in indirect costs as a percentage of revenues.

The operating result (EBIT) for the first half of 2008 - net of restructuring costs of EUR 20.7 million linked to the acquisition of Pipex – was a loss of EUR 7.9 million, a reduction compared to the loss of EUR 11.7 for the first half of 2007.

The (EBIT) loss of EUR 28.7 was an increase compared to the loss of EUR 12.7 for the first half of 2007, also due to the higher amortisation and depreciation linked to the investment plan (EUR 56.3 in the first half of 2008 compared to EUR 41.5 million in the first half of 2007).

NET RESULT

The net result for the first half of 2008 was a loss of EUR 57.2 million, an improvement compared to the net loss of EUR 73.4 million (solely for continuing operations) in the first half of 2007. The figure for the first half of 2007, inclusive of the gain from the sale of the subsidiary in Holland, amounted to a net profit of EUR 22.4 million. This result reflects interest costs of around EUR 34.8 million, including approximately EUR 28.3 million representing the Banca Intesa & JP Morgan borrowing cost.

EQUITY AND FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET (*EUR 000*)	**30 June 2008**	**31.12.07**
Non-current assets	1,184,306	1,210,692
Current assets	383,549	389,249
Assets held for sale	-	-
Total Assets	**1,567,855**	**1,599,941**
Group shareholders' equity	215,561	169,647
Shareholders' equity pertaining to minority shareholders	2,315	37,322
Total Shareholders' equity	**217,876**	**206,970**
Non-current liabilities	788,499	786,623
Current liabilities	561,480	606,348
Liabilities directly related to assets held for sale	-	-
Total Liabilities and Shareholders' equity	**1,567,855**	**1,599,941**

ASSETS

Non-current assets

The non current assets as at 30 June 2008 of EUR 1,184 million, have decreased slightly compared to the figure at 31 December 2007, due to the normal amortisation/depreciation process and sales of fixed assets. These include goodwill (EUR 515 million compared to EUR 490.7 million as at 31 December 2007). Tangible assets (property, plant and machinery) and other intangible assets total respectively EUR 279.4 million and EUR 269.7 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 half year of around EUR 108.2 million, including EUR 55.3 million for investments in intangible assets and around EUR 52.8 million for investments in tangible fixed assets.
The investments in Italy equal approximately EUR 30.8 million while those in the United Kingdom equal approximately EUR 74.5 million, As at 30 June 2008, the Tiscali network had over 1,150 sites in Italy (55% coverage of lines), including the virtual unbundling sites and approximately 897 unbundling sites in the United Kingdom, with 57% coverage of lines.

Current assets

Current assets at 30 June 2008 amounted in total to EUR 383.5 million, essentially unchanged from 31 December 2007 (EUR 389.2 million). At 30 June 2008, receivables from customers were EUR

206.2 million compared to EUR 164.4 million as at 31 December 2007. The other receivables and various assets (totalling EUR 120.3 million) include the accrued income on access services rendered, prepayments of service costs and various receivables, including VAT receivables.

LIABILITIES

Non-current liabilities

At 30 June 2008, the non-current liabilities were EUR 788.5 million, compared to EUR 786.6 million at 30 June 2007. This figure includes, in addition to the financial position items, which are set forth below, other non current liabilities including the debt to former VNIL shareholders totalling EUR 117.5 million which represents the present value of the tax losses and the put option, and the payables to suppliers for the purchase of long term transmission capacity (IRU) rights.

Current liabilities

At 30 June 2008, current liabilities were EUR 561.5 million (compared to EUR 606.4 million as at 31 December 2007). These include the current portion of long term debt. Payables to suppliers and accrued liabilities for the purchase of access services and leased lines, the staff severance provisions, the provisions for risks and charges and the tax provisions.

FINANCIAL POSITION

At 30 June 2008, the Tiscali Group held cash and cash equivalents totalling EUR 43.3 million, against a net financial position, at the same date, negative by EUR 578.9 million (EUR 635.2 million at 31 December 2007 for operating activities only).

EUR 000	30 June 2008	31.12.07
A. Cash	43,267	134,231
B. Other cash equivalents	15,724	16,290
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	***58,992***	***150,521***
E. Current financial payables	***7,956***	***12,130***
E. Non-current financial payables	10,531	1,274
F. Current bank payables	25,925	176,204
G. Current portion of non-current debt	-	-
H. Other current financial payables (*)	30,419	19,502
I. Current financial debt (F) + (G) + (H)	***56,344***	***195,706***
J. Net current financial debt *(I) – (E) –(F) - (D)*	**(21,134)**	**31,781**
K. Non-current bank payables	440,849	450,053
L. Bonds issued	53,898	43,842
M. Other non-current payables (**)	105,324	109,553
O. Non-current financial debt *(L) + (M) + (N)*	**600,070**	**603,448**
P. Net financial debt *(K) + (O)*	**578,936**	**635,230**

(*) 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 other cash equivalents. The table below provides a reconciliation of the above financial position with the same statement prepared in accordance with Consob resolution of 28 July 2006.

EUR 000	30 June 2008	31.12.07
Consolidated net financial debt	**(578,936)**	**(635,229)**
Other cash, cash equivalents and current financial receivables	(20,688)	(20,909)
Consob consolidated net financial debt	**(599,625)**	**(656,139)**

The decrease in current bank payables relates to the repayment of the EUR 150 million bridging loan provided by Banca IMI and JP Morgan in July 2007 using the proceeds from the share capital increase of approximately EUR 150 million concluded in February 2007.

The item "non-current payables" includes the residual loan provided on 13 September 2007 by Banca Intesa Sanpaolo and JP Morgan for a total amount of EUR 440.2 million. This loan, the nominal amount of which is EUR 500 million, including EUR 50 million not yet used, was stated on the basis of amortised cost. The credit facility and the line of liquidity with Intesa Sanpaolo contain financial commitments (financial covenants) essentially linked to the observance of the following financial indicators that must be assessed, at consolidated level, on a quarterly basis: the ratio between debt and Adjusted EBITDA; the ratio between EBITDA and the principal and interest payments to service the debt (Debt Service Cover Ratio).

Other non-current payables (EUR 105.3 million) include EUR 28.8 million relating to the loan bearing interest at market rates, disbursed during 2004 by the shareholder Andalas Limited. The loan was raised to support the investments necessary for supporting growth and in particular the implementation of an unbundling network infrastructure. On 13 September 2007, this loan was postponed by 6 months with respect to the expiry of the new loan granted by Banca Intesa Sanpaolo and JP Morgan.

This figure also includes leasing payables, the debt attributable to the sale & lease back transaction on the Cagliari headquarters (for EUR 58 million), lease agreements on network equipment, servers and other equipment used directly in the production process.

The bonds issued, amounting to EUR 53.9 million, consist of a convertible bond subscribed for by Management&Capitali in December 2007 for a nominal value of EUR 60 million with an annual rate of 6.75%.

SIGNIFICANT EVENTS DURING THE HALF YEAR

Execution of share capital increase under option

The share capital increase, resolved by the Board of Directors on 10 January 2008 on the basis of the authority assigned to it by the Extraordinary Shareholders' Meeting of 31 August 2007, pursuant to Article 2443 of the Italian Civil Code, involved the issue of 149,792,880 ordinary shares with a nominal value of EUR 0.50 per share and regular entitlement, to be offered to the shareholders, in the ratio of 6 new shares for every 17 shares held, at a price of EUR 1.00 each, for a total value of EUR 149,792,880. The share capital increase was subscribed, at the end the option period, for 146,580,966 shares, corresponding to 98.75% of the overall amount. Subsequently, between 11 and 15 February 2008 an auction took place for the unopted shares, as a result of which the market subscribed for 100% of the amount under offer. Consequently, the surety provided by Banca IMI S.p.A. and J.P. Morgan Securities Ltd guaranteeing the completion of the transaction did not need to be invoked. The equivalent value of the share capital increase (approximately EUR 150 million) was used to repay the bridging loan granted by Intesa Sanpaolo and JPMorgan in July 2007.

Assignment and improvement of Standard&Poors' of Tiscali's corporate rating to B+ with a stable outlook

Following the success of the share capital increase, the Company's long-term corporate credit rating, assigned by Standard&Poors' on 10 January 2008, was raised by S&P to B+ with a stable outlook.

Appointment of Mario Rosso as Chief Executive Officer

Partly as a result of the successful completion of the share capital increase transaction, during the meeting held on 28/29 February the Board announced that the strategic repositioning and equity/financial enhancement phase covering the last two years had been concluded. In a move mutually agreed with the company, Tommaso Pompei resigned from his office and the Board of Directors therefore appointed the Director Mario Rosso to manage and coordinate this new strategic phase for the Company, appointing him as Chief Executive Officer.

Amendments to the stock option plan

On 29 February 2008, the Board of Directors also resolved to adjust the exercise price of the options allocated to the employees by means of the application of a ratio of 0.896756, identical to that published by Borsa Italiana on 11 January 2008, which was used to adjust the option and futures contracts on Tiscali shares as a consequence of the share capital increase for around EUR 150 million concluded on 22 February 2008. The exercise price for the options allocated to the employees therefore currently stands at EUR 2.132 per share.

Furthermore, on the basis of the agreements between the Company and Tommaso Pompei as a consequence of the latter’s resignation, the options assigned to Tommaso Pompei are considered to be exercisable for the full amount resolved (including the second tranche) according to the terms established in the regulations. As a result of the abovementioned adjustment mechanism, the exercise price for the options allocated to Tommaso Pompei currently stands at EUR 2.477 per share.

Appointment of a financial advisor for the analysis of strategic alternatives

On 31 March 2008, JP Morgan and Banca IMI were appointed as financial advisors to Tiscali. This appointment followed the Board of Directors’ decision to assign the CEO, Mario Rosso, the task of initiating a process aimed at maximizing the Group’s strategic value. Borghesi Colombo & Associati will act as consultants to the Company.

Integration of Pipex in the United Kingdom

During the half year, Tiscali UK proceeded to integrate Pipex's broadband and voice division which was purchased in September 2007. This gave rise to restructuring costs of approximately EUR 20.7 million in the half year.

Treasury share purchase program

In implementation of the treasury share purchase program, initiated on 19 March 2008, relating to the stock options assigned to Tommaso Pompei, Tiscali purchased 2,600,000 treasury shares on 18 April (corresponding to around 0.45% of the share capital), at an average unit price of EUR 2.379, for a consideration of approximately EUR 6.2 million. The purchase transactions were carried out in accordance with the provisions set forth in Articles 2357 et. seq. of the Italian Civil Code and within the limits set in the authorization from the shareholders' meeting.

Pursuant to articles 132 of the Italian Finance Consolidation Act and 144-*bis* of the Italian Issuers’ Regulations, the purchases took place in regulated markets in accordance with the operational procedures set forth in the rules for the organization and management of said markets. Moreover, the purchases were executed with daily volumes of no more than 25% of the average daily volume of the Tiscali shares traded in the month prior to the official public notification of the program, pursuant to article 5 of the Regulation (EC) no. 2273/2003.

Appointment of the new Board of Directors and audit mandate to Reconta Ernst&Young

On 29 April 2008, the Ordinary Shareholders' Meeting of Tiscali appointed the new Board of Directors. The new Board consists of five members: Mario Rosso (Chairman and Managing Director), Massimo Cristofori, Francesco Bizzarri and Arnaldo Borghesi (reappointed) and the new independent director Umberto De Julio.

The Shareholders' Meeting also appointed Reconta Ernst & Young S.p.A as auditor for the period from 2008-2016.

Launch of Tiscali TV

In May 2008, Tiscali extended its IPTV service, following its launch in three cities (Milan, Rome and Cagliari in December 2007), to 6 new cities: Bologna, Florence, Genoa, Naples, Palermo and Turin for a total coverage of more than 4 million lines.

New organizational structure in the finance area

On 9 June 2008, Massimo Cristofori, the Group's CFO, who has been with Tiscali since its start up phase, resigned from the Company, whilst maintaining his role as Director of Tiscali S.p.A.

As a result of the Parent Company's new organizational structure the heads of the functions in the Finance area now report directly to Mario Rosso, the Group CEO, namely: Ernesto Fara (Head of Administration and Treasury), Romano Fischetti (Head of Planning, Reporting and Control, designated as Manager in charge of drawing up the corporate accounting documents), Antonio Corda (Head of Legal and Corporate Affairs) and Chiara Dorigotti (Head of Investor Relations and Communication). Luca Scano has assumed the role of CFO of Tiscali Italia.

EVENTS SUBSEQUENT TO JUNE 30, 2008

On 7 August, the Board of Directors appointed Romano Fischetti, director of Planning, Reporting and Control as Manager in charge of drawing up the corporate accounting documents),

There have been no significant events after 30 June 2008**.**

BUSINESS OUTLOOK AND MAIN UNCERTAINTIES IN THE SECOND HALF OF THE YEAR

In view of the developments within the business environment and the strategic review process currently underway, Tiscali's Board of Directors intends to approve a new Business Plan in the fourth quarter of 2008.

In consideration of the devaluation of the pound sterling against the Euro of over 10% compared to the exchanged rate used in the business plan announced on 27 November 2007 and also in light of the changed conditions in the broadband market and telecommunications services in general, the company now announces the following new targets for the year underway:

- Revenue expected in 2008: between EUR 1.0 and 1.1 billion
- Adjusted EBITDA expected in 2008: between EUR 220 and 230 billion

The main risks that the company believes may impact its activities during the second half of 2008 involve the macroeconomic situation and the economic cycle (consumption crisis) and the ever increasing pressure from competition on the UK and Italian markets. The latter could have an impact on the company's ability to generate the forecasted business volumes and to maintain the price levels including through offers of integrated packages.

In particular, the entry of mobile telephone operators such as Vodafone and of media companies, such as BSkyB in the broadband and fixed telephony segment of the market, could influence the company's ability to sell its own voice, access and IPTV products to its own customers, with this affecting both ARPU levels and customer loyalty.

Further depreciation of the pound sterling against the Euro could also have an effect at the Group level, given the subsidiary's percentage on the activity as a whole and this is already partly reflected in the new revenue and EBITDA indicators. From a financial point of view, given the current credit crunch, it could be difficult for the Group to secure further financial resources for new investments.

The current strategic review underway will play a determining role as it could call for new strategic orientations such as combinations and consolidation that would change the assets of the Tiscali Group to a substantial degree.

REPORT ON CORPORATE GOVERNANCE: SUMMARY

In relation to the system of management and control, the Company has adopted the traditional model, which envisages the presence of the Board of Directors and the Board of Statutory Auditors. Notwithstanding the fact that recent company law reforms have given public limited companies the right to adopt models that depart from the traditional structure, the company has, at present, decided to keep its system of corporate governance unchanged in order to guarantee continuity and consistency with the consolidated structure, allowing a distinct division of roles and powers between governing bodies, in consideration of the provisions of the Code of Conduct for Listed Companies.

At present, the governing bodies are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting. The Shareholders' Meeting of 29 April 2008 appointed the new Board of Directors which replaces the previous board, the mandate of which expired with the approval of the financial reports for 2007. The new Board of Directors which met on 29 April 2008, appointed the new members of the company's Board of Directors which is currently composed of Mario Rosso, President and CEO, Umberto de Iulio, Independent Director, Francesco Bizzarri, Arnaldo Borghesi and Massimo Cristofori.

In its meeting at 12 May 2008, the Board of Directors set up the following committees:

- The Internal Audit Committee, composed of Umberto De Iulio and Arnaldo Borghesi.
- The Remuneration Committee, composed of Francesco Bizzarri, Umberto De Iulio and Arnaldo Borghesi.
- The Supervisory Body, composed of Vittorio Serafino, Annarita Succi and Pasquale Lionetti.

The Board of Directors has a prominent role to play in the company , being the body responsible for running the Company, providing strategic and organizational guidelines and, as such, for identifying Company objectives and monitoring their achievement.

This body is invested with all ordinary and extraordinary powers of administration pursuant to Article 14 (Powers of the Board of Directors) of the Company's Articles of Association.

The Board of Directors examines and approves strategic, industrial and financial plans for the Company and the Group to which it belongs, and reports to the Board of Statutory Auditors on a quarterly basis on activities carried out by the Company or its subsidiaries and operations which are of major significance from an economic, financial and balance sheet perspective.

During the first half of 2008, the Board of Directors met 5 times on the following dates: 10 January, 27 February, 19 March, 29 April, and 12 May.

The Shareholders' Meeting of 29 April 2008 also appointed Reconta Ernst & Young S.p.A , replacing Deloitte&Touche as auditor for the period from 2008-2016.

During the half year, the Statutory Auditor Massimo Giaconia resigned and was replaced by Alternate Auditor Andrea Zini; thus the Board of Statutory Auditors is composed of Aldo Pavan (Chairman), Piero Maccioni and Andrea Zini (Statutory Auditors) and Rita Casu (Alternate Auditor).

