

ANNUAL REPORT 2001



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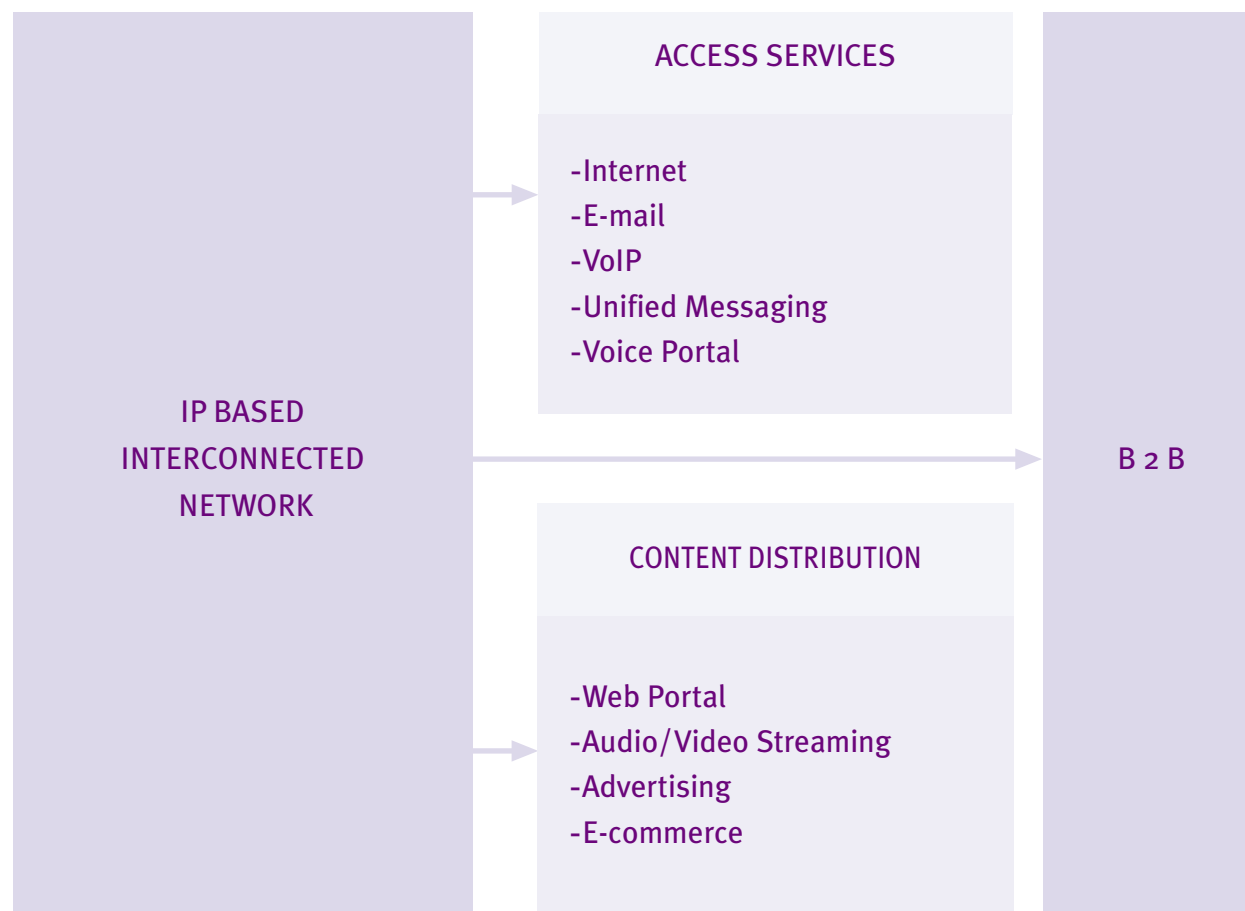
2001 KEY FACTS

- 7.3mn active users, leading position in the European ISP market
- 97% reduction in losses at EBITDA level
- Revenues up 267% to EUR 635.7mn
- 50,000 km of new generation network infrastructure
- All acquired activities successfully restructured

PROFILE

Tiscali is Europe's leading Internet Company. The Company was established in Cagliari in 1997 and operational since January 1998. It provides Internet access services, as well as content, business applications and innovative value-added communications services. As of December 31, 2001, Tiscali had 7.3mn active users, and recorded Internet traffic of 10.4bn minutes in the fourth quarter 2001. Tiscali portal had 14.7mn unique visitors over the month of December 2001 (source: MMXI), confirming the Company as Europe's leading web property. Tiscali has a significant presence in 15 countries and a leading position in the five main markets of continental Europe. Tiscali's business model is based on total integration of activities related to Internet access services, along with media and B2B services; a combination which benefits from Europe's first new generation Internet infrastructure—which was developed by the Company itself. All of this, coupled with efficient decision-making processes and the strong commitment to innovation deriving from its status as an independent Company, has enabled Tiscali to position itself as the only truly pan-European Internet Company.

