

TISCALI GROUP

INTERIM REPORT

30 JUNE 2000

FOREWORD

The interim Balance sheet and profit and loss statement as of 30 June 2000 for the Controlling Company Tiscali SpA and the consolidated financial statements for the Tiscali Group as at the same date have been prepared in accordance with CONSOB regulation n° 11971 of 14 May 1999, integrated by deliberation No. 12475 dated 6 April 2000.

The first part of this document illustrates the principles and criteria which have been followed in the preparation of the statements of the parent company and the consolidated group statements. These financial statements are complete with explanatory notes. The Group Consolidated financial statements contain comparative data for the results as at 31 December 1999 instead of 30 June 1999 given that these are the first consolidated interim financial statements of the Group.

On the other hand, the Controlling Company's financial statements included in this interim report, also contain comparative data for the corresponding six month period of the previous fiscal year.

GROUP ACTIVITY AND MARKETS SERVED

The Tiscali Group operates in Europe in the Telecommunications market, focusing especially on the Internet and telephone services sectors: it offers integrated internet access, portal services, electronic commerce, as well as innovative telephone and data transmission services.

Internet revenues mainly consisted of the sharing of earnings from telephone calls originated in companies associated with the Telecom Italia network, terminating on Tiscali Freenet numbers, from the leasing of interconnection kits to Telecom Italia, and from the fees paid by users of the interconnection service. Moreover, the Group generates revenues from advertising on the Internet, electronic commerce and domain registration. Telephone services revenues accrue from prepaid services, namely the sale of telephone cards, fixed telephone contracts (family use) and post-paid services reserved for business customers.

Internet services revenues have shown a sharp increase: in this field, the Group intends differentiating its service not only by offering the highest possible quality such as ISP, but also offering its subscribers new free services such as voice on IP, IP fax, electronic commerce and multicasting. In addition to the free services, the Group aims to offer a range of added value services while maintaining a competitive pricing strategy.

During the first half of the year 2000, the Group increased its investments for the production of Internet sites to integrate its portal with entertainment, information and culture contents.

This has allowed the Group, through the setting up of the sole agent Tiscali Advertising, to promote the sale of advertising space, with a revenue of about ITL 4 billion in the second quarter of the year only.

As at 30 June 2000, the Group recorded total revenues of EURO 68.62 million while loss before taxes amounts to EURO 36.31 million after amortisation of consolidation difference (goodwill) equal to EURO 12 million approximately.

OVERALL TRENDS IN GROUP MANAGEMENT

In the first six months of 2000, the expansion trend of the controlling company proceeded at a rapid pace. The main event of the period was the acquisition of foreign companies (affiliated/subsidiaries) which started in December 1999 and proceeded throughout the period. Thus, as of 30 June 2000, the group has enlarged its target market as ISP and is now present on the national markets of Germany, Switzerland and Belgium, while services will soon be available also in France, Spain, and the Czech Republic. This development has allowed the Controlling Company to launch an integration process which will achieve profitable synergies in both the development of production processes and the provision of services.

Group revenues have increased from EURO 8.19 million in the first six months of 1999 (a figure referred to Tiscali SpA alone) to EURO 68.62 million in the first six months of 2000. The number of Internet services subscribers has reached 2.3 million, against the 220 thousand recorded as at 30 June 1999. Indeed one of the main goals of company policy was to increase the number of subscribers, also by earmarking most of its advertising expenses, which totalled roughly EURO 13.42 million, for this objective.

FACTORS WHICH HAD A BEARING ON THE GENERAL SITUATION OF THE COMPANIES INCLUDED IN THE CONSOLIDATION

The group's economic performance was influenced by the losses of foreign subsidiaries for the amount of EURO 9.97 million, the amortisation of goodwill for participations equal to EURO 11.5 million and the losses of the Controlling Company equal to EURO 14.8 million. During the period, the Controlling Company incurred considerable expenses for advertising as well as recruitment and training of staff, development and organisation of the sales network and upgrading of operating Information Systems.

SIGNIFICANT CHANGES IN REVENUES AND EXPENSES FROM THE PREVIOUS SIX-MONTH PERIOD.

Revenues from sales and services rendered were as follows: EURO 33 million from the Internet sector, EURO 33 million from the telephone services sector and EURO 3 million of other revenues.

Revenues of foreign subsidiary/affiliated companies amounted to EURO 16 million. The main economic data for the foreign companies are listed below. The type of activity performed by the Group, which is largely homogeneous across the various countries, was not adversely affected by any particular cyclical event during the period.

<i>Euro million</i>	Nikoma	A Telecom	Datacomm	Link Line	Nets	Ideare	Interweb
Revenues	3.40	5.94	3.74	0.95	1.31	0.32	0.29
Production costs	(5.60)	(9.86)	(4.25)	(1.51)	(2.90)	(0.09)	(0.23)
Gross operating margin	(2.20)	(3.92)	(0.51)	(0.56)	(1.59)	0.23	0.06

Costs for the consumption of raw materials, supplies and consumables are largely made up of expenses incurred for the development of the free Internet access service and for the purchase of fiber-optic cabling for the Czech Republic. The related revenues are posted under the account "Other revenues".

Costs for the purchase of services made up the main cost items, and amounted to EURO 68.63 million; in particular, the main services purchased were: telephone services, telephone line rental and advertising costs.

Labour cost totalled EURO 8.7 million: it was calculated including the costs of the group's European companies, for a total of EURO 4.3 million and those of the Controlling Company amounting to EURO 4.4 million

Amortisation and depreciation amounted to EURO 17 million in total, including amortisation of goodwill.

FINANCIAL POSITION

The net financial position shows a positive balance of roughly EURO 8.5 billion, generated by an active balance of EURO 24.8 million and a debit balance of EURO 16.3 million

SUBSEQUENT EVENTS WHICH COULD HAVE RELEVANT EFFECTS ON THE OVERALL FINANCIAL AND ECONOMIC POSITION AND THE ASSETS OF THE GROUP COMPANIES

After the close of the six-month period, the Controlling Company acquired participations in the companies Quinary and Best Engineering as indicated in the additional notes of the Controlling Company.

In July 2000, the Luxembourg-based subsidiary TISCALI FINANCE SA issued a bonded loan of EURO 200 million. The loan has a duration of five years, and is to be refunded by means of a single payment.

GENERAL INFORMATION ON BUSINESS TRENDS AFTER THE END OF THE PERIOD

The second six-month period of 2000 is confirming the development trends recorded in the first period. With regards to costs, there is a greater equilibrium also thanks to the reorganisation under way in foreign subsidiary/affiliated companies.

For the Board of Directors
The Chairman

Million Euro

BALANCE SHEET - ASSETS	30-June-00	31-Dec-99	30-June-99
A) DUE FROM SHAREHOLDERS FOR CAPITAL CONTRIBUTIONS TO BE PAID:	-	-	-
B) NON-CURRENT ASSETS:			
<i>I Intangible assets:</i>			
1) Start-up and expansion costs	14.12	15.17	-
2) Costs for research, development and advertising	0.51	0.64	-
3) Industrial patent rights and rights to intellectual property	0.74	0.15	-
4) Concessions, licenses, trademarks and similar rights	11.85	1.75	-
5) Goodwill	0.48	-	-
6) Payments on account and intangible assets in course of acquisition	9.07	-	-
7) Other	1.96	0.50	-
8) Difference due to consolidation	450.74	8.57	-
Total	489.47	26.78	-
<i>II Fixed assets:</i>			
1) Land and buildings	-	-	-
2) Plant and machinery	29.36	15.27	-
3) Industrial and commercial equipment	13.54	1.88	-
4) Other fixed assets	2.06	0.07	-
5) Payments on account and fixed assets in course of acquisition	2.42	-	-
Total	47.38	17.22	-
<i>III Long-term investments</i>			
1) Investments in:			
a) Non-consolidated group companies	6.39	1.91	-
b) Affiliated companies	4.73	-	-
d) Other companies	0.38	0.07	-
2) Receivables:			
	<i>Receivable within the following FY</i>		
	<i>30/06/00</i>	<i>31/12/99</i>	
d) From others	0.91	0.02	1.29
3) Other securities	-	-	-
Total	0.91	0.02	12.79
TOTAL NON-CURRENT ASSETS	549.64	56.00	-
C) CURRENT ASSETS			
<i>I Inventories:</i>			
1) Raw materials, supplies and consumables	0.60	0.97	-
4) Finished products and merchandise	0.54	-	-
5) Down payments	0.61	-	-
Total	1.75	0.97	-
<i>II Receivables:</i>			
	<i>Receivable beyond the following FY</i>		
	<i>30/06/00</i>	<i>31/12/99</i>	
1) From customers	69.42	23.92	-
2) From non-consolidated group companies	0.48	-	-
3) From affiliated companies	0.07	0.19	-
4) From controlling companies	-	-	-
5) From others	5.23	4.15	30.00
Total	5.23	4.15	99.97
<i>III Investment other than current assets</i>			
6) Other securities	0.88	0.11	-
Total	0.88	0.11	-
<i>IV Cash and cash equivalents:</i>			
1) Bank and post-office deposits	24.26	100.34	-
3) Cash and other negotiable instruments	0.57	0.01	-
Total	24.83	100.35	-
Total current assets	127.43	135.00	-
D) ACCRUED INCOME AND DEFERRED CHARGES			
Accrued income and deferred charges	16.34	4.38	-
Total accrued income and deferred charges	16.34	4.38	-
TOTAL ASSETS	693.41	195.38	-