For further information and details on the corporate governance of the Group, please see the Annual Report for 2007 and the contents of the "Annual Report on Corporate Governance and compliance with the recommendation in the Code of Conduct for Listed Companies" published on http://investors.tiscali.com/tiscali/Documents

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS	Notes	**First half of 2008**	**First half of 2007**
(EUR 000)			
Revenues	*(4)*	535,172	393,053
Other income	*(5)*	2,520	4,203
Purchase of materials and outsourced services	*(6)*	398,315	282,755
Payroll and related costs	*(7)*	53,904	50,204
Stock option plan cost	*(8)*	5,025	1,197
Other net financial income (charges)	*(9)*	(10,315)	2,354
Write-downs of receivables from customers	*(10)*	16,038	9,198
Restructuring costs and other write-downs	*(11)*	21,738	8,062
Amortisation/depreciation		85,707	71,982
Operating result		**(32,719)**	**(28,496)**
Share of results of equity investments valued using the equity method		(305)	(422)
Net financial income (charges)	*(12.1)*	(34,804)	(26,773)
Other net financial income (charges)	*(12.2)*	-	(17,881)
Pre-tax result		**(67,828)**	**(73,572)**
Income taxes	*(13)*	(4,774)	2,082
Net result from operating activities (on-going)		**(63,054)**	**(75,654)**
Result from assets disposed of and/or destined for disposal	*(14)*	-	95,798
Net result		**(63,054)**	**20,144**
Attributable to:			
- Result pertaining to the parent company		**(57,223)**	**22,429**
- Minority interests		(5,831)	(2,285)
Earnings (Losses) per share	(15)		
From operating activities and those disposed of:			
- Basic		**(0.11)**	**0.05**
- Diluted		**(0.11)**	**0.05**
From operating activities:			
- Basic		**(0.11)**	**(0.17)**
- Diluted		**(0.11)**	**(0.17)**

CONSOLIDATED BALANCE SHEETS	**Notes**	**30.06.08**	**31.12.07**
(EUR 000)			
Non-current assets			
Goodwill	*(16)*	490,752	515,022
Intangible assets	*(17)*	269,687	286,042
Properties, plant and machinery	*(18)*	279,406	272,260
Equity investments	*(19)*	2,160	2,465
Other financial assets	*(20)*	34,336	28,269
Deferred tax assets	*(21)*	107,965	106,634
		1,184,306	**1,210,692**
Current assets			
Inventories	*(22)*	10,059	10,756
Receivables from customers	*(23)*	206,198	164,452
Other receivables and other current assets	*(24)*	120,341	71,652
Other current financial assets	*(25)*	3,684	8,158
Cash and cash equivalents	*(26)*	43,267	134,231
		383,549	**389,249**
Total Assets		**1,567,855**	**1,599,941**
Share Capital and reserves			
Share Capital		287,103	212,207
Share premium reserve		949,069	902,492
Stock option reserve		13,968	9,969
Equity bond reserve		13,967	22,053
Accrued losses and other reserves		(991,323)	(911,765)
Losses for the period		(57,223)	(65,308)
Group shareholders' equity	*(27)*	**215,561**	**169,647**
Minority interests		2,315	37,322
Shareholders' equity pertaining to minority shareholders		**2,315**	**37,322**
Total Shareholders' equity		**217,876**	**206,970**
Non-current liabilities			
Bonds	*(28.1)*	53,898	43,842
Payables to banks and to other lenders	*(28.2)*	469,673	480,139
Payables for finance leases	*(28.3)*	76,499	79,467
Other non-current liabilities	*(29)*	142,374	120,807
Liabilities for pension obligations and staff severance indemnities	*(30)*	5,839	5,852
Provisions for risks and charges	*(31)*	18,986	28,624
Provision for deferred taxation	*(32)*	21,230	27,891
		788,499	**786,623**
Current liabilities			
Payables to banks and other lenders	*(33.1)*	33,232	176,204
Payables for finance leases	*(33.2)*	23,112	19,502
Payables to suppliers	*(34)*	326,321	239,127
Other current liabilities	*(35)*	178,815	171,515
		561,480	**606,348**
Total Liabilities and Shareholders' equity		**1,567,855**	**1,599,941**

CONSOLIDATED CASH FLOW STATEMENTS	**Notes**	**30.06.08**	**30.06.07**
(EUR 000)			
OPERATIONS			
Result from operating activities		**(63,054)**	**(73,369)**
Adjustments for:			
Share of results of equity investments valued using the equity method		**305**	-
Depreciation of tangible assets		**33,799**	28,762
Amortisation of intangible assets		**51,908**	43,220
Capital gains (losses) from the sale of non-current tangible assets		**(1,054)**	-
Capital gains (losses) from the sale of non-current tangible assets		**4**	-
Increases in provisions for risks and restructuring expenses		**3,550**	_-
Increases in provisions for write downs of receivables		**16,038**	10,797
Fir value of financial instruments		**(6,743)**	-
Staff costs relating to stock options		**5,025**	-
Current income taxes		**1,145**	2,082
Deferred income taxes		**(5,920)**	-
Provisions for pension obligations and staff severance indemnities		**1,226**	1,942
Financial income		**(14,633)**	-
Financial charges		**49,437**	47,106
Cash flow from operations before capital changes		**71,033**	**60,539**
(Increase)/Decrease in trading activities and other		**(105,197)**	(86,612)
(Increase)/Decrease in inventories		**(17)**	(4,132)
(Increase/Decrease) in trading liabilities and other		**108,448**	70,581
Cash and Cash Equivalents from operations		**74,267**	**40,376**
Paid income taxes		**-**	-
Interest paid (including upfront fees)		**(30,987)**	(36,339)
Net change in the provision for deferred taxation		**-**	-
Net change in the provision for risks and charges		**1**	(20,292)
Payment of risk and other provisions		**(12,211)**	-
Net change in staff severance provision		**-**	--
Payment of staff severance indemnity fund		**(1,230)**	(2,790)
Use of bad debt provision		**(9,658)**	-
Net change in tax asset6s		**-**	51,219
NET CASH FROM OPERATIONS		**20.181**	**32,175**
INVESTMENT ACTIVITY		**-**	
Received interest		**(3,685)**	
Acquisition of properties, plant and machinery		**(52,772)**	(50,151)
Net increases in other intangible fixed assets		**(55,347)**	(44,731)
Changes in fixed assets:		**-**	
-Tangible		**4,989**	(25,917)
-Intangible		**7,500**	29,710
Changes in financial assets, equity investments		**4,120**	-

NET CASH USED IN INVESTING ACTIVITIES	**(95,195)**	**(91,089)**
FINANCIAL ACTIVITY		
Increases/decreases in long term investments	**-**	-
Repayment of long term loans	**(150,000)**	(315,499)
New long term bank loans granted	**-**	150,000
(Increase)/Decrease in bank overdrafts -	**8,865**	(15,103)
Change in minority shareholders' equity	**-**	
Change in short term financial liabilities (leasing)	**4,424**	4,794
Change in medium term financial liabilities (leasing)	**(2,040)**	
Change in medium to long term financial liabilities (leasing)	**(10,466)**	61,618
Due to shareholders for loans	**-**	256
Capital increases	**145,314**	-
Treasury share purchases	**(6,187)**	
Change in minority shareholders' equity	**-**	(2,285)
Other changes	**-**	2,357
NET CASH ARISING FROM /(USED IN) FINANCING ACTIVITIES	**(12,189)**	**(113,862)**
Gross revenue from asset disposals	**-**	202,078
NBV of assets sold and cancellation of goodwill	**-**	(93,815)
Other expenses related to disposals	**-**	(7,124)
Result of assets disposed of and held for sale	**-**	(5,340)
Changes in assets disposed of and held for sale net of cash and cash equivalents	**-**	150,202
Changes in liabilities related to assets held for sale	**-**	(63,871)
RESULTS OF CHANGES DERIVING FROM ASSETS SOLD/HELD FOR SALE	**-**	**68,267**
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	**(87,203)**	**9,351**
Cash and cash equivalents of the assets operating at the beginning of the financial year	**134,231**	3,824
Cash and cash equivalents of the assets disposed of and destined to sale at the beginning of the financial year	**-**	5,029
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**134,231**	**8,853**
Results of changes in foreign currency exchange rates	**(3,762)**	**-**
Cash and cash equivalents of the assets operating at the end of the financial year	**43,267-**	**17,849**
Cash and cash equivalents of the assets disposed of and destined to sale at the end of the financial year	**-**	**357**
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR	**43,267**	**18,206-**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EUR 000)

	Share Capital	Share premium reserve	Stock option reserve	Equity bond reserve	ccrued losses and other reserves	Group shareholders' equity	Minority interests	Total
Balance at 1 January 2008	**212,207**	**902,492**	**9,969**	**22,053**	**(977,074)**	**169,647**	**37,322**	**206,970**
Capital increases	74,896	70,418				**145,314**		**145,314**
Increases/(Decreases)			3,999	(8,086)	-	**(4,087))**	(27,078)	**(31,165)**
Treasury share purchases					(6,187)	**(6,187)**		**(6,187)**
Transfers covering losses	-	(23,842)	-	-	23,842	**-**	-	**-**
Exchange differences arising on the translation of the financial	-	-	-	-	(31,904)	**(31,904)**	(2,098)	**(34,002)**
Changes in the consolidation area	-	-	-	-	-	**-**	-	**-**
Net profit (loss) for the period	-	-	-	-	(57,223)	**(57,223)**	(5,832)	**(63,054)**
Balance at 30 June 2008	**287,103**	**949,069**	**13,968**	**13,967**	**(1,048,546)**	**215,561**	**2,315**	**217,876**

	Share Capital	Share premium reserve	Stock option reserve	Equity bond reserve	Accrued losses and other reserves	Group shareholders' equity	Minority interests	Total
Balance at 1 January 2007	**212,207**	**948,017**	**-**	**-**	**(918,394)**	**242,829**	**26,733**	**269,561**
Capital increase								
Increases/(Decreases)	-	-	127	-	-	**127**	-	**127**
Treasury share purchases								
Transfers covering losses	-	-	-	-	-	**-**	-	**-**
Exchange differences arising on the translation of the financial statements of foreign companies	-	-	-	-	2,357	**2,357**	-	**2,357**
Changes in the consolidation area	-	-	-	-	-	**-**	-	**-**
Minority interests	-	-	-	-	-	**-**	(2,285)	**(2,285)**
Net profit (loss) for the period	-	-	-	-	22,429	**22,429**	-	**22,429**
Balance at 30 June 2007	**212,207**	**948,017**	**127**	**-**	**(892,608)**	**267,742**	**24,448**	**292,190**

CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION N. 15519 OF 27 JULY 2006

	First half of 2008	*of which: related parties*	First half of 2007	*of which: related parties*
(EUR 000)				
Revenues	535,172	17	393,053	29
Other income	2,520		4,203	
Purchase of materials and outsourced services	398,315	599	282,755	837
Payroll and related costs	53,904		50,204	
Stock option plan cost	5,025		1,197	
Other net financial income (charges)	(10,315)		2,354	
Write-downs of receivables from customers	16,038		9,198	
Restructuring costs and other write-downs	21,738		8,062	
Amortisation/depreciation	85,707		71,982	
Operating result	**(32,719)**	**(582)**	**(28,496)**	**(807)**
Share of results of equity investments valued using the equity method	(305)		(422)	
Net financial income (charges)	(34,804)	(1,343)	(26,773)	(897)
Other net financial income (charges)	-		(17,881)	
Pre-tax result	**(67,828)**	**(1,925)**	**(73,572)**	**(1,705)**
Income taxes	(4,774)		2,082	
Net result from operating activities (on-going)	**(63,054)**	**(1,925)**	**(75,654)**	**(1,705)**
Result from assets disposed of and/or destined for disposal	-		95,798	
Net result	**(63,054)**	**(1,925)**	**20,144**	**(1,705)**
Attributable to:				
- Result pertaining to the parent company	**(57,223)**		**22,429**	
- Minority interests	(5,831)		(2,285)	
Earnings (Losses) per share				
From operating activities and those disposed of:				
- Basic	**(0.11)**		**0.05**	
- Diluted	**(0.11)**		**0.05**	
From operating activities:				
- Basic	**(0.11)**		**(0.17)**	
- Diluted	**(0.11)**		**(0.17)**	

CONSOLIDATED BALANCE SHEET PURSUANT TO CONSOB RESOLUTION N. 15519 OF 27 JULY 2006

(EUR 000)	30 June 2008	*of which: related*	31 December 2007	*of which: related*
Non-current assets				
Goodwill	490,752		515,022	
Intangible assets	269,687		286,042	
Properties, plant and machinery	279,406		272,260	
Equity investments	2,160		2,465	
Other financial assets	34,336		28,269	
Deferred tax assets	107,965		106,634	
	1,184,306	**-**	**1,210,692**	
Current assets				
Inventories	10,059		10,756	
Receivables from customers	206,198	348	164,452	360
Other receivables and other current assets	120,341		71,652	
Other current financial assets	3,684		8,158	
Cash and cash equivalents	43,267		134,231	
	383,549	**348**	**389,249**	**360**
Total Assets	**1,567,855**	**348**	**1,599,941**	**360**
Share Capital and reserves				
Share Capital	287,103		212,207	
Share premium reserve	949,069		902,492	
Stock option reserve	13,968		9,969	
Equity bond reserve	13,967		22,053	
Accrued losses and other reserves	(991,323)		(911,765)	
Losses for the period	(57,223)		(65,308)	
Group shareholders' equity	**215,561**		**169,647**	
Minority interests	2,315		37,322	
Shareholders' equity pertaining to minority shareholders	**2,315**		**37,322**	
Total Shareholders' equity	**217,876**		**206,970**	
Non-current liabilities				
Bonds	53,898		43,842	
Payables to banks and to other lenders	469,673	28,824	480,139	30,086
Payables for finance leases	76,499		79,467	
Other non-current liabilities	142,374		120,807	
Liabilities for pension obligations and staff severance indemnities	5,839		5,852	
Provisions for risks and charges	18,986		28,624	
Provision for deferred taxation	21,230		27,891	
	788,499	**28,824**	**786,623**	**30,086**
Current liabilities				
Payables to banks and other lenders	33,232		176,204	
Payables for finance leases	23,112		19,502	
Payables to suppliers	326,321	233	239,127	430
Other current liabilities	178,815		171,515	
	561,480	**233**	**606,348**	**430**
Total Liabilities and Shareholders' equity	**1,567,855**	**29,057**	**1,599,941**	**30,516**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Tiscali S.p.A. is a limited company incorporated under the laws of the Republic of Italy at the Cagliari Companies' Register. The Tiscali Group provides telecommunications services on the fixed network in the UK and in Italy. Tiscali offers integrated Internet access, telephone and multimedia services, and is positioned in particular in the IP technology services segment, enabling the provision of voice, Internet and video services using the same technological platform.

Tiscali has a mainly fibre optic network (the "Network") which extends throughout various countries in the world and is locally connected to the national networks in the countries where the Tiscali Group is present. The Network, both supranational and national, is available to the Tiscali Group by virtue of indefeasible rights of use (IRU) or rental agreements. The supranational IP Network infrastructure is run by the subsidiary Tiscali International Network ("TiNet"), which offers connectivity services to the Tiscali Group and, on a wholesale basis, also to other telephone operators.

These financial statements are presented in Euro (EUR), which is the currency used to conduct most of the Group's operations. Foreign operations have been included in the consolidated financial statements according to the principles detailed below.

In preparing these financial statements the directors have assumed that the business is a going concern and therefore they have been drawn up using the standards and criteria applicable to companies in operation.

Indeed, even though the first half results reflect the effects of various factors including the increased competition pressure in the target markets and the fall in the UK Sterling exchange rate, the directors believe that the business' focus on the Italian and UK market and the completion of the Group's financial restructuring, including the share capital increase of EUR 150 million, concluded on 15 February 2008, have created the conditions and also provided the resources needed to sustain the Group's development plans and to achieve financial and economic stability.

In terms of the business, the directors believe that, following the disposal of the non-core operations during 2007 and the acquisition in September 2007 of the Pipex Groups' broadband and voice business (whose integration into the group is expected to be completed by the end of 2008), the Group will be able to consolidate and develop its operations in Italy and Great Britain. The directors' forecasts are supported by the results from the launch of the bundled dual and triple play offers (which have led to a significant increase in ARPUs and the unit margins for target customers) and the additional improvements expected from the planned launch of quad-play offers in Italy following the agreements signed with Telecom Italia to become a mobile virtual operator.

From the financial perspective, the abovementioned capital increase has enabled the Group to restructure the composition and timing of the financial resources available for the implementation of its development plans. This completes a process, which started in the second half of 2007 involving the signature of the refinancing agreements with Banca Intesa San Paolo and JP Morgan, the conclusion of the "sale & leaseback" transaction involving the properties of the Cagliari head office, the issue of the convertible bond subscribed by M&C, and the proceeds from the disposal of discontinued operations in Holland, Germany and the Czech Republic.

These half yearly financial statements were approved by the Board of Directors on 7 August 2008.
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1 FORMAT AND CONTENT OF ACCOUNTING STATEMENTS

1.1 ACCOUNTING POLICIES

The condensed consolidated financial statements as of June 30, 2008 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the Accounting Standards Board ("IASB") and endorsed by the European Union. The IFRS also include all the reviewed international accounting standards ("IAS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC").

The format and content of these abridged half yearly consolidated financial statements conform to the information required by the International Accounting Standard no. 34 '*Interim Financial Reporting*' *(IAS 34)***.**

The structure of the notes to these abridged half yearly consolidated financial statements does not therefore include all the information required for year end financial statements, as the objective of these half yearly financial statements, in accordance with IAS 34, is to provide an update on the financial, equity and profit and loss position provided in the consolidated financial statements at 31 December 2007.

These notes have been drawn up in abridged form, exercising the option provided for in IAS 34, and therefore do not include all the information required for annual financial statements drawn up in accordance with the IFRS.

As required by the applicable regulations, these abridged half yearly consolidated financial statements have been issued on a consolidated basis and have been subjected to a limited review by Reconta Ernst & Young S.p.A..

The accounting standards and the calculation methods used in drawing up these half yearly financial statements are the same as those applied for the preparation of the half yearly report at 30 June 2007 and the consolidated financial statements at 31 December 2007, which have been presented for comparison.