BUSINESS MODEL



| | | | | |
|-----------------------|----------------|---------------------|----------------------------|---------------------|
| NARROWBAND INTERNET | Pay as you go | Subscription offers | Flate rate offers | |
| BROADBAND INTERNET | ADSL | Satellite | | |
| VOICE SERVICES | Pre-paid cards | Post-paid services | Mobile services | |
| BUSINESS SERVICES | VPN | Leased lines | Hosting & Housing services | Streaming solutions |
| VALUE ADDED SERVICES | VoIP | Messaging and Chat | Netfax | Communication Tools |
| PORTAL BASED SERVICES | Content | Advertising | | |



The European Internet Company

ANNUAL REPORT 2001

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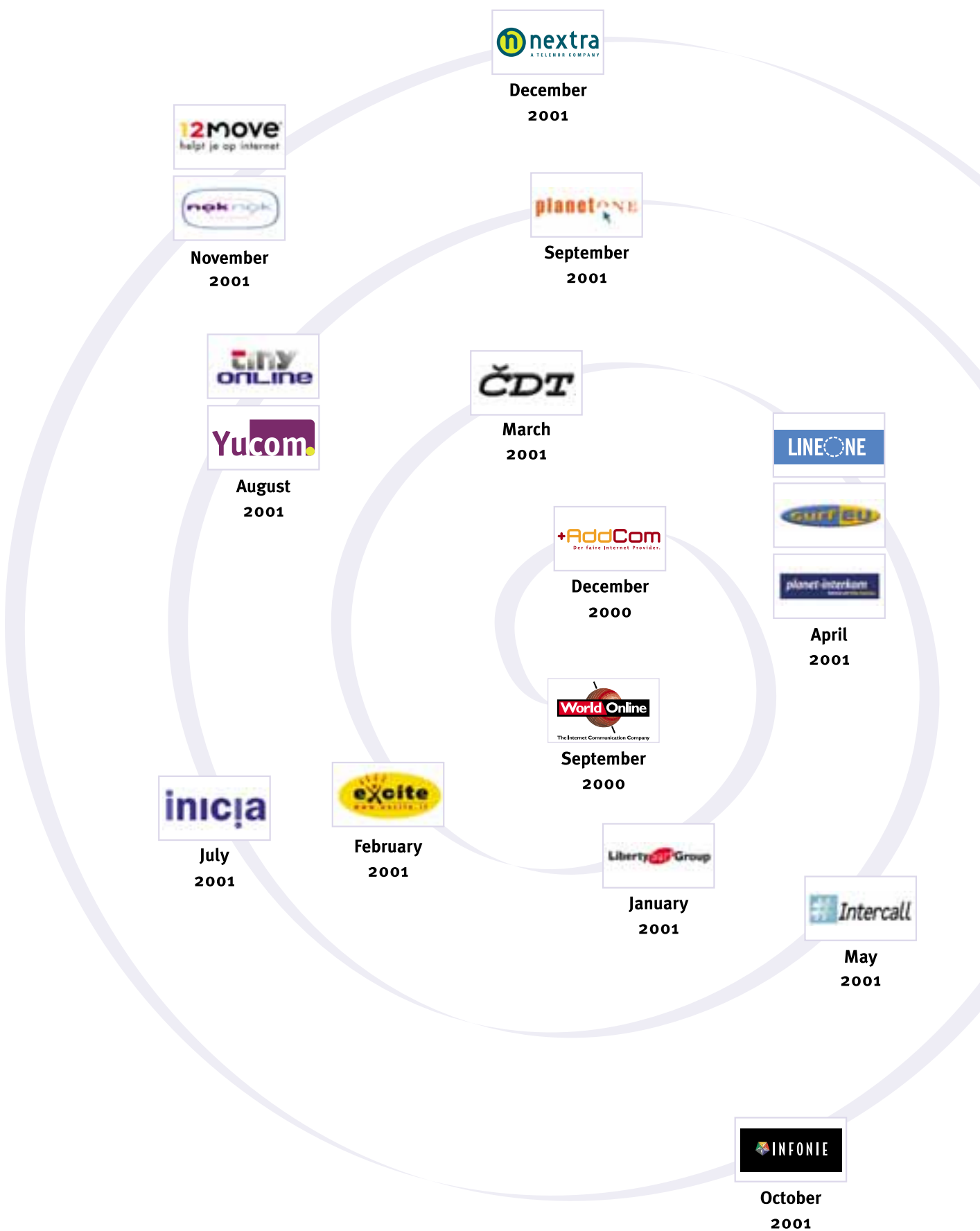
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The European Internet Company