Million Euro

BALANCE SHEET - LIABILITIES		30-June-00	31-Dec-99	30-June-99
A) SHAREHOLDER'S EQUITY:				
Group				
I	Share capital	0.86	0.81	-
II	Share premium reserve	582.58	142.66	-
VII	Other reserves			
	- Reserve for capital account payments			-
	- Subsidiaries' undistributed profits (losses) and other reserves	-	0.07	-
VIII	Retained earnings (losses carried forward)	(5.54)	-	-
IX	Profit (loss) for the FY	(35.31)	(5.53)	-
Total shareholders' equity (Group)		542.59	138.01	-
Of third parties				
X	Third parties' equity and reserves	4.19	-	-
XI	Profit (loss) for the FY	(1.01)	-	-
Total third parties' equity		3.18	-	-
Total shareholders' equity		545.78	138.01	-
B) RESERVES FOR RISKS AND FUTURE LIABILITIES:				
3)	Other	2.49	0.01	-
4)	Consolidation provision for future risks and liabilities			-
Total reserves for risks and future liabilities		2.49	0.01	-
C) STAFF SEVERANCE INDEMNITY RESERVE		0.42	0.20	-
D) LIABILITIES:				
		<i>Due beyond the following FY</i>		
		<i>30/06/00</i>	<i>31/12/99</i>	
3)	Due to banks	0.35	-	16.30
4)	Other short-term financing	-	11.02	-
5)	Advance payments	-	-	0.01
6)	Trade accounts payable	0.93	-	96.24
7)	Credit instruments payable	-	-	0.76
8)	Due to non-consolidated group companies	-	-	-
9)	Due to affiliated companies	-	-	1.15
11)	Taxes payable	-	-	1.22
12)	Due to social security institutions	-	-	0.57
13)	Other payables	11.34	-	25.19
Total payables		12.62	11.02	141.44
E) ACCRUED LIABILITIES AND DEFERRED INCOME				
Accrued liabilities and deferred income		3.28	4.92	-
Total accrued liabilities and deferred income		3.28	4.92	-
TOTAL LIABILITIES		693.41	192.32	-

Million Euro

<i>MEMORANDUM ACCOUNTS</i>	<i>30-June-00</i>	<i>31-Dec-99</i>	<i>30-June-99</i>
A) GUARANTEES GIVEN:			
1) <i>To third parties:</i>			
a) Sureties	5.10	9.35	-
b) Other	-	3.10	-
Total	5.10	12.45	-
TOTAL GUARANTEES GIVEN	5.10	12.45	-
B) OTHER MEMORANDUM ACCOUNTS			
- Warrants	10.58	5.00	-
- Commitments	28.81	-	-
TOTAL OTHER MEMORANDUM ACCOUNTS	39.39	5.00	-
C) GUARANTEES RECEIVED:			
1) <i>From third parties and group companies:</i>			
a) Sureties	0.83	0.83	-
TOTAL GUARANTEES RECEIVED	0.83	0.83	-
TOTAL MEMORANDUM ACCOUNTS	45.32	18.28	-

Million Euro

PROFIT AND LOSS STATEMENT		30-June-00	31-Dec-99	30-Dec-99
A)	(+) VALUE OF PRODUCTION:			
1)	Revenues from sales and services	65.48	32.73	-
4)	Increase in assets for work in progress	-	-	-
5)	Other revenues and income	-	-	-
-	<i>Other revenues and income</i>	3.14	0.07	-
Total		68.62	32.80	-
B)	(-) COSTS OF PRODUCTION:			
6)	For raw materials, supplies, consumables and goods	(3.23)	(2.61)	-
7)	For services	(68.63)	(32.51)	-
8)	For rentals	(2.30)	(0.44)	-
9)	For personnel:			
a)	<i>Salaries and wages</i>	(7.62)	(2.90)	-
b)	<i>Social security charges</i>	(0.80)	(0.22)	-
c)	<i>Provision for staff severance indemnities</i>	(0.23)	(0.18)	-
e)	<i>Other expenses</i>	(0.04)	(0.02)	-
10)	Depreciation, amortization and writedowns:			
a)	<i>Amortization of intangible assets</i>	(14.35)	(2.25)	-
b)	<i>Depreciation of fixed assets</i>	(2.88)	(1.17)	-
d)	<i>Writedowns of current receivables</i>	(1.27)	(0.29)	-
11)	Changes in inventories of raw materials, supplies & consumables	(0.56)	(0.85)	-
12)	Risk provisions	-	(0.01)	-
13)	Other provisions	(0.01)	-	-
14)	Other operating expenses	(0.51)	(0.46)	-
Total		(102.44)	(42.21)	-
(A - B)	DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	(33.82)	(9.41)	-
C)	FINANCIAL INCOME AND CHARGES:			
16)	<i>(+) Other financial income</i>			
c)	From securities registered in the current assets other than participations	0.01	-	-
d)	Income other than the above:			
-	From third parties	0.95	0.66	-
-	From subsidiary companies	-	-	-
17)	<i>(-) Interest and other financial charges:</i>			
a)	Due to third parties	(1.64)	(0.59)	-
Total		(0.68)	0.07	-
D)	VALUATION ADJUSTMENT TO FINANCIAL ASSETS			
19)a)	<i>(-) Devaluations of participations</i>	-	(0.15)	-
Total		-	(0.15)	-
E)	EXTRAORDINARY INCOME (CHARGES)			
20)	<i>(+) Extraordinary income:</i>			
a)	Income	0.40	-	-
21)	<i>(-) Extraordinary charges:</i>			
a)	Charges	(2.21)	(0.05)	-
c)	Taxes accrued in previous accounting periods	-	-	-
Total extraordinary items		(1.81)	(0.05)	-
<i>Total before taxes</i>		(36.31)	(9.54)	-
22)	<i>(-) Income taxes for the financial year:</i>			
a)	Current	-	-	-
b)	Paid in advance	-	4.01	-
TOTAL NET PROFIT (LOSS)		(36.31)	(5.53)	-
Profit (loss) for the FY pertaining to third parties		1.01	-	-
23)	PROFIT (LOSS) FOR THE FY	(35.31)	(5.53)	-

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS

FOREWORD

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On the other hand, the Controlling Company's Financial Statements included in this interim report also contain comparative data for the corresponding six month period of the previous fiscal year.

CONSOLIDATION AREA

The consolidated financial statements of the Tiscali Group include the financial statements of the Controlling Company and those of the Italian and foreign companies in which Tiscali has direct or indirect control of the majority of votes exercisable during ordinary meetings, the companies in which Tiscali controls sufficient votes to exercise a dominant influence in ordinary meetings, subject to applicable laws, and companies in which Tiscali exercises autonomous control of a majority of votes thanks to agreements with other shareholders. The companies consolidated by means of the integral method are listed in the attached table. Those participations which were not fully operating as of 30 June 2000 are consolidated by means of the shareholders' equity method.

CONSOLIDATION PRINCIPLES

These interim consolidated financial statements and notes have been prepared posting in their entirety the assets and liabilities as well as the revenues and charges of the companies included in the consolidation. In the event of participations acquired during the period, the financial statements of the subsidiary or affiliated company are integrally consolidated from the date in which the controlling situation as defined by law commenced, whereas the values of the profit and loss statement are entered from the date of acquisition of control over the subsidiary/affiliated company. In the consolidated profit and loss statement, the result obtained by the subsidiary/affiliated company before acquisition date is subtracted from the group consolidated performance and is posted under the profit (loss) carried forward. This result is taken into account when establishing the difference due to consolidation. On the other hand, the receivables and payables, income and charges, and profits and losses accruing from transactions between consolidated companies have been eliminated. The accounting value of participations in companies included in the consolidation is offset against their corresponding shareholders' equity quotas in the subsidiary/affiliated companies.

The difference between the accounting value of participations, which is offset, and the corresponding quota of shareholders' equity is shown as an adjusting entry to the consolidated shareholders' equity. In the event of acquisitions, the above mentioned difference is listed among the assets and liabilities postings of the companies included in the consolidation. Any residual value, if negative is posted under the account "consolidation reserve" or, if it can be referred to expected unfavourable economic results, it is shown under the account "consolidation fund for risks and future liabilities". If the residual value is positive, it is posted among the assets under the heading "consolidation difference".

The amount of equity and reserves of subsidiary companies which corresponds to third parties' participations is posted under an account of the shareholders' equity called "third parties' equity and reserves"; the portion of the consolidated profit and losses statement corresponding to third parties' participations is posted under the account "profit (loss) for the FY pertaining to third parties".

VALUATION CRITERIA

General Criteria

The accounting principles and valuation criteria have been applied equally to all consolidated companies. The valuation criteria applied in the interim financial statements are those used by the Controlling Company Tiscali S.p.A. and conform to aforementioned current regulations on the subject integrated and interpreted by the accounting principles issued by the Italian accounting profession (Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri). The criteria used during the period referenced herein do not vary from those applied for the preparation of the financial statements for the preceding year, in particular with regard to valuation principles and the continuity of the same. Balance sheet items have been valued based on general criteria of prudence and competency, in the perspective of future continuation of activity. For the purposes of the accounting entries, prevalence is given to the economic substance of the transactions rather than their legal form; financial assets are posted at the time of payment of the same. Profits are included only if realised within the period closing date, whereas risks and losses are taken into account even if they became known at a later date. Heterogeneous items included in single accounts of the interim financial statements are valued separately. The assets intended for durable use have been posted as non-current assets.

Intangible assets

Start-up and expansion costs are posted in the designated account in the assets side and amortised for a period not exceeding 5 years starting from the financial year in which said costs were incurred.

Research, development and advertising costs are shown in the designated line item on the assets side and are amortized for a period of 3 years starting from the financial year in which they were incurred, since said costs produce profits over a number of years.

Licenses, trademarks and patent rights are recorded in the interim financial statements at their acquisition cost in line items "industrial patent rights" and "rights to intellectual property", and amortized in accordance with the period of use established by the contract. At all events, the amortization period will not exceed 5 years from the financial year in which they were incurred.