In accordance with the IFRS, the drawing up of the half yearly financial statements and the explanatory notes requires the management to make accounting estimates and in some cases assumptions in the application of accounting principles. The areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 of this section. The key judgments made by the management concerning the application of the accounting standards and the main sources of estimation uncertainty involved in the drawing up of these half yearly financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2007.

1.2 FINANCIAL STATEMENT FORMATS

The consolidated financial statements consist of accounting statements (Income Statement, Balance Sheet, Statement of changes in consolidated shareholders' equity, and Cash Flow Statement), accompanied by the explanatory notes. The Income Statement has been drawn up in line with the minimum contents required by IAS 1 – Presentation of Financial Statements – with the assignment of costs by nature; the Balance Sheet has been drawn adopting the format highlighting the division of "current/non-current" assets and liabilities; and the Cash Flow Statement has been drawn up according to the indirect method.

As from the financial statements ended 31 December 2007, the intermediate "gross operating margin" result will no longer be shown, in stricter adherence to the example income statement scheme proposed by IAS 1. Also, the income statement item "stock option plan costs" has been introduced, and the charges associated with "write-downs of receivables from customers" and "restructuring costs and other write-downs" have been shown under separate items.
The income statement for the first half of 2007 has been suitably reclassified to ensure that the figures are comparable.

1.3 SEGMENT REPORT

Tiscali Group's operations and the related strategies, together with the operations of its subsidiaries are structured and broken down by geographic segment, and this therefore represents the primary segment for segment reporting purposes, as required by IAS 14. The geographical areas mainly consist of:

- Italy
- UK
- TiNet
- Corporate and other businesses: minor Italian companies and corporate activities.

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

1.4 NON-CURRENT ASSETS HELD FOR DISPOSAL / DISCONTINUED OPERATIONS

Assets and/or groups of non-current assets undergoing disposal, ('Assets Held for Sale and Discontinued Operations'), as required by IFRS 5, have been classified under a specific item in the balance sheet and are valued at the lower of the their previous book value and market value, net of any sales costs, until the disposal of the assets.
Assets are classified under this item if their book value is expected to be recovered by means of disposal rather than through their continued use. This condition is only met when the sale is highly likely, the asset is available for immediate sale in its present condition and the Board of Directors of the parent company is committed to the sale, completion of which should be expected within one year from the date of classification.
Following the sale, the remaining values are reclassified under the different balance sheet items.
The revenues and costs related to assets held for sale and/or discontinued operations are shown under the item 'Results of discontinued operations' when the following conditions established for such operations by IFRS 5 are met:

a) they represent a significant independent line of business or geographic business area;
b) they are part of a single coordinated plan to dispose of an independent major line of business or geographic business area;
c) they involve subsidiaries acquired exclusively with a view to resale.

The income statement item 'Results from assets disposed of and/or to be disposed of' contains the following elements within a single item, net of the related tax effects:

- the period results achieved by the subsidiaries held for sale, including the adjustment of the relevant net asset to fair value;
- the result of the 'discontinued' operations, including the period result achieved by subsidiaries up to the date of transfer of control to third parties, together with gains and/or losses from disposal.

A breakdown of the overall results for these assets is provided in the explanatory notes.

At 30 June 2008, the residual book values of the operations not disposed of in Holland, Germany and the Czech Republic have been reclassified under continuing operations. The residual balance sheet values of these operations are not significant.

1.5 SEASONALITY OF REVENUES

Tiscali's operations during the first half year have not been significantly affected by phenomena associated with business seasonality. Seasonality phenomena, essentially associated with revenue performance, mainly occur during the third quarter of the year, in conjunction with the summer holidays.

2 ACCOUNTING POLICIES

2.1 Basis of consolidation

The consolidation area includes the parent company Tiscali S.p.A. and the companies over which Tiscali – either directly or indirectly – has the power to govern financial and operating policies so as to obtain economic benefits from their activities. In the specific circumstances relating to Tiscali, control involves the majority of voting rights exercisable at the ordinary shareholders' meetings of the companies included in the consolidation area.

Subsidiaries are fully consolidated from the date when control is transferred to the Group and are de-consolidated from the date when control ceases.

In drawing up the consolidated financial statements the total amount of the assets and liabilities, and the costs and revenues of the consolidated companies are incorporated on a line-by-line basis, with the portion of the shareholders' equity and the net result due to Minority Shareholders recorded under specific items. The book value of the equity investment in each of the subsidiaries is offset against the corresponding portion of shareholders' equity of each subsidiary, including any fair value adjustments at the date of acquisition. Any positive difference arising is recorded as goodwill under intangible assets, as described below, whereas negative differences are recognized in the income statement.

All intragroup transactions and balances are eliminated on consolidation, as are unrealised gains and losses on intra-group transactions.

Minority interests in shareholders' equity and the result for the period are classified separately from the Group's shareholders' equity and result for the period, on the basis of the percentage held by them in the Group's net assets.

If losses attributable to Minority Interest in a consolidated subsidiary exceed the Minority Interests in the subsidiary's equity, the excess and any additional loss attributable to the Minority Shareholders are allocated to the shareholders' equity attributable to the shareholders of the parent company unless the Minority Interest are subject to a binding obligation and are capable of making a further investment to cover the losses. If the subsidiary subsequently generates profits, the profits attributable to the Minority Interest are allocated to Interest attributable to the equity holders of the parent company until the amount of the Minority Interest loss, previously covered by the shareholders of the parent company, has been recovered.

Equity investments in associates and jointly controlled companies are shown in the consolidated financial statements under non-current assets and are carried at equity, as required respectively by IAS 28 (*Investments in Associates*) and IAS 31 (*Interests in Joint Ventures*).

Associates are enterprises over which the Group has significant influence, namely the power to participate in the financial and operating policy decisions of the investee, but without control or joint control over those policies.

Under the equity method, equity investments in associates are initially recognised in the consolidated balance sheet at acquisition cost, adjusted for post-acquisition changes in the shareholders' equity of the associates, less any impairment in the value of individual equity investments. Any excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate at the date of acquisition is recognised as goodwill. This goodwill is included in the book value of the investment and is subject to impairment testing. Any negative difference between the acquisition cost and the Group's percentage share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate at the date of acquisition is recognised in the income statement in the financial year of acquisition. The consolidated financial statements include the Group's share of the profit or loss of associates and jointly controlled companies from the date when the significant influence begins until this significant influence no longer exists. If the Group's share of the losses of the associate exceeds the book value of the equity investment in the financial statements, the value of the equity investment is reduced to nil and the share of the additional losses is only recognised if the Group has an obligation to meet them.

Unrealised profits and losses from transactions with associates or jointly controlled companies are cancelled out in proportion to the Group's equity investment in the companies.

With regard to transactions involving interests in companies already controlled, in the event of acquisition, the Group pays the Minority Shareholders in cash or through new shares and, at the same time, cancels out the related minority interest and records Goodwill corresponding to the excess of the acquisition cost over the book value of the corresponding portion of assets and liabilities acquired. In the event of disposal, the difference between the disposal value and the corresponding book value in the consolidated financial statements is recorded in the income statement (Parent entity extension method).

Consolidation area

Fully consolidated companies are reported in note 41. There have been no changes in the consolidation area during the half year. For the sake of completeness, we note the merger by incorporation of Tiscali Service S.p.A into Tiscali Italia S.p.A. with effect from 1 January 2008.

Foreign currency transactions

The financial statements of foreign subsidiaries are presented in the currency of the primary economic environment in which they operate (operating currency). When preparing the financial statements of the individual companies, transactions in currencies other than Euro are initially recognizsed at the exchange rate prevailing at the transaction date. At the reference date, the monetary assets and liabilities expressed in the abovementioned currencies are retranslated using the rates prevailing at that date. Non-monetary items recognised at 'fair value' and expressed in foreign currency are retranslated at the rates prevailing on the date of their fair value calculation.

Exchange differences arising from the settlement of monetary items and the retranslation of monetary items using current exchange rates at the year end, are booked to the income statement for the period.

In drawing up the consolidated financial statements, the assets and liabilities of foreign subsidiaries with operating currencies other than Euro are translated into Euro at the rates prevailing at the period end date. Revenues and costs are translated at the average exchange rate for the period. The exchange differences arising from the application of this method are classified in shareholders' equity under Translation reserve. This reserve is booked to the income statement as an income or expense in the period when the foreign subsidiary is disposed of.
The exchange differences arising from intra-group receivable/payable relationships of a financial nature are recorded in shareholders' equity under a specific translation reserve.

The main exchange rates used for the translation of the 2008 and 2007 financial statements of foreign companies into Euro were:

	30 June 2008		31 December 2007		30 June 2007	
	Average	**Final**	**Average**	**Final**	**Average**	**Final**
GB Pound	**0.79152**	**0.79225**	**0.6994**	**0.7334**	**0.6756**	**0.674**
Czech Coruna	**24.316**	**23.893**	**26.317**	**26.628**	**28.546**	**28.718**

2.2 Business combinations and goodwill

The acquisition of a controlling interest in companies is accounted for using the purchase method, in accordance with IFRS 3 – Business combinations. The cost of the acquisition is therefore measured as the sum of the fair values, at the date of the exchange, of the assets and the liabilities incurred or undertaken in relation to the acquired company, and of any financial instruments issued by the Group in exchange for control of the acquired company, plus any costs directly attributable to the business combination.

The identifiable and acquired assets, liabilities, and contingent liabilities of the acquired company (including the Minority Shareholders' interest) that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

The excess of the cost of the business combination over the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities recognised represents the goodwill arising on acquisition, which is recorded as an asset and initially valued at cost. If, after reassessment, the Group's share of the fair value of the acquired company's identifiable assets, liabilities, and contingent liabilities exceeds the cost of the business combination, this excess is immediately booked to the income statement.

The minority shareholders' interest in the acquired company is initially stated as their proportion of the fair values of the assets, liabilities and contingent liabilities stated.

After the initial recognition, the goodwill is recorded at cost less any accumulated impairment losses. In accordance with IFRS 3, goodwill is not amortised, but is subject to impairment tests in order to identify any reductions in value.

Impairment testing on goodwill is compulsorily repeated once a year or more frequently if events or changes in circumstances indicate a possible impairment, i.e. a loss of value.

The impairment, if any, is identified by means of assessments referring to the ability of each 'unit', in this case the subsidiary, to generate cash flows sufficient to recover the goodwill allocated to the unit. The recoverable amount is the higher of its 'fair value' net of sales costs and its value in use. The value in use is determined on the basis of the expected future cash flows, which are discounted at a rate that reflects the current market estimate of the cost of money, the cost of capital and the risks specific to the unit. If the estimated recoverable amount of the unit concerned is lower than its book value, the latter is written down to its recoverable amount. Impairments are booked to the income statement under write-down costs and may not be subsequently reversed.

On first time adoption of the IFRS and in accordance with the exemption provided for by IFRS 1, it was not considered necessary to make use of the option of 'reconsidering' the acquisition transactions carried out prior to 1 January 2004. Consequently, the goodwill deriving from the business acquisitions taking place prior to this date has been stated at the value recorded for this purpose in the last set of financial statements drawn up on the basis of the previous accounting standards (1 January 2004, date of changeover to the IFRS), subject to verification and recognition of any impairment losses arising at the date when this document was drawn up.

On disposal of a subsidiary, the net book value of the goodwill is calculated as the expected capital gain or loss on disposal.

2.3 Intangible assets

Computer software – Development costs

Acquired computer software licenses are capitalised and included under intangible assets at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Internally-generated intangible assets arising from costs incurred for the development of applications software under Group control and directly associated with the production of services, in particular relating to 'technological platforms' for access to and management of the Tiscali network, are recognised when:

- the general conditions set out in IAS 38 for the capitalisation of intangible assets have been met: (a) the asset created can be identified; (b) it is likely that the asset created will generate future economic benefits; and (c) the development cost of the asset can be reliably measured;

– the Group can demonstrate: the technical feasibility of completing the intangible asset to make it available for use or for sale; its intention to complete the asset to use it or sell it; how the asset will generate future economic benefits; the availability of technical, financial and other resources to complete its development; and its ability to reliably measure the cost attributable to the asset during its development.

During the period of development, the asset is reviewed on an annual basis to determine whether there has been any impairment. After their initial recognition, the development costs are valued at cost less any amortisation and impairment losses. The amortisation of the asset starts from the time when the development has been completed and the asset is available for use. The cost is amortised with reference to the period over which the associated project is expected to generate revenues for the Group.

Costs associated with the development and ordinary maintenance of software that do not meet the above mentioned requirements, and research costs are charged in full to the income statement in the period in which they are incurred.

Long-term rights of use (IRU – 'Indefeasible Right of Use')

IRUs are classified under the category "concessions and similar rights" and consist of the costs incurred for the purchase of long-term rights of use for the fibre optics network, namely 'transmission capacity' and related charges. They are amortised on a straight-line basis, either over the remaining life of the agreement or the estimated utilisation period of the right, whichever is the shorter. The amortisation period varies on average from 12 to 15 years.

Broadband service activation costs

These assets relate to investments incurred for the activation of broadband (ADSL) services, such as payments to 'network operators' for connection to the Tiscali network in the various geographic areas and related user equipment. These capitalised costs are amortised on a straight-line basis with reference to the minimum legal duration of the customer contract, currently 12 months, after which the contract is automatically renewed, though the customer has the option to withdraw without penalty. For amortisation purposes the reference period is significantly shorter than the expected duration of the customer contract, usually 36 months on average, based on company statistics and market conditions. The criterion adopted complies with IAS 38 – Intangible assets, given that the customer has the right 'not to renew' the contract beyond the minimum period.

Intangible assets also include those originating from the VNL and Pipex business combinations in relation to software, IPTV content agreements, brands, customer databases and non-competition agreements, which are amortised on average over five years.

2.4 Properties, plant and equipments

Properties, plant and machinery are recorded at purchase or production cost, including accessory charges directly attributable to the purchase of the items, less accumulated depreciation and any write-downs for impairment. These tangible assets do not include any revaluations.

Depreciation is calculated on a straight-line basis on the cost of each asset, net of its residual value, if any, over its estimated useful life. Land, including that annexed to buildings, is not depreciated.

The depreciation rates are reviewed on an annual basis and are amended if the current estimated useful life differs from previous estimates. The effects of such changes are recognised in the income statement on a prospective basis.

The depreciation rates adopted for IP and Ethernet network equipment (such as routers and L3/L2 switches), which represent the most significant plant category, have been calculated on the basis of a report drawn up by an independent consultant.

The minimum and maximum depreciation rates applied during the first half of 2007 and 2008 are shown below:

Buildings	3%
Plant	12%-20%
Equipment	12%-25%

Routine maintenance expenses are charged to the income statement in full, in the period in which the costs are incurred, whereas maintenance expenses of an incremental nature are allocated to the related assets and are depreciated over their residual useful life.

Costs incurred for improvements to third party assets are capitalised and shown under the classes of assets they refer to, and are depreciated over either the estimated useful life of the asset or the remaining term of the lease, whichever is shorter.

Gains and losses arising on disposals of items of property, plant and machinery are calculated as the difference between the sale proceeds and the net book value and are booked to the income statement for the period.

Assets held under finance lease

Leases are classified as finance leases when the terms of the lease effectively transfer all the risks and benefits of ownership to the lessee. All other leases are considered as operating leases.

Assets held under finance lease are recognised as Group assets at their fair value at the time of signature of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability towards the lessor is included in the balance sheet as a finance lease obligation, under financial payables. Lease payments are divided into their capital and interest elements. Financial charges are booked directly to the income statement for the year.

Assets held under finance lease are depreciated using the straight-line method based on their estimated useful life, in the same way as owned assets, or over the lease term if shorter and only if there is no reasonable certainty of redeeming the asset based on the lease expiry terms.

Also, for asset disposal and backdating operations on the basis of financial lease contracts, the realised capital gains are deferred for the duration of the contracts or, if lower, for the residual life of the asset.

Operating lease payments are booked to the income statement as costs on an accruals basis.

2.5 Impairment of assets

Goodwill, intangible assets with an indefinite useful life and assets in progress are tested annually for impairment or more frequently if there is any indication that they have suffered impairment. The book value of intangible assets with a definite useful life and property, plant and equipment are tested for impairment whenever events or changes in circumstance indicate that their carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit (CGU) the asset belongs to. The recoverable amount is the higher of the 'fair value' net of sales costs and the value in use. When assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments on the value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its book value, the latter is written down to its recoverable amount. The related impairment is booked to the income statement under write-downs. If the reasons for impairment are considered to no longer apply in the current year, the book value of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but not beyond the net carrying value that would have been established had no impairment been recognised for the asset in previous years. The impairment reversal is booked to the income statement.

2.6 Financial instruments

Loans and receivables

The Group's receivables are shown under the items "other non-current financial assets", "receivables from customers", "other receivables and other current assets" and "other current financial assets", and include guarantee deposits, trade receivables, and receivables from others originating from the core business.
If they do not have a fixed expiry, they are valued at amortised cost using the effective interest method. When financial assets have no fixed expiry, they are valued at the acquisition cost. Receivables with an expiry over one year, non-interest bearing receivables, and receivables accruing interest at rates lower than market rates, are discounted using market rates.
Estimates are regularly made to determine whether there is objective evidence that a financial asset or a group of assets have suffered a loss in value. If there is objective evidence, the loss in value must be recorded as cost in the income statement for the period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, on-demand deposits, and short-term bank deposits with an original envisaged maturity period of no more than three months.