ONE BRAND, ONE TECHNOLOGY, ONE COMPANY.



ONE BRAND, ONE TECHNOLOGY, ONE COMPANY.

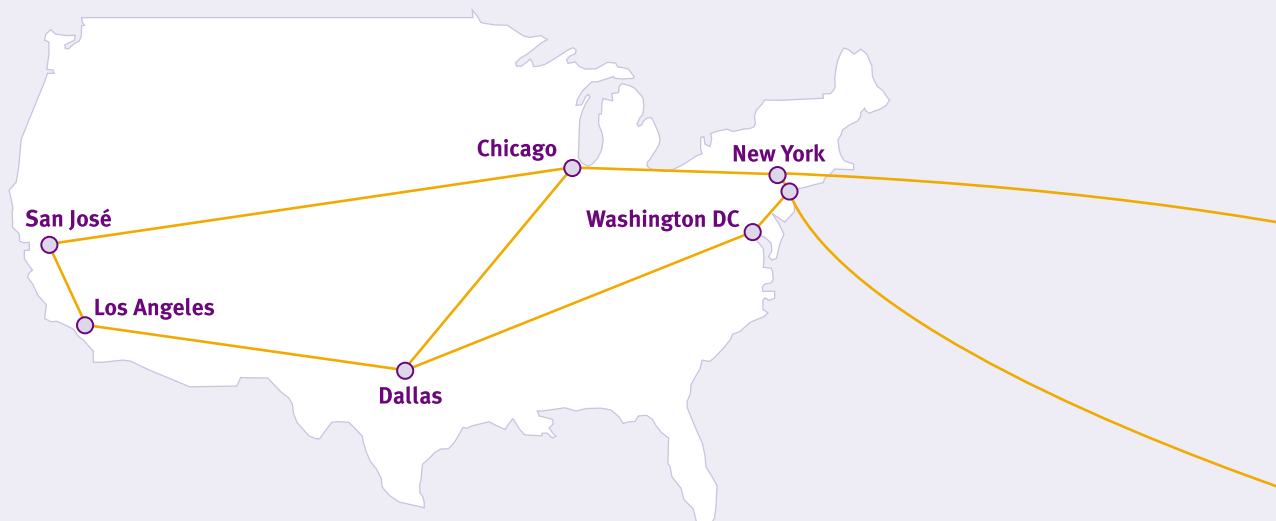
In 2001, Tiscali launched an expansion programme aimed at developing and consolidating its position as Europe's leading Internet Company. As a result, 16 European ISPs were acquired and integrated into the Company, taking its market share from 3% at end-2000 to 16% at end-2001, establishing Tiscali as a European brand. The Tiscali portal registered over 14.7mn unique visitors in December 2001, confirming the Company as Europe's leading web property.



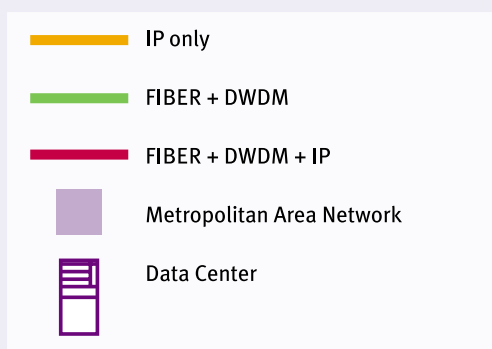
The European Internet Company

ONE BRAND, ONE TECHNOLOGY, ONE COMPANY.