The difference due to consolidation appears in the financial statements when accounting values of participations are offset against the corresponding quotas of shareholders' equity of subsidiary/affiliated companies. Amounts in excess, if any, not attributable to single entries in the assets of companies included in the consolidation appear as adjusting entries in the consolidated shareholders' equity; alternatively, if the necessary requirements are met, they are shown in the assets in line item "difference due to consolidation"; this account is amortized in fixed amounts over the period during which it is expected to produce economic benefits, for a maximum of 20 years.

Maintenance and upgrading costs on fixed assets belonging to third parties are shown at line item "other" and are systematically amortized for a shorter period between the future profitability of expenses incurred and the residual contract period.

Fixed assets and depreciation

Fixed assets are recorded at purchase or production cost, including any ancillary charges.

Depreciation is calculated with reference to cost, in a manner which is consistent with the possibility of residual use.

Fixed assets whose market value at the end of the six-month period is consistently lower than the cost depreciated according to the aforementioned criteria are written down until the value shown corresponds to their market value.

Fixed assets which are the subject of financial leasing operations are shown among technical fixed assets in the relevant classes and are depreciated, as for owned fixed assets, based on their possibility of residual use. As contra-entries to the showing of said fixed assets, leasing payments due are entered as short- and medium-term debts payable to the leasing organisation; leasing payments are written off from the expenses for rentals and the interest charges for the financial year are shown among financial charges. This method allows representation of financial leasing operations according to the so-called "financial method", as established in I.A.S. International Accounting Principle No. 17

Long-term investments

- PARTICIPATIONS IN NON-CONSOLIDATED SUBSIDIARY COMPANIES AND AFFILIATED COMPANIES

Non-current financial assets consisting of investments in non-consolidated subsidiary companies and affiliated companies are valued according to the shareholders' equity method, i.e. for an amount equal to the corresponding fraction of the

shareholders' equity resulting from the last financial statement of the companies themselves, after subtraction of dividends and the application of the adjustments required by the principles ruling consolidated financial statements.

Capital gains or losses deriving from the application of the shareholders' equity method are shown in the profit and loss statement respectively in line items "participation revaluations" and "participation writedowns".

- OTHER PARTICIPATIONS AND SECURITIES

The other participations and securities are shown at their cost value. In the event of durable losses in value, deriving also from the market quotation of listed securities, the participations and securities are written down accordingly. In the period in which the conditions leading to loss in value cease, the value before writedown is shown once again in the financial statements for the period.

Inventories

- RAW MATERIALS, WORK IN PROGRESS AND FINISHED PRODUCTS

Inventories are valued at the lower price resulting from the comparison of their purchase or production cost, including accessory charges, and their estimated market value.

Receivables

Receivables are stated at their estimated realizable value by establishing special funds. Receivables also include amounts pertaining to invoices still to be issued for services rendered in the first six months of the year 2000.

Accruals and deferrals

Accruals and deferrals include exclusively earnings and charges of the period in question which will have numerical value in subsequent periods, and revenues and expenses accruing or incurred within the closure of the period but due in subsequent periods.

Reserves for risks and future liabilities

Reserves for risks and future liabilities are aimed exclusively at covering losses or debts of a specific nature, which are forecast as likely to take place, but whose amount or date of occurrence are still unknown at the closure of the period.

Income taxes

As provided for in point 7 art. 81 of regulation No. 11971 of 14.05.98 we availed ourselves of the possibility of posting profits and losses for the period before taxes.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET ACCOUNTS

ASSETS

INTANGIBLE ASSETS

Following is a summary of changes in intangible assets during the first six months of 2000.

Euro million

<i>CATEGORIES</i>	BALANCE 31/12/99	Increases	Revaluation: (Devaluat.)	Other Changes	Amortization	BALANCE 30/06/00
Start-up and expansion costs	15.17	0.50		0.27	(1.82)	14.12
Costs for research, development and advertising	0.64	0.01		-	(0.14)	0.51
Industrial patent rights and rights to intellectual property	0.15	0.76		(0.08)	(0.09)	0.74
Concessions, licenses, trademarks and similar rights	1.75	10.43		0.22	(0.55)	11.85
Goodwill	-	0.36		0.14	(0.02)	0.48
Payments on account and intangible assets in course of acquisition	-	9.07		-	-	9.07
Other	0.50	1.64		-	(0.18)	1.96
Difference due to consolidation	8.57	-		453.72	(11.55)	450.74
<i>TOTAL</i>	<u>26.78</u>	<u>22.77</u>		<u>454.27</u>	<u>(14.35)</u>	<u>489.47</u>

Start-up and expansion costs include incorporation expenses and expenses relative to share capital increase, as well as start-up costs capitalised mainly by the Controlling Company.

Line item "Industrial patent rights and rights to intellectual property" includes investment in software for implementing the Information Systems.

Line item "Difference due to consolidation" appears in the consolidated financial statements when accounting values of participations are offset against the corresponding quotas of shareholders' equity of subsidiary/affiliated companies. Amounts in excess, if any, not attributable to single entries in the assets of companies included in the consolidation appear as adjusting entries in the consolidated shareholders' equity; alternatively, if the necessary requirements are met, they are shown in the assets in line item "Difference due to consolidation"; this account is amortized for the period during which it is expected to produce economic benefits.

FIXED ASSETS

Following is a summary of the changes in the accounts over the period, with regard to the historic costs of fixed assets:

Euro million

<i>COST</i>	BALANCE 31/12/99	Increases	Revaluations	Other changes	(Disposals) (Depreciation)	BALANCE 30/06/00
Plant and machinery	16.25	15.60		0.29		32.14
Industrial and commercial equipment	2.20	4.19		9.39	(0.02)	15.76
Other assets	0.03	1.04		1.52		2.59
Payments on account and fixed assets in course of acquisition	-	2.01		0.40		2.41
<i>Total</i>	<u>18.48</u>	<u>22.84</u>		<u>11.6</u>	<u>(0.02)</u>	<u>52.90</u>

Following is a summary of the changes in the accounts over the period, with regard to the depreciation of fixed assets:

<i>Euro million</i>	BALANCE 31/12/99	Depreciation	Write downs	Other changes	(Disposals)	BALANCE 30/06/00
<i>DEPRECIATION</i>						
Plant and machinery	0.98	1.74		0.05		2.77
Industrial and commercial equipment	0.32	0.77		1.13		2.22
Other assets	(0.04)	0.37		0.20		0.53
Payments on account and fixed assets in course of acquisition	-	-		-		-
<i>Total</i>	1.26	2.88		1.38		5.52

Depreciation reflects the normal depreciation of fixed assets. No write-downs of fixed assets were performed during the period.

The changes which occurred during the period with reference to the net value of fixed assets are as follows:

<i>Euro million</i>	BALANCE 31/12/99	Increases	Revaluation And other	(Depreciation and write downs)	(Disposals)	BALANCE 30/06/00
<i>NET VALUE</i>						
Plant and machinery	15.27	15.59	0.24	(1.74)		29.36
Industrial and commercial equipment	1.88	4.19	8.26	(0.77)	(0.02)	13.54
Other assets	0.07	1.03	1.33	(0.37)		2.06
Payments on account and fixed assets in course of acquisition	-	2.02	0.40	-		2.42
<i>Total</i>	17.22	22.83	10.23	(2.88)	(0.02)	47.38

Investments in fixed assets mainly consist of transmission network equipment, servers, personal computers and expenses for equipping premises. The sharp increase in the amounts shown is to be attributed to the presence of non-consolidated companies as of 30 June 2000 and to the prosecution of the start-up phase both in Tiscali and in subsidiary companies.

The line item "Plant and machinery" includes the cost of plant acquired by means of financial leasing operations for a aggregate cost of approximately EURO 18.08 million. This expense is reclassified among technical fixed assets in accordance with the method set out in the Accounting Principles, as explained in the section on valuation criteria in the first part of this document.

LONG-TERM INVESTMENTS

Long-term investments are detailed as follows:

<i>Euro million</i>	<u>30/06/00</u>
<u>Participations:</u>	
Non-consolidated group companies	6.39
Affiliated companies	4.73
Other companies	0.38
<u>Receivables:</u>	
From others	1.29
TOTAL	<u>12.79</u>

Non consolidated participations consist of affiliated companies and non-consolidated subsidiaries valued with the equity method. As of 30.06.2000, these participations were non-operating; they have a slight impact on the consolidation area. Companies valued by means of the equity method are listed in the designated schedule.

CURRENT ASSETS**INVENTORIES**

<i>Euro million</i>	30/06/00	31/12/99
Raw materials, supplies and consumables	1.75	0.97

RECEIVABLES

<i>Euro million</i>	30/06/00	31/12/99
Due from customers	69.42	23.92

At the close of the first six months of 2000, receivables from customers totalled EURO 69.42 million, with an increase of EURO 45.5 million on the amount recorded as at 31 December 1999. This increase is to be attributed mainly to the receivables of the Controlling Company, equal to EURO 59 million. This amount is posted net of the reserve for bad debts, which amounts to EURO 2 million.