Financial payables and liabilities

The Group's financial payables and liabilities are shown under the items "bonds", "payables to banks and other lenders", "payables for finance leases", "other non-current liabilities", and "payables to suppliers", and include trade payables, payables due to others, and payables of a financial nature, including payables for loans received for advances received on the assignment of credits and financial leases.

Trade payables and other payables are recorded at their nominal value. Financial payables are initially recognised at cost, corresponding to the fair value of the amount receivable, net of any accessory costs. Subsequently, these payables are valued at amortised cost using the effect interest rate method, calculated by considering their issue costs and any other premium or discount provided for on settlement.

Convertible bonds
Convertible bonds are financial instruments made up of a liability component and a shareholders' equity component. At the date of issue, the fair value of the liability component is estimated using the current interest rate in the market for similar non-convertible bonds. The difference between the net amount obtained from the issue and the fair value assigned to the liability component (representing the implicit option of converting bonds into shares of the Group) is included in the shareholders' equity as a capital reserve.
The issue costs are split between the liability component and the shareholders' equity component, on the basis of their respective book values at the date of issue. The part relating to the shareholders' equity is posted as a direct reduction of the latter.
The interest expenses relating to the liability component are calculated using the current interest rate in the market for similar non-convertible bonds.
The difference between this amount and the interest actually paid is recorded as an increase in the book value of convertible bonds.

Derivative financial instruments

Periodically the Group uses derivative financial instruments mainly to hedge its financial risks associated with interest rate fluctuations on long/medium term debt. In accordance with its treasury management policies, the Group does not use derivative financial instruments for declared trading purposes.

Derivative instruments are recorded and subsequently measured at fair value. For hedges, the Group adopts the rules established by IAS 39 on 'Hedge accounting', as follows:

Cash flow hedge
These are derivatives to hedge exposure to fluctuations in future cash flows arising in particular from risks relating to changing interest rates on loans. Changes in the fair value of the 'effective' portion of the hedge are booked to equity while the ineffective portion is booked to the income statement. Hedge effectiveness, i.e. its ability to adequately offset fluctuations caused by the hedged risk, is periodically tested, analysing in particular the correlation between the 'fair value' or the cash flows of the hedged item and those of the hedging instrument.

Fair value hedge
Hedging instruments fall within this classification when used to hedge changes in the fair value of an asset or liability attributable to a specific risk. Changes in value related both to the hedged item, in relation to changes caused by the underlying risk, and to the hedging instrument are booked to the income statement. Any difference, representing the partial ineffectiveness of the hedge, therefore represents the net economic effect.

In accordance with the requirements of IAS 39, hedging derivative financial instruments are only accounted for according to the procedures established for hedge accounting when:
- at the start of the hedge, the hedging relationship is formally designated and documented;
- the hedge is expected to be highly effective;
- its effectiveness may be measured reliably;

– the hedge is highly effective during the various accounting periods for which it is designated.

For financial instruments that do not qualify for hedge accounting, changes arising from the fair value measurement of the derivative are booked directly to the income statement.

The Group does not currently apply hedge accounting to its existing derivative financial instruments.

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Given the circumstances and characteristics of the Group's assets, the cost relates to direct materials.

The cost is calculated using the average cost method. The net realisable value is the selling price less the costs considered necessary to achieve the sale.

2.8 Provision for employees severance indemnities

"Defined benefit plans" (as classified by IAS 19), in particular the employees severance indemnities relating to the parent company and the subsidiaries with registered offices in Italy, are based on valuations performed at the end of each financial year by independent actuaries. The liability recognised in the balance sheet is the current value of the obligation payable on retirement and accrued by employees at the balance sheet date. No assets are held to serve the above scheme.

As allowed by IFRS 1 and IAS 19, Tiscali Group has not adopted the 'corridor approach', but has instead used the Projected Unit Credit Method, and therefore the actuarial gains and losses are entirely recognised in the period in which they arise and are directly recorded in the income statement.

Payments made in relation to outsourced pension schemes and defined contribution schemes are booked to the income statement in the period in which they are due. The Group does not award defined benefit post-employment schemes, therefore periodic contributions do not involve further liabilities or obligations to be recognised as such in the financial statements.

As from 1 January 2007, the 2007 Italian Finance Bill and related implementing decrees introduced significant changes to the employees severance indemnity regulations, including the right of employees to choose whether to allocate their accrued severance indemnity to supplementary pension funds or to the "Treasury Fund" managed by the Italian Social Security Institution.

As a consequence the obligation with respect to the Italian Social Security Institution and the contribution to supplementary pension schemes, in accordance with IAS 19, take on the form of "Defined contribution plans", while the portions recorded in the staff severance indemnity provision remain as "Defined benefit plans".

The legislative changes made with effect from 2007 have also led to a revision of the actuarial assumptions and, as a consequence, of the calculations used to determine the employees severance indemnities, the effects of which have been booked directly to the income statement.

2.9 Equity compensation plan

The Group pays additional benefits to some members of the top management and employees by means of stock option plans. These plans are a component of the beneficiaries' remunerations.

The cost, represented by the fair value of the stock options at the date of allocation, is recognised for accounting purposes, according to the provisions "IFRS 2 – Share-based payments", in the income statement with a corresponding entry recognised directly in shareholders' equity.

2.10 Provisions

Provisions for risks and charges relating to potential legal and tax liabilities are established by means of estimates made by the directors on the basis of opinions provided by the Group's legal and tax advisors, concerning the charges that are deemed likely to be incurred in order to settle the obligation. If on the outcome of the judgements the Group is called upon to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

2.11 Treasury shares

Treasury shares are recorded as a reduction in shareholders' equity.

2.12 Revenue recognition

Revenues are recognised to the extent that it is probable that the economic benefits will flow to the Group and their amount can be reliably measured. Revenues are stated net of discounts, allowances, and returns.

Revenues from the provision of services are recognised in the income statement with reference to the stage of completion of the service and only if the result of the service may be reliably estimated.

In particular, for revenues from internet access services ('narrowband' and 'broadband') and voice services, recognition in the income statement is based on the actual traffic generated at the reference date and/or periodic service rental payable at that date.

Revenues related to the activation of broadband services (ADSL), in the same way as the related costs capitalised under intangible assets, are booked to the income statement on a straight-line basis in relation to the minimum legal duration of customer contracts, usually 12 months. Amounts relating to other financial periods are recorded under other current liabilities as deferred income.

Lastly, the revenues originating from the sale of IRU (Indefeasible Rights of Use) are recognised pro rata, depending on the duration of the concession, while any components that are separately identifiable and whose fair values can be calculated, are recorded under revenues on the basis of the nature of the service or assignment.

2.13 Financial income and charges

Interest received and paid, including interest on bond issues, is recognised using the effective interest rate method.

2.14 R&D and advertising costs

Research and advertising costs are charged directly to the income statement in the period in which they are incurred.

2.15 Taxes

The income taxes for the year include the current and deferred taxes.

Current taxes are based on the taxable income for the period. Taxable income differs from the result reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible. The current tax liability is calculated using tax rates applicable at the balance sheet date.

Deferred taxes are taxes that are likely to become payable or recoverable on the temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value used to calculate the taxable income, and also on the items that, despite not being allocated to the balance sheet, generate potential future tax credits, such as for example losses for the period that may be used to offset taxes in future years, and are accounted for using the balance sheet liability method.
Deferred tax liabilities are generally recognised for all taxable temporary differences arising in the Group's companies and subsidiaries, except where the Group is able to control the offset of the temporary difference and it is unlikely that the temporary difference will be offset in the foreseeable future.
Deferred tax assets, arising from temporary differences and/or previous tax losses, are recognised to the extent that it is likely that taxable profits will be available in the future against which deductible temporary differences and/or previous tax losses can be utilised. The provisions are based on the taxable income likely to be generated in light of the approved business plans. Such assets and liabilities are not recognised if the temporary differences derive from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the accounting result or the taxable income. The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available to allow all or part of the asset to be recovered.
Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to shareholders' equity, in which case the deferred tax is also recognised under shareholders' equity.
Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities, they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

2.16 Earnings per share

Basic earnings per ordinary share are calculated by dividing the proportion of the Group's operating result attributable to ordinary shares by the weighted average of the ordinary shares, excluding the treasury shares, in circulation during the accounting period.
For the calculation of the diluted earnings per ordinary share, the weighted average of shares in circulation is adjusted assuming the subscription of all potential shares deriving, for instance, from the conversion of bonds and from the exercise of rights on shares with a diluting effect, or from the

potential diluting effect of the allocation of shares to the beneficiaries of already accrued stock option plans.

3. KEY DECISIONS IN APPLYING THE ACCOUNTING STANDARDS AND IN THE USE OF ESTIMATES

In the process of applying the accounting standards disclosed in the previous section, Tiscali's directors have made some significant decisions concerning the recognition of amounts in the consolidated financial statements. The directors' decisions are based on historical experience and also on expectations related to the realisation of future events, considered to be reasonable under the circumstances.

3.1 Assumptions for the application of accounting standards

Revenue recognition criteria
Revenues related to the activation of broadband services (ADSL) are deferred as the underlying benefits concern the entire duration of the customer contracts. The directors have deemed it appropriate to defer the recognition of these revenues (consistent with the treatment of the corresponding activation costs, which have been capitalised under intangible assets) for a period of twelve months, notwithstanding a significantly longer expected duration of the customer contract. The assumption adopted in applying IAS 18 'Revenue recognition' reflects a cautious interpretation of this principle taking into consideration the possibility that the customer may not renew the contract once the minimum period of twelve months has elapsed.

3.2 Accounting estimates and related assumptions

Impairment of goodwill
Goodwill is tested for impairment annually or more frequently during the financial year, as disclosed in the preceding section, under paragraph 2.3, 'Business combinations and goodwill'. The ability of each 'unit', in this case the subsidiary, to generate cash flows sufficient to recover the goodwill allocated to the unit, is determined on the basis of the economic and financial data concerning the unit to which the goodwill refers. The production of such data, as well as the determination of an appropriate discount rate, requires a significant use of estimates.

Income taxes
The determination of income tax, in particular with reference to deferred taxes, involves a significant use of estimates and assumptions. Deferred tax assets, arising from temporary differences and/or previous tax losses, are recognised to the extent that it is likely that taxable profits will be available in the future against which deductible temporary differences and/or previous tax losses can be utilised. The provisions are based on the taxable income likely to be generated in light of the approved business plans. Such assets and liabilities are not recognised if the temporary differences derive from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the accounting result or the taxable income. The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Provisions for risks and charges
Provisions for risks and charges relating to potential legal and tax liabilities are established by means of estimates made by the directors on the basis of opinions provided by the Group's legal and tax advisors, concerning the charges that are deemed likely to be incurred in order to settle

the obligation. If on the outcome of the judgements the Group is called upon to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Fair value calculation
Depending on the instrument or financial statement item to be estimated, the directors identify the most suitable method, taking objective market data into consideration as much as possible. In the absence of market values, namely listings, estimation techniques are used, making reference to those most commonly used in practice.

Accounting standards and interpretations applied in the first half of 2008

The accounting standards adopted in drawing this consolidated half-year report are consistent with those adopted for the drawing up of the Group's annual report for the year ended 31 December 2007, except for those that have come into force since 1 January 2008.

IFRIC 12 – Service concession arrangements – This interpretation has been applicable since 1 January 2008, but has not yet been approved by the European Union.

IFRIC 14 – The Limit on a Defined Benefit Asset and Minimum Funding Requirements and their interaction – This interpretation has been applicable since 1 January 2008, but has not yet been approved by the European Union.
These interpretations are not applicable to the Group's abridged half yearly report.

Accounting standards, amendments, and interpretations that are not yet applicable and have not been adopted in advance by the Group

On 30 November 2006, the IASB issued accounting standard IFRS 8 – Operating Segments, applicable from 1 January 2009 in replacement of IAS 14 - Segment Reporting. The new accounting standard requires that the company bases information given in the Segment Report on elements used by management to make their business decisions, and therefore requires the identification of the business segments based on internal reporting regularly reviewed by management for the purposes of the allocation of resources to the various segments and for performance analysis.

4. Revenues

The revenues by geographical area are broken down below:

Revenues by Geographical area (EUR 000) (*)	30 June 2008	30 June 2007
Italy	149,507	128,057
United Kingdom	362,294	244,020
TiNet	13,929	11,064
Other	9,442	9,911
Total	**535,172**	**393,053**

(*) net of intra-group revenues and not including other income

The increase in revenues is mainly due to the development of services in the broadband access segment.
Specifically, the increase in revenues in the United Kingdom is due to the business combination of the Pipex Division, which took place on 13 September 2007 for around EUR 153 million.

5. Other income

Other income totalling EUR 2.5 million include the deferred income of capital gain deriving from the disposal of SA Illetta for around EUR 1 million, together with other income.

6. Purchase of materials and outsourced services

(EUR 000)	**30 June 2008**	**30 June 2007**
Purchase of raw materials and goods for resale	146	1,644
Line/traffic rental and interconnection costs	253,443	182,031
Costs for use of third party assets	8,367	8,378
Portal services	34,417	17,970
Marketing costs	60,894	42,498
Other services	41,049	30,235
Total	**398,315**	**282,755**

The increase in costs with respect to the same period last year reflects the rise in revenues, as well as the acquisition of Pipex's broadband and voice business in September 2007.

7. Payroll and related costs

(EUR 000)	**30 June 2008**	**30 June 2007**
Wages and salaries	33,916	35,657
Other personnel costs	19,988	14,547
Total	**53,904**	**50,204**

At 30 June 2008, Tiscali S.p.A. had 1,673 employees.

8. Stock option plan cost

(EUR 000)	**30 June 2008**	**30 June 2007**
Stock option plan cost	5,025	1,197
Total	**5,025**	**1,197**

The amount entirely reflects the provision made for charges relating to the stock option plan of the UK (EUR 2.4 million) and Italian subsidiaries (EUR 2.6 million) and includes the effects of the acceleration of the plan reserved for the former CEO and CFO, who maintained the rights assigned to them even after their exit from the Group.

9. Other net operating income (charges)

The table below shows a breakdown of these costs:

EUR 000	30 June 2008	30 June 2007
Other operating expenses	1,368	144
Contingencies, capital losses and other non recurrent costs	(11,683)	2,210
Total	**(10,315)**	**2,354**

The item contingencies, capital losses and other non recurrent costs mainly includes the release of a risk provision allocated for the German subsidiaries at 31 December 2007, which partially exceeded the estimates made at the time of its recording, together with non-existent liabilities accounted by these companies.

10. Write-down of receivables from customers

EUR 000	30 June 2008	30 June 2007
Write-downs of receivables from customers	16,038	9,198
Total	**16,038**	**9,198**

The write-down of receivables from customers represents around 3% of revenues, up slightly on the percentage in the same period of 2007 (2.3%).

11. Restructuring costs and other write-downs

EUR 000	30 June 2008	30 June 2007
Restructuring costs and other write-downs	21,738	9,260
Total	**21,738**	**9,260**

Restructuring costs and other write-downs, amounting to EUR 21.7 million, are entirely attributable to the Pipex Division's restructuring costs.

12. Financial Income (Charges)

12.1 Net financial income (Charges)

A breakdown of net financial income (charges) for the year, negative at EUR -34.8 million is provided below.

EUR 000	**30 June 2008**	**30 June 2007**
Financial income		
Interest on bank deposits	3,274	318
Interest earned	411	2,125
Other	9,674	9
	13,359	**2,452**
Financial charges		
Interest on bonds	1,970	-
Interest and other charges due to banks	28,623	24,039
Other financial charges	**17,569**	**5,186**
	48,163	**29,225**
Net financial income (charges)	**(34,804)**	**(26,773)**

The item other financial income mainly includes the fair value measurement of the IRS entered into by Tiscali UK Holding, for a total of EUR 8.7 million.

The item financial charges amounting to EUR 48.2 million includes the interest accrued on the convertible bond subscribed on 27 December 2007 of EUR 1.9 million, the interest due to lending institutions, mainly consisting of the interest accrued on the loans issued by Banca Intesa SanPaolo of EUR 28.3 million, together with other financial charges of EUR 17.5 million. These charges mainly include the variation in the fair value of the early conversion options included in the regulations of the convertible bond loan amounting to EUR 2 million, the interest expense on the residual VNL debt of EUR 3 million, the interest expense on the shareholders' loan (Andalas) of EUR 1.3 million, and for the remainder the interest in the financial leases.

12.2 Other net financial income (Charges)

The item Other net financial income and charges was nil during the period, whereas at 30 June 2007 it totalled EUR 17.8 million and included the penalties linked to the transactions with Silver Point (EUR 13.3 million, essentially relating to the early repayment of the loan) and with Banca Intesa SanPaolo (EUR 4.5 million relating to the penalty for the late collection on the sale of the Dutch operations).

EUR 000	**30 June 2008**	**30 June 2007**
Other net financial income (charges)	-	(17,881)
	-	**(17,881)**

13. Income taxes

EUR 000	30 June 2008	30 June 2007
Current taxes	1,145	-
Deferred taxes	(5,920)	2,082
Net taxes for the period	**(4,774)**	**2,082**

The item deferred taxes mainly includes the use of the provision made in accounting for the business combination of the Pipex Division at 31 December 2007. The provision was released as a result of the depreciation during the half year of the intangible assets measured at fair value upon allocation of the acquisition price.

14. Discontinued operations and/or assets held for sale

At 30 June 2008 (like 31 December 2007) there were no assets held for sale, nor were there any significant impacts on the income statement during the half year (there were only residual insignificant charges) resulting from the assets sold or due to be sold, as opposed to the same period last year when significant areas of operations were in the process of being disposed of (Germany, Holland, and the Czech Republic).