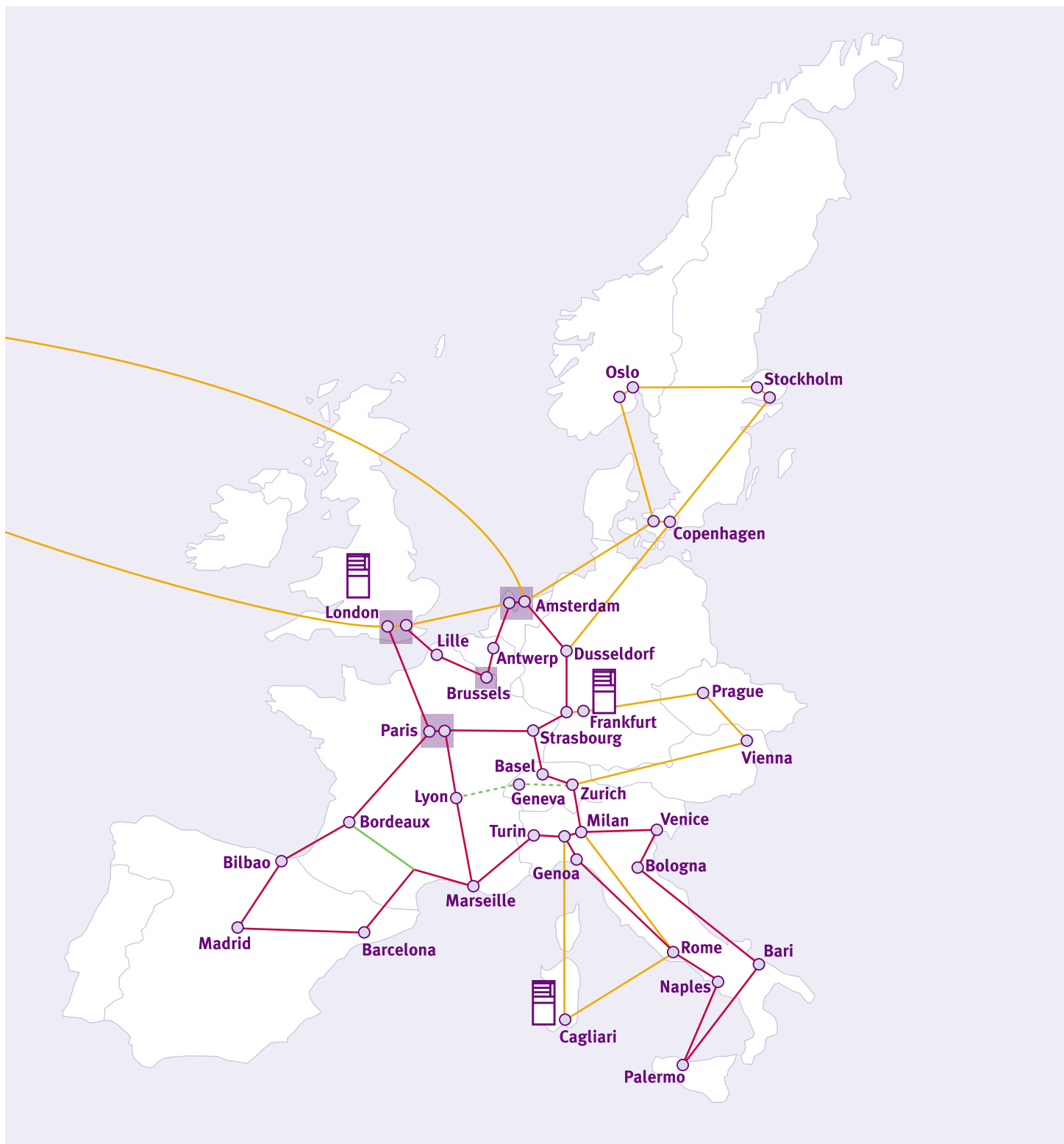
The Tiscali network, consisting of an international backbone extending over more than 12,000 km of long distance fibre backbone throughout Europe, was completed at the end of 2001. This network interconnects with all the Tiscali national networks giving the Company total control over connection quality, extending over more than 50,000 km, with over 300 Peering agreements in the USA and Europe.