ANALYSIS OF RECEIVABLES BASED ON MATURITY

<i>Euro million</i>	30 June 2000			31 December 1999		
	Receivables coming due			Receivables coming due		
<i>Description</i>	Within 1 year	1 to 5 years	Beyond 5 years	Within 1 year	1 to 5 years	Beyond 5 years
Receivables:						
From customers	69.42	-	-	23.92	-	-
From non-consolidated group companies	0.48	-	-	-	-	-
From affiliated companies	0.07	-	-	0.19	-	-
From others	24.8	5.2	-	5.31	4.15	-
	24.77	5.2	-	29.42	4.15	-

ANALYSIS OF OTHER RECEIVABLES

The account "Other receivables" comprises the following line items:

Euro million

<i>Description</i>	30.06.00	31.12.99
<i>Receivable within the following FY:</i>		
Receivables from the Treasury for advance withholding taxes	0.28	0.18
Credits towards employees	0.02	0.01
Receivables from other subjects	4.65	0.02
VAT credits	12.79	4.73
Outstanding insurance refunds	0.71	
Other credits	6.35	0.37
	<u>24.80</u>	<u>5.31</u>
<i>Receivable beyond the following FY:</i>		
Receivables from the Treasury for advance withholding taxes	4.00	4.00
Guarantee Deposits	0.40	0.15
Other receivables	0.80	-
	<u>5.20</u>	<u>4.15</u>
<i>Total</i>	<u>30.00</u>	<u>9.46</u>

CASH AND CASH EQUIVALENTS

<i>Euro million</i>	30/06/00	31/12/99
Total cash and cash equivalents	24.83	100.35

ACCRUED INCOME AND DEFERRED CHARGES

<i>Euro million</i>	30/06/00	31/12/99
Total accrued income and deferred charges	16.34	4.38

This account consists of roughly EURO 7.75 million deferred charges recorded by the Controlling Company on Telecom rental fees and EURO 5.42 million of other components which are deferred to the next six month-period. The other charges are mainly part of advertising costs incurred at period end whose effects will become visible in the following period, as well as the quotas of ministerial contributions payable in the following periods.

LIABILITIES**SHAREHOLDERS' EQUITY**

The schedule below provides a summary of changes in the shareholders' equity accounts from 31 December 1999:

Euro million

<i>Description</i>	BALANCE 31.12.99	Allocation of earnings	Distributed dividends	Other changes	Balance sheet result	BALANCE 30.06.00
Shareholders' Equity (Group):						
Share capital	0.81	-	-	0.05		0.86
Share premium reserve	142.66	-	-	439.92		582.58
Other reserves						
- Subsidiaries' undistributed profits and other reserves	0.07	-	-	(0.07)		-
Profit (loss) carried forward	-	-	-	(5.54)		(5.54)
Profit (loss) for the FY	(5.53)	5.53	-	-	(35.31)	(35.31)
Group total	138.01	5.53	-	434.36	(35.31)	542.59
Shareholders' equity (Third parties):						
Third parties' equity and reserves				4.19		4.19
Third parties' profits (losses)	-	-	-	-	(1.01)	(1.01)
Third parties' total	-	-	-	4.19	(1.01)	3.18
<i>Total shareholders' equity</i>	138.01	5.53	-	438.56	(36.32)	545.78

The following schedule contains a synthesis of the differences between the Controlling Company's and the Consolidated Financial Statements, with reference to the accounts which have a bearing on the results for the period and on the shareholders' equity.

Summary Comparative schedule of Controlling Company and Consolidated Financial Statements

Euro million

	<i>Current FY</i>		<i>Previous FY</i>	
	<i>Net result</i>	<i>Shareholder's equity</i>	<i>Net result</i>	<i>Shareholders' equity</i>
BALANCES POSTED IN THE PARENT COMPANY BALANCE SHEET	(14.80)	563.11	(5.54)	137.93
Effect of the change and harmonisation of valuation criteria within the Group, net of fiscal effects:				
- Application of financial method to fixed assets leased from third parties	0.53	0.53	0.18	0.18
- Net equity valuation of companies registered in the balance sheet at their cost value	-	-	(0.17)	(0.1)
Carrying value of consolidated participations	-	(516.70)	-	(7.43)
Net equity and profit (loss) of consolidated companies	(10.28)	44.12	-	(1.14)
Attribution of differences to the assets of consolidated companies and related depreciations:				
- Consolidation goodwill	(10.76)	451.53	-	8.57
Other adjustments:				
- Participation devaluation adjustments	-	-	-	-
BALANCE AS PER THE CONSOLIDATED FINANCIAL STATEMENTS – Group quota	(35.31)	542.59	(5.53)	138.01
BALANCE AS PER THE CONSOLIDATED FINANCIAL STATEMENTS – Third parties' quota	(1.01)	3.18	-	-
BALANCE AS PER THE CONSOLIDATED FINANCIAL STATEMENTS	(36.32)	545.78	(5.53)	138.01

RESERVES FOR RISKS AND FUTURE LIABILITIES

<i>Euro million</i>	30/06/00	31/12/99
Reserves for risks and future liabilities	2.49	0.01

LIABILITIES*ANALYSIS OF LIABILITIES BASED ON MATURITY*

<i>Euro million</i>	30 June 2000				31 December 1999			
<i>Description</i>	Amounts due				Amounts due			
	Within 1 year	1 - 5 years	Beyond 5 years	Total	Within 1 year	1 - 5 years	Beyond 5 years	Total
<i>Liabilities</i>								
Due to banks	15.95	0.35	-	16.30	-	-	-	-
Advance payments payable	0.01	-	-	0.01	-	-	-	-
Due to other financial backers	-	-	-	-	0.74	11.02	-	11.76
Trade accounts payable	95.31	0.93	-	96.24	32.01	-	-	32.01
Credit instruments payable	0.76	-	-	0.76	-	-	-	-
Due to affiliated companies	1.15	-	-	1.15	1.11	-	-	1.11
Taxes payable	1.22	-	-	1.22	0.16	-	-	0.16
Due to social security institutions	0.57	-	-	0.57	0.16	-	-	0.16
Other payables	13.85	11.34	-	25.19	3.98	-	-	3.98
	128.82	12.62	-	141.44	38.16	11.02	-	49.18

ANALYSIS OF OTHER PAYABLES

The line item "Other Payables" includes the amounts payable to leasing organisations, which have been recorded pursuant to the provisions of International Accounting Principle No. 17.

ACCRUED LIABILITIES AND DEFERRED INCOME

<i>Euro million</i>	30/06/00	31/12/99
Total accrued liabilities and deferred income	3.28	4.92

This account includes accrued liabilities totalling EURO 0.28 million referred to the allocation for holidays and leave accrued but not taken by staff in employment at the period closing date, and the deferred income pertaining to prepaid telephone traffic not yet used.

CONSOLIDATED PROFIT AND LOSS STATEMENT**VALUE OF PRODUCTION**

REVENUES FROM SALES AND SERVICES

At the close of the first six-month period of FY 2000, *Revenues from sales and services* amounted to EURO 65.48 million, with a 100% increase on the result as of 31 December 1999. This increase results from the gradual expansion of Internet and telephone services as well as the consolidation of revenues of foreign subsidiary/affiliated companies, which contributed EURO 15.9 million. The greater percent growth of Internet services also reflects the positive contribution of the sale of advertising space, which yielded roughly EURO 1.8 million

Breakdown of revenues by type of activity

<i>Euro million:</i>	30/06/00	31/12/99	Change	Change %
Revenues from telephone services	32.66	20.02	12.64	63%
Revenues from Internet services	32.82	12.70	20.12	158%
	65.48	32.72	32.76	100,00%

OTHER REVENUES AND INCOME

<i>Euro million</i>	30/06/00	31/12/99
Other revenues and income	3.14	0.07

This line item mainly consists of the revenues for services rendered and the supply of fiber-optic cabling by the Controlling Company to the Czech Company CD TELEKOMUNIKACE S.R.O. In July 2000, this company became a subsidiary of Tiscali S.p.A.

PRODUCTION COSTS

PURCHASES OF RAW MATERIALS, SUPPLIES AND CONSUMABLES

<i>Euro million</i>	30/06/00	31/12/99
Purchases of raw materials, supplies and consumables	3.23	2.61

This line item mainly includes expenditure incurred for the purchase of fiber-optic cabling for the company CD TELECOMUNIKACE, advertising brochures on services available, expenditure for the purchase of phone cards and costs for consumables and other operating materials.

COSTS FOR SERVICES

<i>Euro million</i>	30/06/00	31/12/99
Costs for services	68.63	32.51

The item *Costs for services* includes approximately EURO 21.69 million of line rental, whereas traffic procurement expenses were EURO 20.66 million. The expenses for advertising campaigns effected in the period amount to EURO 12.39 million, with an increase of roughly EURO 9.81 million on the value for the corresponding period of the previous FY.

FINANCIAL INCOME AND CHARGES

<i>Euro million</i>	30/06/00	31/12/99
Other financial income	0.96	0.66
Interest and other financial charges	(1.64)	(0.59)
<i>Total</i>	(0.68)	(0.07)

Financial income is mainly referred to the interest receivable matured on bank accounts, amounting to EURO 0.77 million. Financial charges include interest payable on bank loans, and consist mainly of interest on debits deriving from leasing contracts which, as stated above, have been posted in accordance with international accounting principles.

EXTRAORDINARY INCOME AND CHARGES

<i>Euro million</i>	30/06/00	31/12/99
Extraordinary income	0.40	-
Extraordinary charges	(2.21)	(0.05)
<i>Total</i>	(1.81)	(0.05)

Extraordinary charges include in the main contingent liabilities concerning adjustments of allocations made in previous financial years.

OTHER INFORMATION

The average number of employees is disclosed as required by current regulations.

The average number of employees in the first six months of the year 2000 was of 603 people, whereas as of 30 June 2000 the number of employees was of 915 people.

CONSOLIDATION AREA

The subsidiary/affiliated companies included in the consolidation area are listed below. With regards to subsidiaries A Telecom Sa and Nikoma Beteiligungs Gmbh, we should point out that the profit and loss statements of these companies have been consolidated for three and two months respectively, corresponding to the actual period in which the Controlling Company Tiscali exercised its control over said companies.