15. Earnings (Losses) per share

The earnings per share and the diluted earnings per share from operating activities and those disposed of amounted to EUR (0.11).

16. Goodwill

The goodwill derives from the acquisitions made by Tiscali in previous years and the acquisition of Pipex and relates exclusively to the assets held in the United Kingdom.

(EUR 000)	31 December 2007	Increases	Decreases	Other changes	30 June 2008
Italy	-	-	-	-	-
United Kingdom	515,022	-	(24,270)	-	490,752
	515,022	**-**	**(24,270)**	**-**	**490,752**

The decrease of EUR 24.3 million is due to the exchange rate effect.

At 30 June 2008 no indicators had been identified that necessitated an update of the impairment test performed on the goodwill for the 2007 financial statements.

17. Intangible assets

At 30 June 2008 intangible assets totalled EUR 269.7 million.

The net movements during the half year in the net book value of the various categories of assets were as follows:

Intangible assets EUR 000	Computers, software and development costs	Concessions and similar rights	Broadband service activation costs	Other	Total
1 January 2008	**5,874**	**144,606**	**29,152**	**106,409**	**286,042**
	-				
Increases	82	4,330	43,752	7,183	55,347
Amortisation	(1,071)	(10,365)	(25,181)	(15,291)	(51,908)
Decreases	(1,044)	(2,967)	(3,031)	-	(7,042)
Acquisitions/changes in consolidation area	-	-	-	-	-
Revaluations/Write-downs	-	-	-	-	-
Reclassifications	(43)	755	(2,849)	2,484	347
Exchange differences	98	(5,764)	(2,294)	(5,138)	(13,099)
Other	-	-	-	-	-
30 June 2008	**3,896**	**130,595**	**39,548**	**95,648**	**269,687**

The investments for the period ended 30 June 2008 for intangible assets amounted to a total of EUR 55.3 million.

The item "*Computers, software and development costs*", amounting to EUR 3.9 million, includes the capitalisation of the development costs for the application software acquired customised for exclusive use of the company.

The balance of "Concessions and similar rights", amounting to EUR 130.6 million, includes around EUR 74.2 million relating to rights and costs connected with the acquisition of transmission capacity, on a long term basis, in the form of concession contracts for its use (IRU/Indefeasible Rights of Use), and other software and trademarks for around EUR 56 million.
The investments for the half year in this category amounted to EUR 4.3 million and related exclusively to the licenses and software of the Italian subsidiary and the UK subsidiaries.

The item *"Broadband service activation costs*", amounting to EUR 39.5 million, relates to the capitalisation of the activation costs for the ADSL service. These costs are amortised in relation to the minimum duration of the contracts with customers, currently amounting to twelve months.
Investments during the half year of EUR 43.7 million were mainly made by Tiscali Italia S.p.A. and UK.
The decreases in this item are attributable to the reversal of the capitalisations of the activation costs relating to those customers whose contracts were normally cancelled, based on the normal churn rate of the customer database.

The item “Other Intangible Assets” includes EUR 60.2 million relating to the Pipex Division’s intangible assets, mainly representing the value assigned to the customer database and the non-competition agreements, EUR 6.8 million of intangible assets of Tiscali UK Ltd (IPTV content, technology, customer relationships), as well as the development costs for the new UNIT2 technology platform of EUR 15.6 million and the development costs for the IPTV (Internet Protocol Television) services of EUR 3.2 million.

The increases in this item, amounting to EUR 7.1 million, were mainly attributable to the Italian subsidiary and primarily consisted of technical equipment for the development of the internal networks.

The decrease during the half year in the various asset categories relate to the normal process of amortisation and disposal of assets.

The item “Exchange difference” contains the change arising from the GBP/EUR exchange differences on translation of the UK assets from the local currency to the currency of the consolidated financial statements.

18. Properties, plant and machinery

At 30 June 2008 tangible assets totalled EUR 279.4 million.

The net movements during the half year in the net book value of the various categories of assets were as follows:

Tangible assets *(EUR 000)*	**Properties**	**Plant and machinery**	**Other assets**	**Total**
1 January 2008	**59,886**	**196,665**	**15,708**	**272,260**
Increases	5	46,261	6,506	52,772
Depreciation	(955)	(32,390)	(454)	(33,799)
Decreases	-	(2,055)	-	(2,055)
Acquisitions/changes in consolidation area	-	-	-	-
Revaluations/Write-downs	-	-	-	-
Reclassifications	-	3,657	(4,004)	(347)
Exchange differences	-	(8,458)	(968))	(9,426)
Other	-	-	-	-
30 June 2008	**58,936**	**203,680**	**16,788**	**279,405**

The investments for the period ended 30 June 2008 for tangible assets amounted to a total of EUR 52.7 million.

The item “*Properties*”, amounting to EUR 58.9 million, mainly relates to the SA Illetta headquarters of the Italian subsidiary in Cagliari, the subject of a Sale & Lease back transaction in 2007.

The net book value of “*Plant and Machinery*”, amounting to EUR 203.7 million, includes, in particular, specific and network equipment such as routers, servers, optical devices and telephone exchanges that make up the majority of the tangible fixed assets. The EUR 46.2 million increase reflects the significant investments relating to the development of the infrastructure required to support the provisions of the ADSL service in the unbundling mode.

The “Other assets”, totalling EUR 16.8 million, include furniture and furnishings, electronic and electromechanical office equipment as well as motor vehicles.

The decrease during the half year in the various asset categories relate to the normal process of depreciation and disposal of assets.

The item “Exchange differences” contains the change arising from the GBP/EUR exchange differences on translation of the UK assets from the local currency to the currency of the consolidated financial statements.

19. Equity investments

Equity investments are carried at and recorded in the balance sheet with a total value of EUR 2.2 million and relate to companies held by the parent company and by its operative subsidiary Tiscali Italia S.p.A.. The list of companies is reported in the dedicated section (List of equity investments).

20. Other non-current financial assets

(EUR 000)	**30 June 2008**	**31 December 2007**
Guarantee deposits	15,724	16,290
Other receivables	18,578	11,958
Equity investments in other companies	33	20
Total	**34,336**	**28,269**

Guarantee deposits amounting to EUR 15.7 million, include EUR 6.2 million in deposits recorded in relation to the Italian subsidiary relating to the sale and lease back transaction on the SA Illetta property, EUR 8.1 million in deposits relating to lease agreements of the UK subsidiaries, and EUR 1.3 million in deposits relating to the German subsidiaries.

Other receivables, totalling EUR 18.6 million, include the fair value measurement of the advance conversion options included in the regulations of the convertible bond loan amounting to EUR 6 million, the fair value measurement of the swap (IRS) recorded by Tiscali UK Holding of EUR 10 million, and receivables due from non-consolidated companies totalling EUR 2.4 million.

21. Deferred tax assets

The deferred tax assets recorded at 30 June 2008 amount to EUR 108 million (EUR 106.6 million at 31 December 2007).

(**EUR 000**)	**30 June 2008**	**31 December 2007**

Deferred tax assets	107,965	106,634

The deferred tax assets recorded in the financial statements mainly relate to tax losses carried forward by Tiscali Group companies. As provided for by the applicable accounting standards, these deferred tax assets are recorded because it is deemed likely that positive taxable income will be generated over the next few accounting periods, capable of enabling, via their use against subsequent years' taxes, the recovery of the amount recorded under the assets. The forecasts are based on the taxable income that may be generated with reasonable certainty in light of the business plans, accompanied by the related tax plans, and the current performance of the Group companies to which the tax losses refer.

The balance relates in particular to the Tiscali Group companies listed below:

- Deferred tax assets relating to Tiscali International NV and subsidiaries included in the Dutch consolidated tax regime of EUR 34.3 million (unchanged with respect to 31 December 2007), originating entirely from previous tax losses, whose recovery is essentially linked to the future income that may be generated by the intra-group interest to be accrued by the Dutch subsidiaries in the future.
- Deferred tax assets pertaining to the UK subsidiaries, totalling EUR 73.6 million (EUR 72.3 million at 31 December 2007), mainly calculated on tax losses carried forward.

Tax losses of subsidiaries operating in the United Kingdom can be carried forward indefinitely, whereas those relating to the Netherlands will expire between 2011 and 2013. Shareholders are informed that the deferred tax assets prudently take into account the adjustments to the prior losses in previous years deriving from the tax assessment carried out by the Dutch tax authorities, described in note 38 below, which also describes the ongoing tax disputes.

The tax benefit relating to previous losses brought forward compared to those recognised as assets for prepaid tax (deferred tax assets) only represents a part of the tax benefit linked to previous losses brought forward by the Tiscali Group companies.

22. Inventories

At 30 June 2008, inventories totalled EUR 10.1 million and mainly related to network equipment, consumables, telephone cards, goods for resale for merchandising and modems.

23. Receivables from customers

(EUR 000)	30 June 2008	31 December 2007
Receivables from customers	289,526	244,787
Provision for write-downs	(83,329)	(80,335)
Total	**206,198**	**164,452**

Receivables from customers at 30 June 2008 totalled EUR 206.2 million, net of total write-downs of EUR 83.3 million.

24. Other receivables and other current assets

(EUR 000)	**30 June 2008**	**31 December 2007**
Other receivables	17,240	16,349
Accrued income	28,229	18,849
Prepaid expenses	74,872	36,454
Total	**120,341**	**71,652**

Other receivables totalling EUR 17.2 million include EUR 9 million for VAT credits, EUR 1.1 million for advances to suppliers, EUR 1.4 million for IRES (corporate income tax) of the parent company and other receivables for the remainder.
Accrued income (EUR 28.2 million) mainly relates to revenues accrued during the period from services in the access segment.
Prepaid expenses of EUR 74.9 million relate to costs associated with long term line rental, international circuit agreements, together with hardware and software maintenance costs.

The book value of the entries included in this item is approximate to their 'fair value'.

25. Other current financial assets

(EUR 000)	**30 June 2008**	**31 December 2007**
Guarantee deposits	2,992	7,511
Other receivables	692	647
Total	**3,684**	**8,158**

Other current financial assets mainly include EUR 2.5 million in deposits recorded in relation to Tiscali S.p.A., which are expected to be freed up shortly, and other receivables relating to the UK companies.

26. Cash and cash equivalents

Cash and cash equivalents at 30 June 2008 amounted to EUR 43.3 million and include the Group's cash, essentially held in bank current accounts.

27. Shareholders' equity

(EUR 000)	**30 June 2008**	**31 December 2007**
Share capital	287,103	212,207

Share premium reserve	949,069	902,492
Stock Options reserve	13,968	9,969
Equity bond reserve	13,967	22,053
Accumulated Losses and Other Reserves	(1,048,546)	(977,074)
Total	**215,561**	**169,647**

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

At 30 June 2008, the share capital amounted to EUR 287.1 million corresponding to 574,206,043 ordinary shares with a par value of EUR 0.50 each.

On 31 August 2007, a capital increase was approved for a consideration of EUR 150 million, corresponding to 149,792,880 shares. This capital increase was implemented and fully subscribed in February 2008. Net of accessory costs, the capital increase resulted in a total increase in equity of EUR 145.3 million, with EUR 74.9 million allocated to share capital and EUR 70.4 million to the share premium reserve.

The share premium reserve changed by EUR 46.6 million as a result of the abovementioned capital increase and its use in covering losses recorded by the parent company in 2007.

The Shareholders' Meeting of 21 December 2007 resolved a further capital increase of up to a maximum of 42,441,316 shares to fund the bond loan convertible into shares of Tiscali S.p.A. of EUR 60 million issued on the following 27 December by the Luxembourg based company Tiscali Financial Services SA and subscribed by the company Management & Capitali.

The Equity Bond reserve contains the equity component of the bond loan, corresponding to the implicit option for the subscribers to convert the bonds into shares of the Group, and has been calculated as the difference between the net amount raised by the issue of the bond loan and the current value of the debt at a market rate. During the half year it was considered appropriate to review the estimate of the market rate to determine the debt component and the value of the reserve was consequently adjusted.

Shareholders' equity pertaining to minority shareholders

The changes in minority interests in shareholders' equity during the half year were not only due to the result for the period and exchange rate variations, but were also a result of the inclusion of the value of the put option assigned to the former shareholders of Video Network Ltd for their minority interest in the subsidiary Tiscali UK, as specified in more detail in note 29.

28. Non-current financial liabilities

EUR 000	30 June 2008	31 December 2007
Payables to bondholders	53,898	43,842
Payables to banks and other lenders		
Payables to banks	440,849	450,053
Payables to other lenders	28,824	30,086
	469,673	**480,139**

Payables for finance leases (m/l term)	**76,499**	**79,467**
Total	**600,070**	**603,449**

The financial position is shown in the table below:

EUR 000	**30 June 2008**	**31 December 2007**
A. Cash	43,267	134,231
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	***43,267***	***134,231***
E. Current financial receivables	***2,992***	***7,511***
F. Non-current financial receivables	10,531	1,274
G. Current bank payables	25,925	171,276
H. Current portion of non-current debt	-	-
I. Other current financial payables (*)	30,419	24,430
J. Current financial debt (G) + (H) + (I)	***56,344***	***195,706***
K. Net current financial debt *(J) – (E)- (F) – (D)*	**(446)**	**52,690**
L. Non-current bank payables	440,849	450,053
M. Bonds issued	53,898	43,842
M. Other non-current payables (**)	105,324	109,553
O. Non-current financial debt *(L) + (M) + (N)*	**600,070**	**603,448**
P. Net financial debt *(K) + (O)*	**599,625**	**656,139**

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

The above table was prepared in the light of the Consob Communication dated 28 July 2006. For details on the evolution of the current financial debt please see the comments below.

The debt ratio at the year end was as follows:

EUR 000	**30 June 2008**	**31 December 2007**
Net debt (*)	**(599,625)**	**(656,139)**
Shareholders' equity (**)	217,876	206,970
Debt ratio	**2.8**	**3.2**

(*) the debt includes short and medium/long-term borrowing
(**) shareholders' equity includes all the Group's capital and reserves

28.1 Payables to bondholders

The payables for the bonds issued, amounting to EUR 53.9 million, relate to a convertible bond subscribed for by Management&Capitali in December 2007, for a nominal value of EUR 60 million, with an annual rate of 6.75%. The bond has been accounted for at fair value, net of transaction charges. Part of this amount has been allocated to non-current debt and the remainder to an equity reserve. The fair value of the liability portion has been determined using the market interest rate for an equivalent non-convertible loan. This amount has been recorded as a liability on the basis of the amortised costs approach until discharge or conversion of the loan. The remaining portion of fair value has been allocated to the conversion option, which has been included in an equity reserve.

During the half year it was considered appropriate to review the estimate of the market rate used to determine the debt component, which was consequently adjusted.

On 27 December 2007, M&C subscribed for a bond loan of EUR 60 million convertible into Tiscali shares. The bonds were issued by the Luxembourg based company Tiscali Financial Services SA, a Tiscali subsidiary, and were guaranteed by Tiscali.

On 21 December 2007, the extraordinary shareholders' meeting of the Issuer approved a share capital increase with exclusion of the purchase option pursuant to Article 2441(4) of the Italian Civil Code, for up to a maximum of 42,441,316 Tiscali shares, reserved for the conversion of this bond.

The convertible bonds, which have a five-year duration from the date of the shareholders' meeting, have an interest rate of 6.75%, which will be paid on maturity, or before maturity if the bond is converted, partially or otherwise. The Issuer has the right to opt for the payment of the interest in cash instead of shares, in accordance with the limits of the senior loans described.

The conversion price was set at EUR 2.7 per share and later adjusted to EUR 2.42 per share, to take into account the dilution of the capital increase. The bonds will not be converted within the first year of their issue, save for the mandatory conversion clause described below. The instrument also provides the option of early repayment by the Issuer in the first two years and in certain circumstances (such as, for example, change of control) M&C has the right to request the early reimbursement of the instrument at par for the entire duration of the loan.

The number of shares serving the principal of the bond issue, in the event of conversion by M&C prior to maturity, amounts to a total of approximately 22.2 million (around 5% of the Company's share capital prior to the execution of the share capital increase under option). In the event that the bonds are not converted during the lifetime of the bond, M&C will receive a number of Tiscali shares on maturity – valued on the basis of the simple average of their official price during the 20 days prior to maturity – sufficient to repay the value of the capital at par plus the accrued interest, but in any event no higher than 10% of Tiscali's current share capital (corresponding to around 42.4 million shares).

The bond issue regulations also establish that if, prior to the maturity of the bonds, the average of the Official Prices (calculated with reference to the preceding 20 days) is equal to or lower than the value of the capital plus the accrued interest divided by 42.4 million shares for five consecutive stock market trading days, the loan will be automatically and mandatorily converted into the full amount of shares indicated above, in the event that the issuer does not opt for the payment of the interest in cash.

The above conversion transactions have been recorded at their fair values under non-current financial receivables. In future periods, the fair value change of such options will be recorded in the income statement.

28.2 Payables to banks and other lenders

The item Payables to banks and other lenders includes the amount of the loan granted on 13 September 2007 by Banca Intesa SanPaolo and JP Morgan, for a total, net of accessory costs, of EUR 449.1 million. The loan currently has a nominal value of EUR 500 million, of which EUR 50 million have not yet been used, and has been accounted for using the amortised cost method.