LISTS**LIST OF COMPANIES INCLUDED IN THE CONSOLIDATION WITH THE INTEGRAL METHOD***Euro million*

<i>Company name</i>	Head office	Share capital	Shareholders' equity	Profit (loss)	% Quota held	Book value
Nikoma Beteiligungs Gmbh	Hamburg	0.56	8.53	(2.80)	92%	261.46
A Telecom Sa	Marseille	0.92	6.91	(4.65)	100%	116.78
Datacomm AG	Basel	16.10	15.93	(0.37)	80%	63.59
Link Line SA	Brussels	11.05	9.85	(0.61)	100%	33.13
Nets SA	Paris	11.28	6.56	(2.30)	100%	17.72
Ideare S.r.l.	Pisa	0.02	0.28	0.22	60%	4.17
Interweb sprl	Brussels	0.04	0.05	0.02	100% *	19.85
						<u>516.70</u>

* This company is entirely controlled by Linkline SA, which is in turn controlled by the Controlling Company Tiscali SpA.

LIST OF PARTICIPATIONS CALCULATED BY MEANS OF THE SHAREHOLDERS' EQUITY METHOD*Euro million*

<i>Company name</i>	Head office	Share capital	Shareholders' equity	Profit (loss)	% Quota held	Book value
Andala SpA (ex Andala UMTS SpA)	Cagliari	5.16	4.71	(0.45)	58%	2.99
Tiscali Telecomunicaciones	Madrid	2.10	1.91	(0.19)	100%	2.10
Motorcity S.p.A.	Cagliari	0.10	0.18	(0.36)	60%	0.50
Informedia S.r.l.	Rome	0.05	0.22	(0.09)	100%	0.39
Tiscali Finance	Luxembourg	0.12	0.12	-	99,99%	0.12
Netobe SpA (ex Almanacco S.p.A.)	Cagliari	0.10	0.10	-	100%	0.10
Andaledda SpA (ex Andala S.p.A.)	Cagliari	0.10	0.10	-	85%	0.09
Energy Byte SpA	Milan	0.10	0.09	(0.01)	55%	0.06
JSCO Prague a.s.	Prague	0.03	0.03	-	100%	0.04
						<u>6.39</u>

LIST OF OTHER PARTICIPATIONS IN SUBSIDIARY AND AFFILIATED COMPANIES*ITL million*

<i>Company name</i>	Head office	Share capital	Shareholders' equity	Profit (loss)	% Quota held	Book value
STS S.r.l.	Rome	0.02	0.58	0.18	50%	3.23
Gilla S.p.A.	Cagliari	2.50	2.50	-	50%	1.25
Free Travel S.p.A	Cagliari	0.50	0.50	-	50%	0.25
						<u>4.73</u>

TISCALI S.p.A.

Tiscali S.p.A

BALANCE SHEET – ASSETS	Million Euro	30-June-00	31-Dec-99	30-June-99
A) DUE FROM SHAREHOLDERS FOR CAPITAL CONTRIBUTIONS TO BE PAID:			-	-
B) NON-CURRENT ASSETS:				
<i>I Intangible assets:</i>				
1) Start-up and expansion costs		13.87	15.16	0.84
2) Costs for research, development and advertising		0.50	0.64	1.03
3) Industrial patent rights and rights to intellectual property		0.75	0.07	0.01
4) Concessions, licenses, trademarks and similar rights		5.39	1.75	0.13
5) Goodwill		0.36	-	-
6) Payments on account and intangible assets in course of acquisition		7.96	-	-
7) Other		1.80	0.50	-
Total		30.63	18.13	2.00
<i>II Fixed assets:</i>				
2) Plant and machinery		1.93	1.05	0.47
3) Industrial and commercial equipment		1.03	1.88	0.76
4) Other fixed assets		1.83	0.02	0.01
Total		4.79	2.95	1.23
<i>III Long-term investments:</i>				
1) Investments in:				
a) subsidiary companies		503.24	8.16	0.14
b) affiliated companies		4.73	1.25	-
d) other companies		0.13	0.01	-
2) Receivables:				
d) from others				
- Receivable within the following FY		-	-	0.21
- Receivable beyond the following FY		-	10	-
Total		508.10	19.42	0.35
Total non-current assets		543.52	40.49	3.58
C) CURRENT ASSETS				
<i>I Inventories:</i>				
1) Raw materials, supplies and consumables		0.41	0.97	0.05
5) Advance payments		0.58	-	-
Total		0.99	0.97	0.05
<i>II Receivables:</i>				
1) From customers		58.70	23.74	6.76
2) From subsidiary companies		25.76	1.48	-
3) From affiliated companies		0.07	0.01	-
5) From others				
- Receivable within the following FY		13.27	5.16	0.66
- Receivable beyond the following FY		4.19	4.15	-
Total		101.99	34.54	7.42
<i>IV Cash and cash equivalents:</i>				
1) Bank and post-office deposits		2.09	100.06	0.50
3) Cash and other negotiable instruments		0.01	0.01	0.01
Total		2.10	100.07	0.51
Total current assets		105.08	135.58	7.97
D) ACCRUED INCOME AND DEFERRED CHARGES				
Accrued income and deferred charges		15.69	6.28	1.14
Total accrued income and deferred charges		15.69	6.28	1.14
TOTAL ASSETS		664.29	182.35	12.70

Tiscali S.p.A

BALANCE SHEET – LIABILITIES		Million Euro	30-June-00	31-Dec-99	30-June-99
A) SHAREHOLDER'S EQUITY:					
I	Share capital		0.86	0.81	0.65
II	Share premium reserve		582.58	142.66	2.56
VIII	Retained earnings (losses carried forward)		(5.54)	-	
IX	Profit (loss) for the period		(14.80)	(5.54)	(1.29)
Total shareholder's equity			563.11	137.93	192
B) RESERVES FOR RISKS AND FUTURE LIABILITIES:					
3)	Other		-	0.01	-
TOTAL RESERVES FOR RISKS AND FUTURE LIABILITIES			-	0.01	-
C) STAFF SEVERANCE INDEMNITY RESERVE			0.42	0.20	0.09
D) LIABILITIES:					
3)	Due to banks	-	13.93	-	-
4)	Other short-term financing	-	-	-	0.16
6)	Trade accounts payable	-	74.67	34.13	8.67
8)	Due to subsidiary companies	-	6.32	0.24	0.10
9)	Due to affiliated companies	-	1.05	0.88	
11)	Taxes payable	-	0.31	0.16	0.05
12)	Due to social security institutions	-	0.20	0.10	0.02
13)	Other payables	-	-	-	-
	- Due within the following FY		1.13	3.84	0.34
	- Due beyond the following FY		-	-	-
Total payables			97.61	39.35	9.33
E) ACCRUED LIABILITIES AND DEFERRED INCOME					
Accrued liabilities and deferred income			3.15	4.86	1.36
Total accrued liabilities and deferred income			3.15	4.86	1.36
TOTAL LIABILITIES			664.29	182.35	12.70

Tiscali S.p.A

MEMORANDUM ACCOUNTS	Million Euro	30-June-00	31-Dec-99	30-June-99
A) GUARANTEES GIVEN:				
1) <i>To third parties:</i>				
a) sureties		5.10	9.35	-
b) other		-	3.10	-
Total		5.10	12.45	-
TOTAL GUARANTEES GIVEN		5.10	12.45	-
B) OTHER MEMORANDUM ACCOUNTS				
- Leasing payments coming due		30.67	28.37	5.24
- Bank receipts and bills of exchange outstanding		-	-	0.05
- Warrants		10.58	5.00	7.83
- Commitments		28.81	-	-
TOTAL OTHER MEMORANDUM ACCOUNTS		70.05	33.37	13.12
C) GUARANTEES RECEIVED:				
1) <i>From third parties and group companies:</i>				
a) sureties		0.83	0.83	0.69
TOTAL GUARANTEES RECEIVED		0.83	0.83	0.69
TOTAL MEMORANDUM ACCOUNTS		75.98	46.64	13.80

Tiscali S.p.A

PROFIT AND LOSS STATEMENT		<i>Million Euro</i>	<i>30-June-00</i>	<i>31-Dec-99</i>	<i>30-June-99</i>
A)	(+) VALUE OF PRODUCTION:				
1)	Revenues from sales and services		50.15	32.73	8.19
4)	Increase in assets for work in progress		-	-	-
5)	Other revenues and income				
-	<i>Other revenues and income</i>		2.53	0.07	-
	Total		52.68	32.80	8.19
B)	(-) COSTS OF PRODUCTION:				
6)	For raw materials, supplies, consumables and goods		(3.23)	(2.61)	(0.20)
7)	For services		(50.81)	(32.51)	(7.26)
8)	For rentals		(3.81)	(1.69)	(0.30)
9)	For personnel:				
a)	<i>Salaries and wages</i>		(3.79)	(2.90)	(0.86)
b)	<i>Social security charges</i>		(0.36)	(0.22)	(0.05)
c)	<i>Provision for staff severance indemnities</i>		(0.23)	(0.18)	(0.06)
e)	<i>Other expenses</i>		-	(0.02)	-
10)	Depreciation, amortization and writedowns:				
a)	<i>Amortization of intangible assets</i>		(2.55)	(2.25)	(0.41)
b)	<i>Depreciation of fixed assets</i>		(0.43)	(0.38)	(0.10)
d)	<i>Writedowns of current receivables</i>		(1.03)	(0.29)	(0.04)
11)	Changes in inventories of raw materials, supplies & consumables		(0.56)	0.85	(0.07)
12)	Risk provisions		-	(0.01)	-
14)	Other operating expenses		(0.30)	(0.46)	(0.09)
	Total		(67.12)	(42.66)	(9.44)
(A - B)	DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION		(14.44)	(9.86)	(1.25)
C)	FINANCIAL INCOME AND CHARGES:				
15)	<i>(+) Income from investments:</i>				
a)	In subsidiary companies				
16)	<i>(+) Other financial income</i>				
d)	Income other than the above:				
-	From third parties		0.60	0.66	-
-	From subsidiary companies		0.73	-	-
17)	<i>(-) Interest and other financial charges:</i>				
a)	Due to third parties		(0.29)	(0.30)	(0.03)
	Total		1.03	0.37	(0.03)
D)	VALUATION ADJUSTMENT TO FINANCIAL ASSETS		-	-	-
	Total		-	-	-
E)	EXTRAORDINARY INCOME (CHARGES)				
20)	<i>(+) Extraordinary income:</i>				
a)	Income		0.28	-	-
21)	<i>(-) Extraordinary charges:</i>				
a)	Charges		(1.67)	(0.05)	(0.01)
c)	Taxes accrued in previous financial years		-	-	-
	Total extraordinary items		(1.39)	(0.05)	(0.01)
	Total before taxes		(14.80)	(9.54)	(1.29)
22)	<i>(-) Income taxes for the financial year:</i>				
a)	Current		-	-	-
b)	Paid in advance		-	4.00	-
	Total income taxes		-	4.00	-
23)	PROFIT (LOSS) FOR THE PERIOD		(14.80)	(5.54)	(1.29)

NOTES TO THE CONTROLLING COMPANY'S INTERIM FINANCIAL STATEMENTS

BALANCE SHEET (Euro million)

ASSETS

B) NON-CURRENT ASSETS

I - INTANGIBLE ASSETS

The table below shows historic cost, accumulated amortisation and net value of intangible assets as of 30 June 2000 and 30 June 1999:

Euro million

CATEGORIES	30/06/00			30/06/99		
	Cost	(Amortization)	Net value	Cost	(Amortization)	Net value
Start-up and expansion costs	17.70	(3.83)	13.87	1.12	(0.28)	0.84
Costs for research, development and advertising	1.36	(0.86)	0.50	1.75	(0.72)	1.03
Industrial patent rights and rights to intellectual property	0.85	(0.1)	0.75	0.01	-	0.01
Concessions, licenses, trademarks and similar rights	5.85	(0.46)	5.39	0.14	(0.01)	0.13
Goodwill	0.36	-	0.36	-	-	-
Payments on account and intangible assets in course of acquisition	7.96	-	7.96	-	-	-
Other	1.97	(0.17)	1.80	-	-	-
TOTAL	36.05	(5.42)	30.63	3.02	(1.02)	2.00

Changes in the value of each account during the first six months of 2000, compared with the same period of the previous financial year are as follows:

Euro million

CATEGORIES	BALANCE	increases	Revaluat. (Devaluat.)	Other Changes	Amortization	BALANCE
	30/06/99					30/06/00
Start-up and expansion costs	0.84	16.58	-	-	(3.55)	13.87
Costs for research, development and advertising	1.03	-	-	(0.40)	(0.13)	0.50
Industrial patent rights and rights to intellectual property	0.01	0.84	-	-	(0.10)	0.75
Concessions, licenses, trademarks and similar rights	0.13	5.71	-	-	(0.45)	5.39
Goodwill		0.36	-	-	-	0.36
Payments on account and intangible assets in course of acquisition		7.96	-	-	-	7.96
Other		1.97	-	-	(0.17)	1.80
TOTAL	2.00	33.42	-	(0.40)	(4.39)	30.63

The accounts “start-up and expansion costs” and “research, development and advertising costs” are broken down as follows:

Euro million

Start-up and expansion costs	30/06/00	30/06/99	Change	Change %
Incorporation expenses	-	-	-	-
Expenses relative to capital increase	6.26	0.08	6.18	7.932,82%
Start-up costs	6.96	0.55	6.41	1.175,49%
Network planning and organization costs	0.65	0.10	0.55	566,82%
Training costs	-	0.11	(0.11)	(100%)
Total	13.87	0.84	13.03	1.561,42%
Research, development and advertising costs				
Advertising	0.50	0.96	(0.46)	(47,47%)
R & D costs	-	0.07	(0.07)	(100%)
Total	0.50	1.03	(0.53)	(51,19%)

II - FIXED ASSETS

The changes in the account, referred to the historic costs of the assets are shown below:

Euro million

<i>COST</i>	BALANCE 30/06/99	Increases	Revaluations	Other Changes	(Disposals) (Depreciation)	BALANCE (Depreciation)
Plant and machinery						
- specific plant and machinery	0.14	1.74	-	-	-	1.88
- Internet plant and exchanges	0.40	0.04	-	-	-	0.44
	0.54	1.78	-	-	-	2.32
Industrial and commercial equipment						
- network equipment	0.48	0.82	-	-	-	1.30
	0.48	0.82	-	-	-	1.30
Other assets						
- other assets	0.37	1.68	-	-	-	2.05
	0.37	1.68	-	-	-	2.05
Total	1.39	4.28	-	-	-	5.67

Changes in the depreciation of fixed assets are disclosed in the following table:

Euro million

<i>DEPRECIATION</i>	BALANCE 30/06/99	Depreciation	Write downs	Other Changes	(Disposals)	BALANCE 30/06/00
Plant and machinery						
- specific plant and machinery	0.02	0.23	-	-	-	0.25
- Internet plant and exchanges	0.06	0.08	-	-	-	0.14
	0.08	0.31	-	-	-	0.39
Industrial and commercial equipment						
- network equipment	0.04	0.23	-	-	-	0.27
	0.04	0.23	-	-	-	0.27
Other assets						
- other assets	0.05	0.17	-	-	-	0.22
	0.05	0.17	-	-	-	0.22
Total	0.17	0.72	-	-	-	0.88

Depreciation reflects the normal process of fixed assets depreciation. During the period, there were no writedowns. Changes in the accounts, with regard to net book values, are disclosed below:

<i>Euro million</i>	BALANCE	Increases	Revaluation	(Depreciation	(disposals)	BALANCE
<i>NET VALUE</i>	30/06/99		and other	and write downs)		30/06/00
Plant and machinery						
- specific plant and machinery	0.12	1.73	-	(0.23)	-	1.62
- Internet plant and exchanges	0.35	0.04	-	(0.08)	-	0.31
	0.47	1.77	-	(0.31)	-	1.93
Industrial and commercial equipment						
- network equipment	0.44	0.82	-	(0.23)	-	1.03
	0.44	0.82	-	(0.23)	-	1.03
Other assets						
-other assets	0.32	1.68	-	(0.17)	-	1.83
	0.32	1.68	-	(0.17)	-	1.83
<i>Total</i>	1.23	4.27	-	(0.72)	-	4.79

III - LONG-TERM INVESTMENTS

1) PARTICIPATIONS

As of 30 June 2000, this account included participations in subsidiary companies amounting to approximately EURO 0.50 billion, participations in affiliated companies equal to EURO 5 million and participations in other companies for a total of EURO 0.13 million.

Participations in subsidiary companies increased by approximately EURO 0.50 billion from their value as at 31 December 1999, as a consequence of the European expansion process launched in the last months of FY 1999 and continued in the first six months of 2000.

The tables below display the detailed balance sheet entries and changes thereto with respect to the same period of the previous FY, as well as the listing of the company's participations in subsidiary and affiliated companies pursuant to art. 2427, point 5 of the Italian Civil Code.

For further information, please refer to the notes to the interim Consolidated Financial Statements.

LONG-TERM INVESTMENTS – PARTICIPATIONS: BALANCE SHEET ANALYSIS*Euro million*

<u>SUBSIDIARY COMPANIES</u>	<u>30/06/00</u>			<u>30/06/99</u>		
	COST	REVAL.(DEV)	BALANCE IT.	COST	REVAL.(DEV)	BALANCE IT.
Nikoma Beteiligungs Gmbh	261.46	-	261.46	-	-	-
A Telecom Sa	116.78	-	116.78	-	-	-
Datacomm AG	63.59	-	63.59	-	-	-
Link Line SA	33.13	-	33.13	-	-	-
Nets SA	17.12	-	17.12	-	-	-
Ideare S.r.l.	4.17	-	4.17	-	-	-
Andala S.p.A. (ex Andala UMTS S.p.A.)	2.99	-	2.99	-	-	-
Tiscali Telecomunicaciones	2.10	-	2.10	-	-	-
Motorcity S.p.A.	0.50	-	0.50	-	-	-
Informedia S.r.l.	0.39	-	0.39	-	-	-
Tiscali Finance	0.12	-	0.12	-	-	-
Netobe S.p.A. (ex Almanacco S.p.A.)	0.10	-	0.10	0.05	-	0.05
Andaledda S.p.A (ex Andala S.p.A.)	0.09	-	0.09	0.09	-	0.09
Energy Byte S.p.A.	0.06	-	0.06	-	-	-
JSCO Prague a.s.	0.04	-	0.04	-	-	-
TOTAL	503.24	-	503.24	0.14	-	0.14

AFFILIATED COMPANIES

STS S.r.l.	3.23	-	3.23	-	-	-
Gilla S.p.A.	1.25	-	1.25	-	-	-
FreeTravel S.p.A.	0.25	-	0.25	-	-	-
TOTAL	4.73	-	4.73	-	-	-

OTHER COMPANIES

CRS4 S.c.a r.l.	0.12	-	0.12	-	-	-
Consorzio Green Management	0.01	-	0.01	-	-	-
Mix S.r.l.	-	-	-	-	-	-
TOTAL	0.13	-	0.13	-	-	-

LONG-TERM INVESTMENTS– PARTICIPATIONS: CHANGES*Euro million*

<u>SUBSIDIARY COMPANIES</u>	BALANCE	CHANGES IN THE PERIOD				BALANCE
	30/06/99	INCREASES	(DISPOSALS)	REV.(DEV.)	OTHER MOVIM.	30/06/00
Nikoma Beteiligungs GmbH		261.46				261.46
A Telecom Sa	-	116.78				116.78
Datacomm AG	-	63.59				63.59
Link Line SA	-	33.13				33.13
Nets SA	-	17.72				17.72
Ideare S.r.l.		4.17				4.17
Andala S.p.A. (ex Andala UMTS S.p.A.)	-	2.99				2.99
Tiscali Telecomunicaciones	-	2.10				2.10
Motorcity S.p.A.	-	0.50				0.50
Informedia S.r.l.	-	0.39				0.39
Tiscali Finance	-	0.12	-	-	-	0.12
Netobe S.p.A. (ex Almanacco S.p.A.)	0.05	0.05	-	-	-	0.10
Andaledda S.p.A (ex Andala S.p.A.)	0.09	-	-	-	-	0.09
Energy Byte S.p.A.	-	0.06	-	-	-	0.06
JSCO Prague a.s.	-	0.04				0.04
TOTAL	0.14	503.10	-	-	-	503.24