Of the original overall loan, amounting to a nominal of EUR 650 million:

a) EUR 150 million ("Right Issuance Bridge Facility") have been repaid with the proceeds from the capital increase concluded in February 2008;

b) EUR 400 million ("Senior Secured Bridge Facility") on the basis of the agreement may be repaid by means of a market debt transaction; should this transaction not take place by September 2008, the agreement provides for the conversion of the loan into a long-term bridge facility expiring on 13 September 2014. To date recourse to the market has not been considered appropriate and the Group is likely to opt for the extension in accordance with the contractual terms already established. On a prudent basis the value of the amortised cost of this facility takes into account, at 30 June 2008, the effects of this option;

c) the already disbursed credit facility of EUR 50 million and the revolving credit facility for further EUR 50 million, both expire in September 2011.

The loans have a floating rate linked to the Euribor and a cost, taking into account the spreads and the commission, which varies according to the structural features of the loan and, therefore, the various tranches mentioned above. The margin with respect to the Euribor for the abovementioned loan is currently estimated at around 500 base points, with the exclusion of the tranche relating to the share capital increase, which has already been repaid. The margin indicated is subject to adjustment upward or downwards in relation to the Group's economic performance and the completion timescales for the share capital increase and the recourse to market debt instruments.

The credit facility and the line of liquidity with Intesa Sanpaolo, referred to in item c) above, contain financial commitments (financial covenants) essentially linked to the observance of the following financial indicators that must be assessed, at consolidated level, on a quarterly basis: adjusted EBITDA-Debt ratio, adjusted EBITDA-Debt Service Cover Ratio and EBITDA-Interest Cover Ratio.

The loan also establishes positive and negative commitments (general covenants), usual in this type of funding, including the following, which are of significance: the limits placed on the further financial indebtedness of the Tiscali Group, the distribution of dividends, the granting of secured guarantees and the extraordinary activities, such as acquisitions and disposals. The abovementioned limits do not entail significant restrictions to the Group's ordinary operations. The financing agreement is also supported by a pledge on the shares of Tiscali Group subsidiaries and in relation to the Tiscali brand name.

Failure to observe the abovementioned Covenants would, in essence, provide the lender the option to request early settlement of the loan. We note that there are also no problem issues in this respect.

The two bridging loans by contrast do not contain financial covenants but only general covenants, therefore the same considerations as indicated above for the bank loans with IntesaSanPaolo and the line of liquidity apply.

Payables to other lenders (EUR 28.8 million) relate to the interest-bearing loan granted in 2004 by the shareholder Andalas Limited. The loan was raised to support the investments required to sustain growth and in particular for the setting up of an unbundled network infrastructure. On 13 September 2007, this loan was subordinated with respect to the new loan granted by Banca Intesa SanPaolo and JP Morgan. That loan expires on 12 March 2015 (180 days after the expiry of the senior debt set for 13 September 2014).

The following table summarizes the main elements of the existing loans with Intesa San Paolo and JP Morgan.

Loan	*Amount and use*	*Duration*	*Lender*	*Borrower*	*Obligatory early repayment*	*Financial and non-financial covenants*	*Guarantees*
Senior Secured Bridge Facility Agreement	*EUR 400 million to be used for financing the acquisition of Pipex, the associated costs and for the repayment of Tiscali's debt and that of certain of its subsidiaries*	*13 September 2007- 13 September 2008.* *Commitment to re-finance, within reasonably achievable timescales, via market instruments* *Possibility of conversion into a Term Loan/Exchange Notes maturing on 13 September 2014*	*JP Morgan Chase Bank N.A.* *Intesa Sanpaolo S.p.A. – London Branch*	*Tiscali UK Holdings Ltd, wholly-owned subsidiary of Tiscali S.p.A.*	*In the event of change of control* *In the event of extraordinary or compensation transactions* *In the event of notification of unlawfulness of contractual obligations*	*These include limitations such as the payments, asset disposals, intercompany payables, the payment of dividends, on the transfer of assets (including intra-Group) to the payment of other payables in*	*On the assets and on the shares of the Group companies that are also guarantors of the loan*
Credit Facility	*EUR 50 million to be used to repay the debt with Banca Intesa Sanpaolo*	*13 September 2009 – 31 December 2011*	*Intesa Sanpaolo S.p.A. – London Branch*	*Tiscali UK Holdings Ltd, wholly-owned subsidiary of Tiscali S.p.A.*	*In the event of change of control* *In the event of extraordinary or compensation transactions* *In the event of notification of unlawfulness of contractual obligations*	*These include limitations such as the payments, asset disposals, intercompany payables, the payment of dividends, on the transfer of assets (including intra-Group) to the payment of other payables in* *Financial covenants (Debt Service Cover Ratio, Net debt/EBITDA and EBITDA/Net interest)*	*On the assets and on the shares of the Group companies that are also guarantors of the loan*

Loan	*Amount and use*	*Duration*	*Lender*	*Borrower*	*Obligatory early repayment*	*Financial and non-financial covenants*	*Guarantees*
Revolving Credit Facility	*EUR 50 million to be used to fund working capital in Italy / UK*	*31 December 2011 (not yet disbursed to date)*	*JP Morgan Chase Bank N.A.* *Intesa Sanpaolo S.p.A. – London Branch*	*Tiscali UK Holdings Ltd, wholly-owned subsidiary of Tiscali S.p.A.*	*In the event of change of control* *In the event of extraordinary or compensation transactions* *In the event of notification of unlawfulness of contractual obligations*	*These include limitations such as the payments, asset disposals, intercompany payables, the payment of dividends, on the transfer of assets (including intra-Group) to the payment of other payables in* *Financial covenants (Debt Service Cover Ratio, Net debt/EBITDA and EBITDA/Net interest)*	*On the assets and on the shares of the Group companies that are also guarantors of the loan*

28.3 Payables for finance leases

The item Liabilities for finance leases (EUR 76.5 million) includes payables to leasing companies based on finance lease agreements.

Finance leases

The reconciliation between the total of the minimum payments due for leasing as of the balance sheet date and the current value for each of the periods considered is presented below.

(EUR 000)	**Minimum payments due**		**Current value of minimum payments due**	
	30 June 2008	**31 December 2007**	**30 June 2008**	**31 December 2007**
Less than 1 year	27,930	24,971	23,112	19,502
Between 1 and 5 years	48,577	49,858	31,769	79,467
More than 5 years	52,522	55,242	44,730	-
	129,029	130,071	99,611	98,969
Less future financial charges	(29,418)	(31,102)	-	-
Current value of minimum payments	**99,611,**	**98,969**	**99,611**	**98,969**
Included in the balance sheet				
Payables due for current finance leases			23,112	19,502
Payables due for non-current finance leases			76,499	79,467
			99,611	**98,969**

Operating leases

The payments for leasing and sub-leasing recorded in the income statement are presented in the table below.

(EUR 000)	**30 June 2008**	**31 December 2007**
Minimum payments due for leasing	29,985	68,238
Subleasing payments	(734)	589
	29,251	**69,827**

Total commitments relating to payments due from operating lease transactions that cannot be cancelled are shown in the following table.

(EUR 000)	**30 June 2008**	**31 December 2007**
Less than 1 year	31,009	33,821
Between 1 and 5 years	35,351	41,988
More than 5 years	18,481	22,625
	84,841	**98,433**

The breakdown of leasing between the various categories of intangible and tangible assets is shown below.

Leasing included in Intangible assets EUR 000	Computers, software and development costs	Concessions and similar rights	Broadband service activation costs	Other	Total
NET VALUE					
31 December 2007	-	431	-	-	**431**
30 June 2008	-	561	-	-	**561**

Leasing included in Tangible assets EUR 000	Properties	Plant and machinery	Other assets	Total
NET VALUE				
31 December 2007	59,711	48,473	-	**108,145**
30 June 2008	58,790	44,363	-	**103,153**

29. Other non-current liabilities

EUR 000	30 June 2008	31 December 2007
Payables to suppliers	23,577	24,923
Other payables	118,797	95,885
Total	**142,374**	**120,807**

Payables to suppliers represent the medium-long term trade payables for the purchase of systems and linked to the entry into IRU (Indefeasible Right of Use) contracts originating from the ULL project investments.

The other payables include:

- the payable due to the former shareholders of Video Network Ltd for the deferred portion of the consideration amounting to EUR 89.8 million at 30 June 2008;
- the valuation of the put option in favour of the former shareholders of Video Network Ltd on the shares held by them in the subsidiary Tiscali UK Ltd, for an amount of EUR 27.1 million.

The acquisition of 100% of Video Network Ltd by Tiscali UK Ltd, which took place in August 2006, also involved the simultaneous assignment of a minority interest of Tiscali UK Ltd (amounting to 14.95%, taking into account the contractual earn out). As part of the abovementioned transaction, the former shareholders of Video Network Ltd were assigned a put option giving them the right, within specific time periods, to sell the minority shareholding in Tiscali UK Ltd back to the Group at a value equal to the current fair value at that date. Up to 31 December 2007 the Group considered that the liability to be recorded in relation to this option in accordance with the provisions of IAS 32 and IAS 39 could not be estimated reliably, as there were elements of uncertainty in forecasting the evolution of the UK operations and their performance and also in determining the time frames for when the option would become exercisable, due to a series of restrictions that could limit or postpone the minority shareholders' right to exercise the option. At 30 June 2008 these elements of uncertainty no longer existed and the Group was therefore able to establish the amount of the liability with reference to the cost price exchanged at the transaction date (as permitted by IAS 39 paragraph 47), discounted to take into account the expected dilution over time. The value established essentially corresponded to the book value of the equity attributable to these shareholders appearing in the Group's consolidated financial statements, which was therefore reclassified under the other payables referred to above. The share of the profit and loss due to these third parties is kept in the consolidated income statement, because the Group does not have access to the risks and benefits attributable to these interests.

30. Liabilities for pension obligations and staff severance indemnities

The table below shows the movements for the period:

(EUR 000)	31 December 2007	Provisions	Utilisation	30 June 2008
Staff severance indemnity	5,852	1,226	(1,239)	5,839
Total	**5,852**	**1,226**	**(1,239)**	**5,839**

The staff severance provision, which comprises the indemnities accrued in favour of employees, relates to the Parent Company and the subsidiaries operating in Italy and amounts to EUR 5.8 million at 30 June 2008.

31. Provisions for risks and charges

The provisions for risks and charges are broken down as follows:

(EUR 000)	31 December 2007	Exchange difference	Provisions	Utilisation	30 June 2008
Provisions for risks and charges	28,624	(976)	3,550	(12,211)	18,986
Total	**28,624**	**(976)**	**3,550**	**(12,211)**	**18,986**

The balance of these provisions includes the Pipex and VNL restructuring costs of EUR 8.2 million, the charges relating to properties leased by the German subsidiaries of EUR 4.6 million, the provision of EUR 1.6 million for legal issue involving one of the Pipex Division's subsidiaries, and the provisions for legal actions and disputes involving the corporate companies and the minor subsidiaries for the remainder.

The utilisation during the first half year mainly related to the covering of the Pipex restructuring costs of EUR 4.5 million, and the recognition as income of provisions recorded previously by the German subsidiaries that proved to be excessive.

32. Deferred tax liabilities

The item provision for deferred taxation amounts to EUR 21.2 million.

This amount has been recognised in the financial statements on the basis of the fair value of the intangible fixed assets, excluding goodwill, recorded in accordance with IFRS 3 at the acquisition of Pipex.

33. Current financial liabilities

(EUR 000)	**30 June 2008**	**31 December 2007**
Payables to banks and other lenders:		
Payables to banks	33,232	176,204
Payables for finance leases (short-term)	**23,112**	**19,502**
	56,344	**195,706**

33.1 Payables to banks and other lenders

This item mainly includes the loan issued by the shareholder Andalas Limited for EUR 28.8 million.
The change compared to the previous year is due to the repayment of the Right Issuance Bridge Facility of EUR 150 million, using the proceeds from the capital increase concluded in February 2008.

33.2 Payables for finance leases

This item refers to the short-term portion of payables due to leasing companies for finance lease agreements. For further details, see note 27.3.

34. Payables to suppliers

(EUR 000)	**30 June 2008**	**31 December 2007**
Payables to suppliers	**326,321**	**239,127**

Payables to suppliers relate to trade payables for the supply of services such as content, telephone traffic and data traffic. The significant increase compared to the previous half year is mainly due to the payables for the acquisition of the sites for the unbundled network of the Italian and UK subsidiaries.

The balance also includes EUR 6.8 million for the purchase of the IRU (Indefeasible Right of Use) for the investments of the unbundling project.

35. Other current liabilities

(EUR 000)	**30 June 2008**	**31 December 2007**
Accrued expenses	86,763	76,927
Deferred income	62,881	65,269
Other payables	29,171	29,319
	178,815	**171,515**

Accrued expenses include EUR 80.4 million relating to operating expenses, such as costs for contents, costs for network access, costs for professional consulting and costs for line rentals.

Deferred income mainly refers to the deferral of the capital gain on disposal relating to the sale & lease back transaction on the Sa Illetta property, amounting to around EUR 28.6 million (which will be released in portions over 15 years corresponding to the duration of the lease agreement), deferrals on IRU sales contracts for around EUR 15.6 million and other deferrals on portions of revenues, not pertaining to the period, for the activation of ADSL services (deferred over a time span of 12 months) mainly relating to the Italian subsidiary.

The item Other payables mainly includes payables due to the tax authorities (mainly VAT) and due to welfare institutions for a total of EUR 17.8 million, together with payables due to employees totalling EUR 10.2 million and other payables for the remainder.

36. Derivative instruments

To hedge against the interest rate risk on the Banca Intesa Sanpaolo and JPMorgan loan, Tiscali has set up a series of hedges agreement (Interest Rate Swaps ‘IRSs’).
At 30 June 2008, the value of the IRSs was a positive balance at EUR 10 million. This amount has been recorded in the income statement under financial income in accordance with the IRS’s accounting nature as a trading instrument in the absence of the drawing up of the formal documentation required by IAS 39 for its accounting classification as a hedging instrument.

37. Stock options

Upon the proposal of the Board of Directors, on 3 May 2007 the Shareholders’ Meeting approved a stock option plan in favour of the Chief Executive Officer and key employees of the Company and its Italian subsidiaries, with the aim of aligning management’s interests with the creation of value for the Tiscali Group and its shareholders, encouraging the achievement of the strategic objectives. With regards to the Chief Executive Officer, the implementation of the plan, besides representing a valid incentive tool in line with market practices, represents the performance of a specific contractual obligation undertaken by the Company at the time of the establishment of the management relationship.

The plan envisages the allocation:

- **to the Chief Executive Officer**, of 3,593,143 options for the purchase of the same amount of ordinary shares in the Company, deriving from purchases of treasury shares that the Company will carry out on the market in compliance with Article 2357 of the Italian Civil Code and on the basis of the Shareholders' Meeting authorisation. The exercise of these options is dependent on the achievement of the performance objectives linked to the budget established by the Board of Directors, involving 40% with reference to the targets set for 2006, which have been achieved, and the remaining 60% with reference to the targets set for 2007.

- **to the employees**, of up to a maximum of 4,244,131 options for the subscription of the same amount of newly-issued ordinary shares in the Company, deriving from a share capital increase reserved in accordance with Article 2441(8) of the Italian Civil Code resolved by the Shareholders' Meeting.

By way of implementation of the above plan, the Board of Directors:

- on 10 May 2007, assigned the Chief Executive Officer all the options due to him in a single tranche; the options may also be exercised, between 4 May 2010 and 3 November 2010, at a price of EUR 2.763, adjusted to EUR 2.477 following the capital increase;
- on 28 June 2007, assigned 23 managers a total of 3,330,000 options, also exercisable in several tranches, between 29 June 2010 and 28 December 2010, at an exercise price of EUR 2.378, adjusted to EUR 2.132 following the capital increase.

The beneficiaries of the options are obliged not to sell, for a period of at least five years as from the exercise date, a quantity of shares whose total value is not less than the difference between the normal value of the shares as of the exercise date and the amount paid by the beneficiaries, in compliance with applicable tax legislation.

For further information, with particular reference to the effects - on the rights assigned - of the possible termination of the employment relationship of the beneficiaries or a change in the management of the Company, please refer to the disclosure document drawn up in accordance with Article 84 *bis* of Regulation No. 11971 approved by Consob under resolution dated 14 May 1999, available on the Company's website (www.tiscali.com).

The plan described above, intended for the Italian management of the Tiscali Group, runs alongside the share based payment scheme resolved last October for the Group's UK management. This plan envisages the allocation to 20 UK managers of a number of options, convertible into shares of the subsidiary Tiscali UK Ltd., not exceeding 5% of the share capital of the company, net of dilution. The exercise price of the options has been established on the basis of the equity value of the UK subsidiary at the time of their allocation. These options mature in a three-year period from the allocation, and may be exercised for 10 years from their date of allocation.

38. ONGOING DISPUTES, CONTINGENT LIABILITIES AND COMMITMENTS

During the normal course of its business, the Tiscali Group is involved in a number of legal and arbitration proceedings, as well as being subject to tax assessments.

A summary of the main proceedings in which the Group is involved is presented below.

38.1 Disputes

Vereniging van Effectenbezitters/ Stichting Van der Goen WOL Claims dispute

In July 2001, the Dutch association Vereniging van Effectenbezitters and the Stichting VEB-Actie WOL foundation, which represent a group of around 10,000 former minority shareholders of World Online International NV, summoned World Online International NV (currently 99.5% owned by Tiscali) and the financial institutions tasked with the stock market listing of the Dutch subsidiary, claiming, in particular, the incomplete and incorrect nature, under Dutch law, of certain information contained in the listing prospectus and of certain public statements made, immediately prior to and after the listing (on 17 March 2000), by the company and by its chairman.