AFFILIATED COMPANIES

STS S.r.l.	-	3.23				3.23
Gilla S.p.A.	-	1.25	-	-	-	1.25
FreeTravel S.p.A.	-	0.25				0.25
TOTAL	-	4.73	-	-	-	4.73

OTHER COMPANIES

CRS4 S.c.a r.l.	-	0.12	-	-	-	0.12
Consorzio Green Management	-	0.01	-	-	-	0.01
Mix S.r.l.	-	-	-	-	-	-
TOTAL	-	0.13	-	-	-	0.13

LONG-TERM INVESTMENTS – PARTICIPATIONS: ADDITIONAL INFORMATION**PARTICIPATIONS IN: SUBSIDIARY COMPANIES***Euro million*

<i>Company name</i>	Head office	Share Capital	Shareholders' Equity	Profit (Loss)	% held	Carrying value
Nikoma Beteiligungs Gmbh	Hamburg	0.56	8.53	(6.63)	92%	261.46
A Telecom Sa	Marseille	0.92	8.34	(7.67)	100%	116.78
Datacomm AG	Basel	16.10	15.93	(0.37)	80%	63.59
Link Line SA	Brussels	11.05	9.85	(0.61)	100%	33.13
Nets SA	Paris	11.28	6.56	(2.30)	100%	17.72
Ideare S.r.l.	Pisa	0.02	0.06	0.22	60%	4.17
Andala S.p.A. (ex Andala UMTS S.p.A.)	Cagliari	5.16	4.71	(0.45)	58%	2.99
Tiscali Telecomunicaciones	Madrid	2.10	1.91	(0.19)	100%	2.10
Motorcity S.p.A.	Cagliari	0.10	0.18	(0.36)	60%	0.50
Informedia S.r.l.	Rome	0.05	0.22	(0.09)	100%	0.39
Tiscali Finance	Luxembourg	0.12	0.12	-	99,99%	0.12
Netobe S.p.A. (ex Almanacco S.p.A.)	Cagliari	0.10	0.10	-	100%	0.10
Andaledda S.p.A. (ex Andala S.p.A.)	Cagliari	0.10	0.10	-	85%	0.09
Energy Byte S.p.A.	Milan	0.10	0.09	(0.01)	55%	0.06
JSCO Prague a.s.	Prague	0.03	0.03	-	100%	0.04
						503.24

The notes to the interim Consolidated Statements contain remarks on the resulting consolidation differences and data on the greater book values of participations with respect to the pro quota of the Shareholder's equity.

PARTICIPATIONS IN: AFFILIATED COMPANIES*Euro million*

<i>Company name</i>	Head office	Share Capital	Shareholders' Equity	Profit (Loss)	% held	Carrying value
STS S.r.l.	Rome	0.02	0.58	0.18	50%	3.23
Gilla S.p.A.	Cagliari	2.50	2.50	-	50%	1.25
Free Travel S.p.A.	Cagliari	0.50	0.50	-	50%	0.25
				-		4.73

C) CURRENT ASSETS**I - INVENTORIES**

<i>Euro million</i>	30/06/00	30/06/99
Raw materials, supplies and consumables	0.41	0.05

Inventory value as of 30 June 2000 was equal to EURO 0.41 million, showing an increase of EURO 0.36 million with respect to the same period of the previous FY. This account consists of EURO 0.06 million of telephone cards still to be sold and EURO 0.34 million of goods for sale and various consumables.

II - RECEIVABLES

<i>Euro million</i>	30/06/00	30/06/99
Due from customers	58.70	6.76

At the close of the first six-month period of FY 2000, amounts due from customers totalled EURO 58.70 million, with an increase of EURO 51.94 million over 30 June 1999. The account is posted net of the reserve for bad debts equal to EURO 1.34 million.

ANALYSIS OF RECEIVABLES BASED ON MATURITY

<i>Euro million</i>	30 June 2000			30 June 1999		
	Amounts receivable			Amounts receivable		
<i>Description</i>	within 1 year	1 - 5 years	after 5 years	within 1 year	1 - 5 years	after 5 years
<i>Receivables:</i>						
From customers	58.70	-	-	6.76	-	-
From subsidiary companies	25.76	-	-	-	-	-
From affiliated companies	0.07	-	-	-	-	-
From parent companies	-	-	-	-	-	-
From others	13.27	4.19	-	0.66	-	-
	97.80	4.19	-	7.42	-	-

ANALYSIS OF RECEIVABLES FROM SUBSIDIARY COMPANIES

As at 30 June 2000, receivables from subsidiary companies amounted to EURO 25.76 million. They refer mainly to short-term financial backing provided to the subsidiary companies. The account is detailed below:

<i>Euro million</i> <i>Description</i>	FINANCIAL RECEIVABLES		TRADE RECEIVABLES		TOTAL
	30/06/00		30/06/00		
	< 1 YEAR	> 1 YEAR	< 1 YEAR	> 1 YEAR	
<i>SUBSIDIARY COMPANIES:</i>					
A Telecom SA	4.80				4.80
Link Line SA	17				17
Nets SA	3.31	-	-	-	3.31
Andala S.p.A. (ex Andala UMTS)	-				-
Tiscali Telecomunicaciones	0.06				0.06
Informedia S.r.l.	0.27				0.27
Netobe S.p.A. (ex Almanacco S.p.A.)	-	-	-	-	-
Andaledda S.p.A. (ex Andala S.p.A.)	0.05				0.05
Energy Byte S.p.A.	0.27				0.27
	<u>25.76</u>	-	-	-	<u>25.76</u>

ANALYSIS OF OTHER RECEIVABLES

The account “other receivables” comprises the following line items:

<i>Euro million</i> <i>Description</i>	FINANCIAL	
	Balance 30.06.00	Balance 30.06.99
<i>Receivable within the following financial year</i>		
Receivables from the Treasury for advance withholding taxes	0.28	-
Receivables from other subjects	3.88	-
VAT credits	9.11	0.61
Other credits	-	0.05
	<u>13.27</u>	<u>0.66</u>
<i>Receivable beyond the following financial year</i>		
Receivables from the Treasury for advance withholding taxes	4.00	-
Guarantee Deposits	0.19	-
	<u>4.19</u>	<u>-</u>
<i>Total</i>	<u>17.46</u>	<u>0.66</u>

The account “other receivables”, which as of 30 June 2000 totalled EURO 17.46 million, recorded an increase of EURO 16.8 million with respect to the same period of the previous FY. This increase depends, for EURO 8.5 million, on the greater VAT credit accrued as a result of the considerable investment activity carried out in the period, and, for EURO 3.86 million, on the financing granted to the company CD Telekomunikace s.r.o., the acquisition of which was completed in July 2000.

D) ACCRUED INCOME AND DEFERRED CHARGES

<i>Euro million</i>	30/06/00	30/06/99
Total accrued income and deferred charges	15.69	1.14

This account has a total value of EURO 15.69 million, with an increase of EURO 14.55 million on 30 June 1999; its composition is as follows: EURO 2.57 million deferred charges on lease payments, EURO 7.72 million deferred charges on Telecom rentals and EURO 5.40 million of deferred costs.

Deferred Telecom rentals include advance fees for network circuit and access rental (these services are billed by means of advance invoices). Deferred costs pertain mainly to the costs of advertising campaigns launched at semester end, whose effects will become evident over the next period and the quotas of ministerial contributions payable in the following periods.

LIABILITIES**A) SHAREHOLDERS' EQUITY****STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

The following schedule displays changes in shareholder's equity with respect to 30 June 1999:

<i>Euro million</i> <i>Description</i>	BALANCE 30.06.99	Allocation of earnings	Other changes	Balance sheet results	BALANCE 30.06.00
Share capital	0.65		0.21		0.86
Share premium reserve	2.56	(1.29)	581.31		582.58
Other reserves					-
Profit (loss) carried forward			(5.54)		(5.54)
Profit (loss) for the period	(1.29)	1.29		(14.80)	(14.80)
<i>Total</i>	1.92	-	575.98	(14.80)	563.11

As of 30 June 2000, share capital was EURO 0.86 million consisting of No. 167,009,850 shares with nominal value of EURO 0.0052 each. The main changes which occurred during the first six months of the year 2000 are detailed hereunder.

The extraordinary shareholders' meeting of 15 March 2000 approved:

- the split of each existing share into 10 new shares with reduction of their nominal value from EURO 0.052 to EURO 0.0052;
- an increase of the share capital with exclusion of option rights pursuant to art. 2441 of the Civil Code for the acquisition of subsidiary companies A Telecom S.A., Nets S.A., Datacomm AG and Ideare Srl, with issue of No. 5,868,940 split shares and an increase of the share premium reserve for a total of EURO 170.51 million.

The Extraordinary Shareholders' Meeting held on 17 April 2000 approved:

- an increase of the share capital with exclusion of option rights pursuant to art. 2441 of the Italian Civil Code for the acquisition of the participated company Nikoma AG, a payment increase by means of the issue of No. 3,843,180 split shares, and an increase in the share premium reserve for a total of EURO 264.62 million.

On 12 May 2000, 115,773 of the 120,773 warrants issued during the extraordinary meeting of 25/10/99 were converted, resulting in the issue of 11,577,300 ordinary shares.

SHARE CAPITAL COMPOSITION

<i>Nominal value of each share</i>	<i>EURO</i>	<i>0.0052</i>
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The following table displays the composition of the share capital and the changes which occurred from the same period of the previous FY:

<i>CATEGORY</i>	30/06/99	INCREASE	(DECREASE.)	30/06/00
ORDINARY SHARES	125,000,000	42,009,850	-	167,009,850
<i>Total</i>	125,000,000	42,009,850	-	167,009,850

C) STAFF SEVERANCE INDEMNITY RESERVE

The table below displays the changes which occurred during the period:

Euro million

<i>Description</i>	Balance 30/06/99	Provision	(Use)	Other changes	Balance 30/06/00
Executives	0.01	0.04			0.05
Middle Managers, Clerical Staff and equivalent	0.08	0.31	(0.02)		0.37
Blue-collar Workers	-	-	-		-
<i>Total</i>	0.09	0.35	(0.02)		0.42

This provision represents the actual sums due by the company to its employees as of the dates shown, net of advances paid.

D) LIABILITIES**ANALYSIS OF LIABILITIES BASED ON MATURITY**

Euro million

<i>Description</i>	30 June 2000 Amounts due			30 June 1999 Amounts due		
	Within 1 year	1 - 5 years	After 5 years	Within 1 year	1 - 5 years	After 5 years
<i>Liabilities</i>						
Due to banks	13.93	-	-	0.16	-	-
Trade accounts payable	74.67	-	-	8.67	-	-
Due to subsidiary companies	6.32	-	-	0.10	-	-
Due to affiliated companies	1.05	-	-	-	-	-
Taxes payable	0.31	-	-	0.05	-	-
Due to social security institutions	0.20	-	-	0.02	-	-
Other payables	1.13	-	-	0.34	-	-
	97.61	-	-	9.33	-	-

ANALYSIS OF LIABILITIES BASED ON TYPE

Euro million

<i>Description</i>	FINANCIAL LIABILITIES		TRADE LIABILITIES		TOTAL
	30/06/00		30/06/00		
	< 1 YEAR	> 1 YEAR	< 1 YEAR	> 1 YEAR	
Due to banks	13.93	-	-	-	13.93
Trade accounts payable	-	-	74.67	-	74.67
Due to subsidiary companies	6.32	-	-	-	6.32
Due to affiliated companies	1.05	-	-	-	1.05
Taxes payable	0.31	-	-	-	0.31
Due to social security institutions	0.20	-	-	-	0.20
Other payables	1.13	-	-	-	1.13
<i>Total</i>	22.94	-	74.67	-	97.61

As of 30 June 2000, line item “due to banks” totalled EURO 13.93 million. It mainly comprises two credit lines obtained at semester end for a total of EURO 8.26 million approximately.

As of 30 June 2000, trade accounts payable were EURO 74.67 million, showing an increase of EURO 66 million over the same period of the previous FY. This increase is essentially linked to the ongoing rapid development of the company’s activity.

PAYABLES TO GROUP COMPANIES

The breakdown of amounts payable to the other companies of the group is as follows:

<i>Company</i>	<i>Euro million</i>	FINANCIAL LIABILITIES		TRADE LIABILITIES		TOTAL
		30/06/00		30/06/00		
		< 1 YEAR	> 1 YEAR	< 1 YEAR	> 1 YEAR	
<u>SUBSIDIARY COMPANIES:</u>						
Motorcity S.p.A.		0.04	-	-	-	0.04
Netobe S.p.A. (ex Almanacco S.p.A.)		0.07	-	-	-	0.07
Andala S.p.A.		0.06	-	-	-	0.06
Link Line SA		6.15	-	-	-	6.15
<i>Total</i>		6.32	-	-	-	6.32
<u>AFFILIATED COMPANIES</u>						
Gilla S.p.A.		0.87	-	-	-	0.87
FreeTravel S.p.A.		0.18	-	-	-	0.18
		1.05	-	-	-	1.05

The amounts listed above refer exclusively to the portion of residual arrears not yet called for that is to be paid into the subscribed capital account.

ANALYSIS OF TAXES AND DUTIES PAYABLE

As of 30 June 2000, taxes and duties payable were EURO 0.31 million with a 0.26 million increase over the same period of the previous FY. This account comprises EURO 0.27 million of advanced withholding taxes collected in June and paid out to the Treasury in July.

ANALYSIS OF OTHER PAYABLES

At the end of the first six-month period of 2000, the account "other payables" was EURO 1.13 million. Of this, EURO 0.70 were personnel wages and salaries payable, including wages for the month of June and the portion of holiday bonus accrued in the period.

E) ACCRUED LIABILITIES AND DEFERRED INCOME

<i>Euro million</i>	30/06/00	30/06/99
Total accrued liabilities and deferred income	3.15	1.36

This account amounts to EURO 3.15 million, with an increase of EURO 1.79 million over 30 June 1999. Accrued liabilities equal EURO 0.28 million and pertain to the allocation for holiday and leave accrued by employed staff as of that date. Deferred income, totalling EURO 2.87 million represents the quota of prepaid telephone traffic not yet used.

MEMORANDUM ACCOUNTS

GUARANTEES

Surety Bonds

This posting is mainly referred to the surety bonds issued by leading credit institutions in favour of the Ministry of Finance and Nikoma GmbH. in the interest of the Company

Other guarantees

This posting includes a guarantee issued by Tiscali S.p.A. in favour of Ericsson Telecomunicazioni S.p.A. in the interest of CD Telekomunikace s.r.o., the acquisition of which was completed by Tiscali S.p.A. in July 2000.

OTHER MEMORANDUM ACCOUNTS

Leasing and Operating Lease contracts

The amounts refer to the commitments for leasing payments and operating lease on contracts with a maturity of 30 to 60 months.

Commitments

The amount posted refers in the main to the shares to be issued for the acquisition of the companies Best Engineering S.r.l. and Quinary S.p.A, by means of transactions which were completed after the end of the six-month period.

INFORMATION ON THE PROFIT AND LOSS STATEMENT

A) VALUE OF PRODUCTION

REVENUES FROM SALES AND SERVICES

At the end of the first half of FY 2000, *Revenues from sales and services* amounted to EURO 50.15 million, with a 512.04% increase over 30 June 1999. The main reason for this growth is the gradual expansion of services offered to cover the whole Italian territory. The greater increase, in percent terms, of Internet services, also reflects the positive contribution of revenues from the sale of advertising spaces, which amounted to roughly EURO 1.81 million.

BREAKDOWN OF REVENUES BY TYPE OF ACTIVITY

<i>Euro million:</i>	30/06/00	30/06/99	Change	Change %
Revenues from telephone services	26.31	5.66	20.65	364,5%
Revenues from Internet services	23.77	2.44	21.33	875,43%
Other revenues	0.07	0.09	(0.02)	(23,10%)
	-	-		
	50.15	8.19	41.96	512,04%

OTHER REVENUES AND INCOME

<i>Euro million:</i>	30/06/00	30/06/99
Other revenues and income	2.53	-

The account *Other revenues and income* has a total value of EURO 2.53 million and includes EURO 2.52 million of revenues for services rendered and fiber-optic cabling supplied to the Czech company CD Telekomunikace s.r.o. In July 2000, this company became a subsidiary of Tiscali S.p.A..

B) PRODUCTION COSTS

PURCHASES OF RAW MATERIALS, SUPPLIES AND CONSUMABLES

<i>Euro million</i>	30/06/00	30/06/99
Purchases of raw materials, supplies and consumables	3.23	0.20

This account increased by EURO 3.03 million (with a rate of 1.544,86%) from 30 June 1999: it includes EURO 0.27 million of expenditure for the production of promotional material, EURO 0.15 million of expenditure for the purchase of phone cards and EURO 2.42 million of costs for supplies and consumables required for company operations.

COSTS FOR SERVICES

<i>Euro million</i>	30/06/00	30/06/99
Costs for services	50.81	7.26

At the end of the first six months of the year 2000, the account *Costs for services* totals EURO 50.81 million, with a 599.44% increase (plus 43.55 million) over the first six months of 1999.

Telephone line rental costs amounted to EURO 14.26 million (with a 468% increase with respect to 30 June 1999), while traffic purchase expenses, equal to EURO 18.37 million, recorded a 464,58% increase. The greater value of this account is also due to the expenses incurred for advertising campaigns carried out in the period, which totalled EURO 12.22 million, with a 2,269% increase with respect to the same period of the previous FY (roughly plus EURO 12 million).

C) FINANCIAL INCOME AND CHARGES

<i>Euro million</i>	30/06/00	30/06/99
Other financial income	1.32	-
Interest and other financial charges	(0.29)	(0.03)
<i>Total</i>	1.03	(0.03)

Net financial income grew by EURO 1.06 million with respect to the figure as at 30 June 1999, totalling EURO 1.03 million. This account includes EURO 0.60 million referred to interest receivable accrued on bank current accounts and EURO 0.72 million interest accrued on receivables from subsidiary companies.

E) EXTRAORDINARY INCOME AND CHARGES

<i>Euro million</i>	30/06/00	30/06/99
Extraordinary income	0.28	-
Extraordinary charges	(1.67)	(0.01)
<i>Total</i>	(1.39)	(0.01)

In the first six months of the year 2000, extraordinary items display a negative net balance equal to EURO 1.39 million with an increase of EURO 1.38 million over the balance at 30 June 1999. Extraordinary charges are basically referred to contingent liabilities concerning adjustments to allocations made in previous financial years.

OTHER INFORMATION

As required by current regulations, the tables below disclose the average numbers of the work force.

Average number of employees

CATEGORY	AVERAGE	
	2000	30/06/00
Executives	7	16
Middle managers	5	17
Clerical staff	158	435
Blue collar workers	2	5
	<i>Total</i>	473

For the Board of Directors
The Chairman