By provision dated 17 December 2003, the Dutch court of first instance deemed that in certain press releases issued by World Online International NV prior to 3 April 2000, sufficient clarity was not provided regarding the declarations made public by its former chairman at the time of listing relating to his shareholding. Consequently, World Online International NV was held liable towards the parties who had subscribed for the shares of the company at the time of the IPO on 17 March 2000 (start date of trading) and who acquired shares on the secondary market up to 3 April 2000 (date on which the press release was issued, specifying the effective shareholding held by the former chairman of World Online International NV). World Online International NV appealed against this decision, deeming that it was not necessary to provide further clarification, citing the correctness of the information prospectus.

On 3 May 2007, the Amsterdam Court of Appeal partially amended the decision of the court of first instance, deeming that the prospectus used at the time of listing was incomplete in some of its parts and that World Online International NV should have corrected certain information relating to the shareholding held by its former chairman, reported by the media before said listing; furthermore, it was deemed that the company had created optimist expectations regarding the World Online International NV's operations. The judgment was limited to the establishment of certain forms of liability of the company and the financial institutions tasked with the stock market listing, but did not decide in relation to the existence and the amount of any damage, which will form the subject of new and separate proceedings, as yet not initiated. On the basis of this verdict, the investors who became shareholders of World Online International NV between 17 March 2000 and 3 April 2000, could take action for the compensation of the related damages by the competent Court.

On 24 July 2007, the Dutch association and the foundation mentioned above submitted an appeal by the Dutch Supreme Court against the sentence of the Court of Appeal. On 2 November 2007, World Online International NV and the financial institutions tasked with the stock market listing filed their counter appeal. Similar proceedings have an average duration of between approximately 15 and 18 months and it is currently not possible to make any forecasts regarding the outcome of these proceedings.

A dispute of a similar nature to the one described above was brought by another Dutch foundation, Stichting Van der Goen WOL Claims, in August 2001, and letters were subsequently received from other parties, in which the possibility of proceeding with similar actions, if the conditions were met, was suggested.

In relation to these disputes, which are potentially significant, there is currently no definite concrete information that would enable the quantification of the potential liability. Therefore, no provision has been made in the financial statements.

KPNQWest Bankruptcy dispute

The subsidiary Tiscali International Network BV is involved in a dispute instigated by the receivers of the company KPNQWest Bankruptcy, a joint venture formed between the Dutch KPN and the US Qwest, currently in liquidation. The dispute, which arose in previous years, concerns a 5-year IRU agreement entered into between Tiscali International Network BV and KPNQWest, involving the payment by the former of an amount of EUR 3.1 million for the performance of services by the latter. Following the liquidation of KPNQWest, the provision of services was interrupted after only 5 months and Tiscali International Network BV received and settled invoices for the sum of EUR 1.5 million. KPNQWest has demanded payment of the entire amount established in the agreement.

Tiscali has in turn objected to a demand for payment of this amount given the damages incurred from the interruption of the service. On 17 March 2006, Citybank (acting as liquidator of KPNQwest) filed a request for a summary seizure for a value of around EUR 5 million of the bank current accounts of Tiscali International Network BV which did not bring about any significant result.

The dispute, which is not expected to be concluded over the short-term, is still underway, but it is not expected to lead to significant liabilities.

Mobistar dispute

The indirect subsidiary, Tiscali International BV, is involved in a dispute brought by the company Mobistar NV (a Wanadoo Group company) in June 2006. The dispute concerns the termination by Wanadoo Belgium of a dial-in traffic termination agreement with Mobistar NV, following the acquisition in Spring 2003 by Tiscali Belgium of 100% of Wanadoo Belgium's shares. The contract for the sale of the Wanadoo Belgium shares between Wanadoo SA and Tiscali Belgium provided for the possibility of early termination of the Contract, a circumstance also confirmed by Tiscali's legal advisors.

Mobistar has however opposed this early termination.

Subsequently, Tiscali Belgium sold Wanadoo Belgium to Scarlet. On the basis of the contract for the sale of the Wanadoo Belgium shares by Tiscali Belgium to Scarlet, Tiscali is liable to Scarlet for Mobistar claims with reference to the termination of the Contract.

Tiscali has summoned (i) Wanadoo SA – responsible in accordance with the contract for the sale of the Wanadoo Belgium shares to Tiscali Belgium, (ii) the legal advisors for the purchase transaction – who issued an erroneous opinion on the possibility of terminating the Contract - and (iii) the respective insurance company.

The amount petitioned is EUR 4 million, however Tiscali believes that this should be reduced (i) by around EUR 1 million on the basis of the correct interpretation of the Contract, and (ii) by a further amount, as the summoning of Wanadoo and the legal advisors by Tiscali should at least diminish the extent of its liability. During this initial stage of the proceedings, Tiscali believes that it has no liability whatsoever; however, given the complexity of the dispute and the number of parties involved, forecasting the possible outcome is complex. Despite the fact that the possibility of settling this dispute with a payment of approximately EUR 400,000 has been put forward, Tiscali intends to continue its legal defence, unless the outcome of the current negotiations is positive. No provisions were made in the financial statements at 30 September 2007 by Tiscali International BV.

Ecotel Communication AG/Tiscali

On 19 October 2007, Ecotel Communication AG (Ecotel) - the company to which the Tiscali Group during the first half of 2007 transferred its German B2B operations for around EUR 18.5 million, sent Tiscali a letter by means of which – in relation to the purchase/sale contracts stipulated with Tiscali Business GmbH on 3 February 2007 and signed by Tiscali in its capacity as guarantor – it challenged the company that certain income values pertaining to the activities acquired were not correctly represented during the negotiations and in the related purchase agreement and requested the Company to initiate an independent appraisal into these values. Therefore, as a consequence of the alleged deviation from the real values, Ecotel claims to have suffered a loss during its operations, estimated at an effective total of at least EUR 15 million. The Company has contested the contents of this letter in full.

In accordance with the arbitration clause contained in the agreement for the sale of the German operations, on 21 April 2008 Ecotel initiated the arbitration proceedings citing Tiscali Business Gmbh and Tiscali as jointly liable. Ecotel has requested compensation for the damages suffered valued at a total of EUR 15.2 million plus any other damages and other accessory costs. Tiscali and Tiscali Business Gmbh have appeared in the proceeding contesting the charges. The arbitration proceeding is being conducted in Frankfurt (Germany) and its duration is estimated at 12-24 months.

The Company believes that Ecotel Communication AG's claims are unfounded, not only on the merits of the case, but also in consideration of the settlement agreement reached on 24 August 2007 between Tiscali Group companies and the Group heading up the Ecotel Communication AG, according to which the parties had agreed the amount of the income values pertaining to the assets sold. Therefore, the Company has not made any provision in the financial statements in relation to this dispute.

38.2 Tax assessments

The Dutch tax authorities forwarded World On Line International NV (and the direct subsidiary Tiscali International BV) a number of notices of assessment concerning the alleged non-payment of withholdings on remuneration and stock options awarded in previous years to Group executives. The total amount of these claims is EUR 2 million, against which Tiscali International BV has made payments totalling around EUR 0.3 million. The residual amount mainly refers to stock options which are alleged to have been granted to Mr. Landefeld (a person who is moreover resident for tax purposes in Germany) and, in the opinion of Tiscali's tax advisors, not subject to taxation on the Netherlands. Given this circumstance and considering that this dispute is in the initial stages, it has been decided that the liability cannot be considered likely and therefore no related provision has been made.

During 2006, a tax assessment was initiated relating to VAT and direct taxation regarding the German subsidiaries of the Tiscali Group for the tax periods 2000-2004.
The tax assessments for VAT purposes, still underway, have so far indicated assessed liabilities for the tax periods 2000-2003 for the purposes of indirect taxation totalling EUR 726 thousand,

plus interest. At the moment, no tangible risk of penalties is considered to exist for the 2004 tax period.

With regard to the tax assessments relating to direct taxation in Germany (Corporate and Trade Tax), the assessment procedures have concluded. The assessment reports received disclose tax liabilities payable solely by the parent company Tiscali Deutschland GmbH for a total of approximately EUR 400 thousand, plus interest, already paid in 2007.

39. Segment reporting (by geographical area and business segment)

Tiscali Group's operations and the related strategies, together with the operations of its subsidiaries, are structured and broken down according to geographic segment, and this therefore represents the primary segment for segment reporting purposes, as required by IAS 14. The geographical areas mainly consist of:

- Italy
- UK
- TiNet
- Corporate and other businesses: minor Italian companies and corporate activities.

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

Income statement

30 June 2008 EUR 000	**Italy**	**United Kingdom**	**TiNet**	**Corporate Other businesses**	**Netting off adjustmen ts**	**Total**
Revenues						
From third parties	149,507	362,294	13,929	9,442	-	535,172
Intra-group	8,567	6,346	3,293	8,329	(26,535)	-
Total revenues	**158,074**	**368,640**	**17,222**	**17,771**	**(26,535)**	**535,172**
Operating result	**(9,179)**	**(28,671)**	**(6,383)**	**11,514**	**-**	**(32,719)**
Portion of results of equity inv. carried at equity						**(305)**
Net financial income (charges)						(34,804)
Pre-tax result						(67,828)
Income taxes						(4,774)
Net result from operating activities (on-going)						(63,054)
Result from assets disposed of and/or						-
Net result						**(63,054)**

30 June 2007 EUR 000	**Italy**	**United Kingdom**	**TiNet**	**Corporate Other businesses**	**Netting off adjustmen ts**	**Total**
Revenues						
From third parties	128,057	244,020	11,064	9,911	-	393,053
Intra-group	11,678	9,162	3,038	6,999	(30,877)	-
Total revenues	**139,735**	**253,182**	**14,103**	**16,910**	**(30,877)**	**393,053**
Operating result	**(3,347)**	**(12,677)**	**(211)**	**(8,905)**	**(3,357)**	**(28,496)**
Portion of results of equity inv. carried at equity						**(422)**
Net financial income (charges)						(44,654)
Pre-tax result						(73,572)
Income taxes						2,082
Net result from operating activities (on-going)						(75,654)
Result from assets disposed of and/or						95,798
Net result						**20,144**

40. TRANSACTIONS WITH RELATED PARTIES

Transactions with unconsolidated Group companies

The Group does not have significant transactional relationships with its unconsolidated companies.

Transactions with other related parties

During the period, the Tiscali Group had a number of dealings with related parties, under conditions considered normal on the respective reference markets, taking into account the characteristics of the goods and services provided.
The table below summarises the balance sheet and income statement values recorded in the Tiscali Group's consolidated financial statements at 30 June 2008 arising from transactions with related parties.

The most significant balances, at 30 June 2008, summarised by supplier of the services, are as follows:

INCOME STATEMENT VALUES *EUR 000*	**Notes**	June 2008 (Group)	June 2007 (Group)
Shardna	1	-	29
Interoute	2	(463)	(415)
Leadsatz GmbH	3	(47)	(390)
Bizzarri Francesco	4	(37)	(32)
Borghesi e Colombo Associati Srl	5	-	-
Studio Racugno	6	(35)	-
TOTAL SUPPLIERS OF MATERIALS AND SERVICES		**(582)**	**(808)**
Andalas SA	7	(1,343)	(897)
TOTAL		**(1,925)**	**(1,705)**

BALANCE SHEET VALUES *EUR 000*	**Notes**	June 2008 (Group)	December 2007 (Group)
Shardna	1	331	331
Interoute	2	(179)	(75)
Leadsatz GmbH	3	-	(7)
Bizzarri Francesco	4	(37)	(25)
Borghesi e Colombo Associati Srl	5	-	(270)
Studio Racugno	6	-	(23)
TOTAL SUPPLIERS OF MATERIALS AND SERVICES		**115**	**(70)**
Andalas SA	7	(28,824)	(30,086)
TOTAL		**(28,709)**	**(30,156)**

(1) *Shardna S.p.A.* is a company invested in by the majority shareholder Renato Soru. The dealings, maintained by the Parent Company, relate to the sub-letting of the Tiscali offices in the suburbs of Cagliari.

(2) *Interoute* is a group entirely owned by the Sandoz Family Foundation, a Tiscali shareholder. The costs incurred during the year refer to purchases made by Tiscali Italia S.p.A. in relation to dark fibre and related maintenance.

(3) Leadsatz GmbH: company with which an outsourcing agreement has been entered into for the Portal area of the German subsidiaries subject to disposal. Mr. J. Maghin, director of Leadsatz GmbH was also, during 2007, minority shareholder of Ishtari Gmbh (company invested in by Tiscali Deutschland Gmbh).

(4) Mr. F. Bizzarri, member of Tiscali Spa's Board of Directors, has entered into an IPTV consultancy contract with the Parent Company and with the subsidiary Tiscali Italia S.p.A..

(5) Studio Borghesi e Colombo Associati Srl: the director Arnaldo Borghesi, member of Tiscali S.p.A.'s Board of Directors, provides Tiscali S.p.A. with consultancy services as part of extraordinary finance transactions.

(6) Studio Racugno: the director Gabriele Racugno, member of Tiscali S.p.A.'s Board of Directors, provides Tiscali Italia S.p.A. and Tiscali Service S.p.A. with legal and out-of-court assistance mainly concerning financial and intellectual property contractual matters.

(7) As indicated in the explanatory notes, the shareholder *Andalas Limited* granted a loan in 2004 bearing interest at market rates. The loan agreement explicitly envisages subordination with respect to the other debts of the Tiscali Group.

41. LIST OF SUBSIDIARIES INCLUDED IN THE CONSOLIDATION AREA

A list of the subsidiary companies included within the consolidation area on a line-by-line basis is presented below.

Company name	Country	% investment
Tiscali S.p.A.	Italy	
Quinary S.p.A.	Italy	85.0%
Tiscali Telecomunicaciones Sa *(disposed of in 2007)*	Spain	99.99%
Tiscali Services S.p.A.	Italy	100.0%
Tiscali Italia S.p.A.	Italy	100.0%
Tiscali Finance Sa	Luxemburg	100.0%
Tiscali Finance Service SA	Luxemburg	100.0%
Tiscali Deutschland Gmb	Germany	100.0%
Tiscali GmbH	Germany	100.0%
Tiscali Comunications Gmbh *(disposed of in 2007)*	Germany	100.0%
Tiscali Breidband Gmbh *(disposed of in 2007)*	Germany	100.0%
Tiscali Verwaltungs Gmbh	Germany	100.0%
Tiscali Business Solution GmbH & Co KG	Germany	100.0%
Tiscali Network Gmbh	Germany	100.0%
ishtari GmbH	Germany	51.0%
World Online International Nv	The Netherlands	99.5%
Tiscali International Bv	The Netherlands	99.5%
Tiscali B.V.	The Netherlands	99.5%
World Online Portal BV.	The Netherlands	99.5%
Myt Vision Bv	The Netherlands	99.5%
Xoip BV	The Netherlands	99.5%
Tiscali Media Service BV	The Netherlands	99.5%
Wolstar B.V. in liq.	The Netherlands	49.7%
Tiscali Partner B.V.	The Netherlands	99.5%
12 Move Vof	The Netherlands	99.5%
Tiscali Finance BV	The Netherlands	99.5%
Tiscali International Network B.V.	The Netherlands	99.5%
Tiscali International Network SpA	Italy	99.8%
Tiscali International Network SA (in liquidation)	France	99.5%
Tiscali International Network SAU (in liquidation)	Spain	99.5%
Tiscali International Network GmbH	Germany	99.5%
Tiscali International Network Ltd	UK	99.5%
Tiscali International Network USA	USA	99.5%
Tiscali Business International Ltd	UK	99.5%
Green Dot Property Man Ltd	UK	99.5%
World Online Ltd.	UK	99.5%
World Online Telecom Ltd.	UK	99.5%
Tiscali Holdings UK Ltd	UK	99.5%
Tiscali Uk Ltd	UK	86.3%
Tiscali Network Distribution Ltd	UK	86.3%
Video Network Ltd	UK	86.3%
VNL Sports Ltd	UK	86.3%
VNL Trustees Ltd	UK	86.3%
VNL Videonet Ltd	UK	86.3%
Unviersal Sports Ltd	UK	86.3%
Switch 2 Telecom Ltd	UK	86.3%
Toucan Residential Ireland Ltd	UK	86.3%
Toucan Residential Ltd	UK	86.3%
Pipex Homecall Ltd	UK	86.3%
Homecall Payment Serv Ltd	UK	86.3%
Pipex InternetLtd	UK	86.3%
Freedom 2 Surf Ltd	UK	86.3%
Freedom 2 Surf Registr Serv Ltd	UK	86.3%
Pipex Broatband Ltd	UK	86.3%
Higwai One Ltd	UK	86.3%
Pipex Networks Ltd	UK	86.3%
Freedom 2 Serf Cons. Serv. Ltd	UK	86.3%
Accent UK Ltd	UK	86.3%
Nildram Ltd	UK	86.3%
Trinite Ltd	UK	86.3%
Trinite Services Ltd	UK	86.3%
Pipex Comm. Serv. Ltd	UK	86.3%
GX Network Twelve Ltd	UK	86.3%
Homecall (UK) Ltd	UK	86.3%

Tiscali Business UK Ltd	UK	99.5%
Tiscali Business GmbH	Germany	99.5%
Necamar Gmbh *(disposed of in 2007)*	Germany	99.5%
Nacamar Ltd (*wound up in 2007)*	UK	99.5%
Tiscali Espana SA (in liquidation)	Spain	99.5%
TISCALI Telekomunikace Ceská republika s.r.o. *(disposed of in 2007)*	Czech Republic	99.5%
Tiscali Network s.r.o.	Czech Republic	99.5%

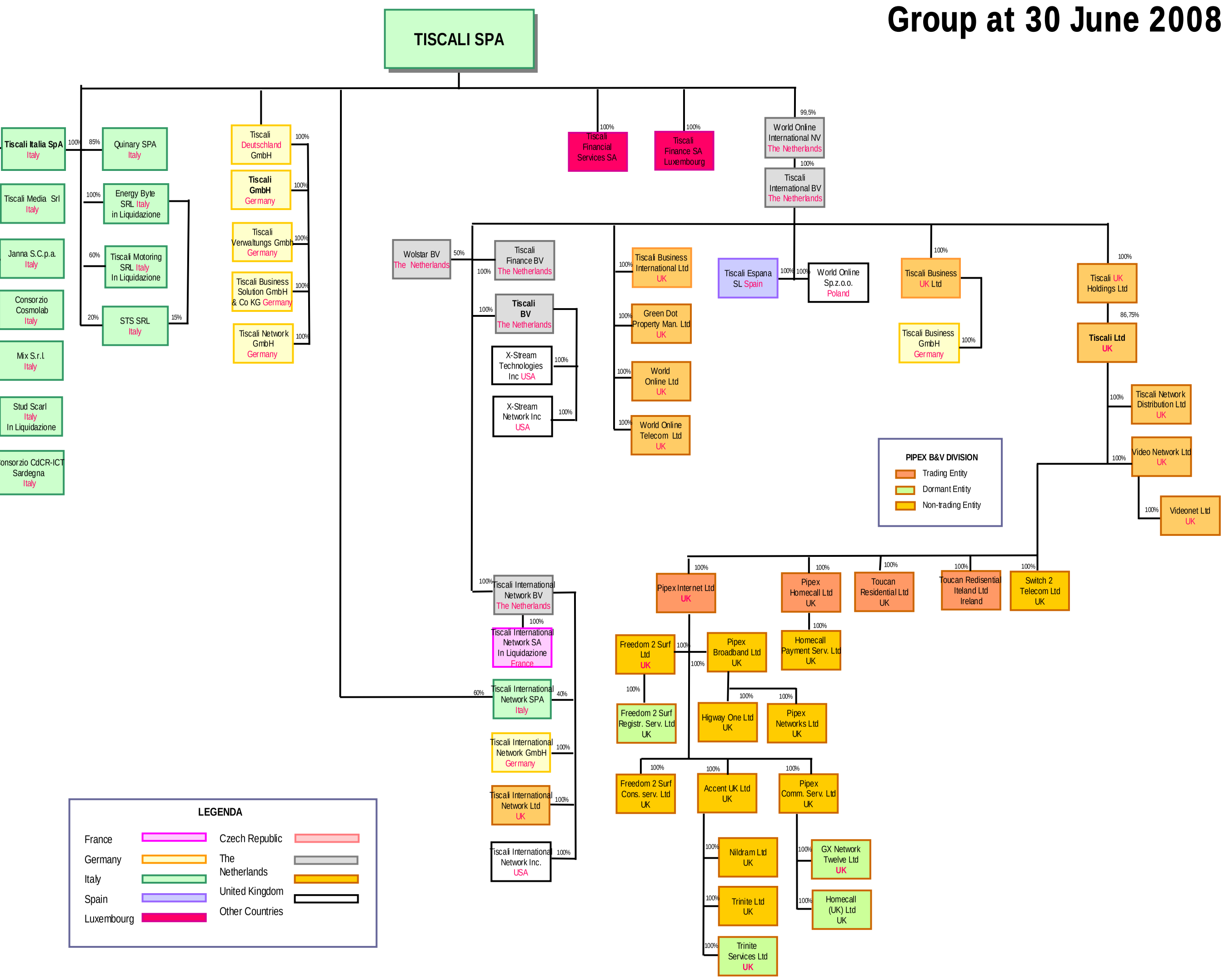
List of equity investments carried at equity

Company name	Country	% investment
Energy Byte Srl (*in liquidation*)	**Italy**	**100%**
Connect Software Inc.	USA	100%
Tiscali Motoring Srl (*in liquidation*)	Italy	60%
Gilla Servizi Telecomuncaz Srl *(wound up in 2007)*	Italy	20%
STS S.r.l.	Italy	35%
Tiscali Media Srl	Italy	100%
STUD Soc. Consortile a.r.l.	Italy	33.33%

List of equity investments in other companies carried at cost

Company name	Country
Mix S.r.l.	Italy
Janna S.c.p.a.	Italy
CdCR-ICT Consortium	Italy
Cosmolab Consortium	Italy
World Online s.r.o.	Czech Republic
X-Stream Netwok Inc	USA
X-Stream Netwok Tecnologies Inc	USA
World Online Kft	Hungary
World Online Poland Sp Z.O.O.	Poland
Waille BV	The Netherlands

Group at 30 June 2008



42. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In the first half of 2008 there were no significant events and/or transactions to report.

43. POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

During the first half of 2008 there were positions or transactions deriving from atypical and/or unusual operations to report.

44. SIGNIFICANT EVENTS TO REPORT AFTER THE END OF THE HALF YEAR

In view of the developments within the business environment and the strategic review process still underway and in line with its operational plans, the Company has initiated a review of its business targets with the aim of approving a new Business Plan in the fourth quarter of this year.

In view of the Sterling devaluation of over 10% against the Euro compared to the exchange rate used in the Business Plan disclosed to the market on 27 November 2007 and also in light of the changes in the conditions of the market for broadband access and telecommunication services in general, the Company, on a preliminary basis, considers that the new targets for the group for the current year will be:

Revenues: between EUR 1.0 and 1.1 billion
EBITDA: between EUR 220 and 230 million

The setting out of the new plans and targets will in any case be determined by the evolution of the strategic review process underway, which may envisage new strategic directions including possible combination and consolidation scenarios that could have a substantial impact on Tiscali Group's operations.

Moreover, the Board of Directors on 7 August 2008 appointed Romano Fischetti (Head of Planning, Reporting and Control) as Manager in charge of drawing up the corporate accounting documents.

On behalf of the Board of Directors
The Chairman
Mario Rosso

ATTESTATION OF THE HALF YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF ITALIAN LEGISLATIVE DECREE 59/98

1. We, the undersigned, Mario Rosso, Chief Executive Officer, and Romano Fischetti, Manager responsible for preparing Tiscali SpA's financial reports, having also considered the provisions of art. 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree n. 58 dated February 24, 1998, hereby declare:

    - the adequacy in relation to the Group's characteristics and
    - the effective application

    of the administrative and accounting procedures used in the preparation of the condensed consolidated half yearly financial statements.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half yearly financial statements was carried out according to the regulations and methodologies defined by Tiscali S.p.A. according to the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission,* a body of general reference principles for internal audit systems that is generally accepted worldwide.

3. The undersigned also declare that:

3.1 the half yearly condensed consolidated financial statements:

a) have been prepared in compliance with the applicable International Financial Reporting Standards as endorsed by the European Union pursuant to regulation (EC) n. 1606/2002 of the European Parliament and Council of 19 July 2002 and in particular IAS 34, *Interim Financial Statements* as well as the measures enacted for the implementation of article 9 of Legislative Decree n. 38/2005.

b) agree with the results of the accounting books and entries;

c) provide a true and fair representation of the financial condition, results of operations and cash flows of the company and the aggregate of the companies included in the consolidation area.

3.2. the interim management report contains an analysis of important events which took place during the first six months of the year and their impact on the half yearly condensed consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year.

Milan, 7 August 2008

Chief Executive Officer	Manager responsible for the company's financial reports
Mario Rosso	Romano Fischetti

APPENDIX: GLOSSARY

Shared access	a technique for unbundled access to the local network in which the former monopoly operator leases to other operators a part of the line spectrum: with this portion of the spectrum the operator is able to provide broadband services, while the former monopoly operator continues to provide telephone services from the portion of the spectrum which is not leased.
ADSL	an acronym for Asymmetric Digital Subscriber Line, an asymmetric DSL technology (the reception band is larger than the transmission band) which allows access to high speed internet.
ADSL2+	ADSL technology which extends the capacity of the SDSL base by doubling the flow of bits when downloading. The bandwidth can reach 24 Mbps when downloading and 1.5 Mbps when uploading and depends on the distance between the DSLAM and the customer’s house.
ARPU	The average revenue per user from fixed telephony and mobile services calculated within a specific period for the average number of Tiscali Group customers or active customers (for other operators) in the same period.
Bit stream	Bit stream (or numerical flow) service: a service which consists of an operator that provides access to a public fixed telephone network providing transmission capacity between the location of a final user and the point at which an operator or ISP wishing to offer the broadband service to the financial user is located.
Broadband	a data transmission system in which data is sent simultaneously in order to increase the actual transmission speed with a flow of data equal to or higher than 1.5 Mbps.
Broadcast	Simultaneous transmission of information to all nodes of a network.
Access payment	This is the amount charged by domestic operators for each minute operators of other networks use their network. This is also called the “interconnection charge.”
Carrier	A company that physically provides a telecommunications network.

Co-location Dedicated spaces located at the facilities of the incumbent operator for installation of Tiscali's own network equipment.

CPS acronym for Carrier Pre Selection, a system for operator pre-selection: this makes it possible for an operator/supplier of local services to automatically route the calls to the network selected by the customer, who is no longer required to key in specific selection codes.

CS acronym for Carrier Selection, a system for operator selection: It allows a customer to select a long distance domestic or international operator, other than the operator that the customer has entered into a contract with for network access, by keying in a specific code.

Business customers SoHos, small, medium and large sized companies.

Consumer customers customers who subscribe to the plans created for families.

Dial Up connection to the internet via narrowband through a regular telephone call, which is usually charged according to the usual tariff.

Digital This is a way of representing a physical variable using a language that employs only the numbers 0 and 1. The numbers are transmitted in binary form as a series of pulses. Digital networks which are quickly replacing old analogue networks, allow for increased capacity and more flexibility through the use of computerized technology for the transmission and manipulation of calls. Digital systems allow for less noise interference and can include cryptography as protection from external interference.

Double Play Combined internet and fixed telephony access.

DSL *Network* An acronym of Digital Subscriber Line Network, which is a network constructed from existing telephone lines with DSL instruments and technologies which, through sophisticated modulation mechanisms, allow data packaging on copper wires so that a switching centre can be connected with a home or an office.

DSLAM	An acronym for Digital Subscriber Line Access Multiplexer, a multiplexing apparatus used in DSL technologies that provides high speed data transmission via a telephone line, where a multiplexing apparatus is one that allows information (voice, data, video) to be transmitted in flows through direct connections that are continuous between two different points on a network.
Fibre optics	Thin glass, silicon or plastic fibres that constitute the basis of an infrastructure for the transmission of data. A fibre cable contains various individual fibres, each of which is able to convey the signal (impulses of light) and has a practically unlimited length. These are usually employed for long distance transmissions and the transferral of "heavy data" so that the signal arrives protected from the disturbances it may encounter during its course. The transport capacity of a fibre cable is quite superior to that of traditional cables and copper lines.
GigaEthernet	a term used to describe the various technologies that use the nominal velocity of an Ethernet network (the standard card and cable protocol for rapid connection between computers in a local network) up to 1 gigabit per second.
Home Network	a local network composed of different types of terminals, equipment, systems and user networks, with relative applications and services, including all equipment installed on the user's side.
Hosting	**a service which consists of allocating the pages of a web site to a web server, thereby making them accessible via the internet.**
Incumbent	ex-monopoly operator who is active in the telecommunications sector.
IP	acronym for Internet Protocol, which is an inter-networking protocol created in order to interconnect all networks that are heterogeneous insofar as technology, performance and administration.
IPTV	acronym for Internet Protocol Television, a technology which uses the IP transport infrastructure to route television content in digital form, using an internet connection.

IRU acronym for Indefeasible Right of Use, which refers to long term agreements that give the lessee the right to use the fibre optic network of the leaser for a long period of time.

ISDN acronym for Integrated Service Digital Network, which is a narrowband telecommunications protocol able to transport different types of information coded in digital form, in an integrated manner (voice, data, text, images) and over the same transmission line.

Internet Service Provider or ISP a company that provides access to the internet to individual users or organizations.

Leased lines a transmission capacity line made available through transmission capacity leasing contracts.

MAN acronym for Metropolitan Area Network, the fibre optic network that covers entire metropolitan networks and connects to the core network through the access network.

Mbps acronym for megabits per second, a unit of measure that indicates the capacity (and therefore the speed) of transmission of data on an information network.

Modem Modulator/demodulator. This is a device which modulates digital data in order to allow it to be transmitted through analogue channels, which usually consist of telephone lines.

MSAN acronym for Multi-Service Access Node, a platform that is able to transport over an IP network a combination of traditional services and which supports a variety of access technologies such as the traditional telephone line (POTS), the ADSL2+ line, the symmetrical SHDSL line, VDSL and VDSL2, both through copper and fibre networks.

MVNO acronym for Mobile Virtual Network Operator: an entity that offers mobile telecommunications services to the public, using its own mobile network switching facilities, HLR, mobile network code (MNC), customer management structure (marketing, invoicing, assistance) and which issues its own SIM card, but which does not have the assigned frequency resources and uses, for access, agreements acquired through negotiations or by regulation with one or more operators of mobile networks,

Narrowband connection to a data network, i.e., the Internet, is established through a telephone call. In this type of connection, the entire bandwidth of the transmission medium is used as a single channel: One single signal occupies the entire band available. The bandwidth of a communication channel identifies the maximum quantity of data that can be transported by the transmission medium within a unit of time. The capacity of a communication channel is limited both by the frequency interval that the medium can sustain and by the distance to be covered. An example of a narrowband connection is the common narrowband connection via a 56 kbps modem.

OLO acronym for Other Licensed Operators, which are operators other than the dominant operator that operate on the domestic market for telecommunications services.

Pay-Per-View a system through which a viewer pays to view a single program (such as a sports event, film or concert) at the time it is transmitted or streamed.

Pay TV Television channels which must be paid for in order to be viewed. In order to receive Pay TV or Pay-Per-View programmes, a decoder must be connected to the television and an access system must be available.

Platform This consists of the total inputs, including hardware, software, operating equipment and procedures, required to produce (production platform) or manage (management platform) a particular service (service platform).

POP acronym of Point of Presence, the location in which the telecommunications apparatuses are installed and which is also a network node.

Portal a website which is an entry point to a group of Internet resources or an Intranet.

Router a hardware instrument or in certain cases software, which identifies the next point on the network the packet of data received should be forwarded to, routing this data packet towards its final destination,

Service Provider	An entity that provides final users and content providers with a range of services, including a proprietary, exclusive or third party service centre.
Server	an IT component that provides services to other components (usually called clients), through a network.
Set-top-box or STB	a device able to manage and transmit data, voice and TV that are installed at the end client.
SoHo	acronym for Small Office Home Office, small offices, mainly professional offices or small scale activities.
SHDSL	acronym for Single-pair High-speed Digital Subscriber Line. SHDSL is a technology for telecommunications that belongs to the xDSL family and which is achieved through direct interconnection in ULL and allows connection of high speed data balanced in both directions (transmission and reception).
Triple Play	a combined offer of fixed and/or mobile telephony services, Internet and/or TV provided by a single operator.
Unbundling of the local loop or ULL	disaggregated access to the local network, i.e., the option that telephone operators have had since the telecommunications market was liberated to use existing infrastructures constructed by another operator, to offer customers its own services, by paying a rent to the operator that owns the infrastructure.

VAS acronym for Value Added Services; the value added services provide a higher functional level compared to the basic transmission services offered by a telecommunications network for transferral of information between its terminals. They include analogue voice communications switched over via cable or wireless; direct digital point to point service "without restrictions" at 9,600 bit/s; packet switching (virtual call); analogue transmission and broadband directed by TV signals and additional services, such as closed user groups; call waiting; collect calls; call forwarding and caller identification. The value added services provided by the network, terminals or specialised centres include message handling services (MHS) (which can be used, among other things, for commercial documents according to a predetermined form); electronic listing of users, network addresses and terminals; email; fax; teletext; videotext and videophone. Value added services can also include voice value added services such as toll free numbers or paying telephone services.

VOD. acronym of Video on Demand, which is the provision of television programs on demand of the user against payment via subscription or an amount for each program (a film or soccer game) purchased. Distributed in a special way for satellite television and cable TV.

VoIP Acronym for Voice over Internet Protocol, a digital technology that allows transmission of voice packets through Internet, Intranet, Extranet and VPN networks. The packets are transported according to H.323 rules, this being the ITU (International Telecommunications Union) standard which constitutes the basis for data, audio, video and communications services on IP type networks.

VPN acronym for Virtual Private Network, which is a virtual private network on the Internet or an Intranet. The data between a workstation and a server of a private network is forwarded through regular public Internet networks, but using technologies that protect against any interceptions by unauthorised persons.

Virtual Unbundling of the local loop or VULL method of accessing the local analogue network where the conditions and access terms of ULL are replicated, despite the lack of physical infrastructures. This is a temporary access mode which is generally replaced by ULL.

xDSL an acronym for Digital Subscribers Lines, a technology that uses the normal telephone line via a modem and transforms the traditional telephone line into a high speed digital connection line for data transferral. ADSL, ADSL 2, SHDSL, etc. belong to this family of technologies.

WI-FI. A service for high speed, wireless connection to the Internet.

Wi-Max acronym for Worldwide Interoperability for Microwave Access. This is a technology that allows wireless access to broadband telecommunications networks. It was defined by the WiMAX Forum, a global consortium composed of the major fixed and mobile telecommunications companies which aims to develop, promote ad test the interoperability of systems based on the IEEE 80.16-2004 standard for fixed access and IEEE.802.16e-2005 for fixed and mobile access.

Wholesale services that consist of reselling access services to third parties.