TISCALI INTERNATIONAL NETWORK



The total integration of Tiscali's activities at European level has been made possible by the implementation of the Unit project. This is a single IT platform which provides unified and integrated management of Tiscali's customer base at all stages of the value chain, throughout Europe.



ONE BRAND, ONE TECHNOLOGY, ONE COMPANY.

At the end of 2001, Tiscali had a solid presence in 15 European countries. This confirms Tiscali as the only Internet Company with a truly pan-European market strategy. This allows Tiscali to capitalise on the opportunities thrown up by evolving European monetary and economic union. Also, to exploit as no other Company has, the enormous wealth of different cultures which have led to the creation of the Tiscali Group as it is today.



Following its international expansion programme, Tiscali has a highly talented management team thanks to the integration of different activities, people and cultures, together with a single strategic vision. This team represents the solid base of a Company that respects and integrates other cultures and ensures the Company has a "local" presence all over Europe.



Renato Soru
Chairman, CEO



Mario Rosso
EVP Staff Operations



Massimo Cristofori
SVP & CFO



Pasquale Lionetti
SVP Internal Auditing
& Special Projects



Mario Mariani
SVP Access,
Applications & VAS



Beatrice Niedda
SVP Strategic
Marketing &
Communication



Paolo Susnik
SVP & CTO



Sergio Cellini
CEO UK



Ruud Huisman
CEO BENELUX



Rafi Kouyoumdjian
CEO France



Carl Muehler
CEO Germany



Peter Bredgaard
GM Denmark



Xavier Casajoana
GM Spain



Tomas Eriksson
GM Sweden



Naveed Gill
GM Czech Republic



Dieter Haacker
GM Austria



Olav Sande
GM Norway



Graeme Victor
GM South Africa



Reto Zampatti
GM Switzerland

BOARDS

Board of Directors

CHAIRMAN

Renato Soru

DIRECTORS

Franco Bernabè

Victor Bischoff

Hermann Hauser

James Kinsella

Elserino Piol

Board of Statutory Auditors

CHAIRMAN

Andrea Zini

PERMANENT AUDITORS

Rita Casu

Piero Maccioni

SUBSTITUTE AUDITORS

Giuseppe Biondo

Livio Bianchi

Accounting firm

Deloitte & Touche SpA

Effective since April 30, 2002

LETTER TO SHAREHOLDERS



Dear Shareholders,

2001 was a very important year for the growth of the Tiscali Group. The process of structural changes of the Company allowed us to gain and consolidate a position of leadership in the European Internet market.

We began in 1998 as a small telecommunications Company, which believed strongly that the advent of the Internet would radically change the way in which we communicate, work and interact with the world around us.

With these convictions in mind, and following our stock market listing in October 1999, we believed that our market should not be limited to Italy but should extend to the whole of Europe. This principle guided us in our courageous strategy, which saw us acquire over 20 Companies across Europe between 2000 and 2001. This strategy has given us a significant presence throughout the continent.

At the end of 2001, Tiscali had a share of approximately 16% of the European Internet market, with 7.3mn active users and a solid presence in 15 countries; figures which confirm that Tiscali is the only Internet Company with a truly pan-European market strategy. This allows us to capitalise on the opportunities thrown up by evolving European monetary and economic union, and to exploit, as no other Company has, the enormous wealth of different cultures which have led to the creation of the Company as it is today.

Therefore, 2001 was a year of extraordinary operations that required the commitment of both management and employees. It has been a long and difficult process, aimed at integrating our new acquisitions, to create a single entity capable of competing with the Internet divisions of the major international telecoms Companies. This process has confirmed Tiscali as an independent Company able to take a leading role in consolidating the enormous potential of this sector.

We believe that we have been successful in meeting this challenge because in its current state, Tiscali is a single Company, with a single technology, a single brand and a single organisation. Its business model, which seamlessly integrates access, content distribution and business services, has proved profitable and has provided significant growth opportunities.

Proof that we have achieved our ambitious objective can be seen in the value of the synergies created. In the fourth quarter 2000, proforma consolidated operating losses, including all the Companies acquired by Tiscali, totalled approximately EUR 192.4mn. In the fourth quarter 2001, following integration, the Group was close to breakeven; slashing its losses by 96% to only EUR 7mn. One of the main reasons for this was the big improvement in the EBITDA margin. This rose from 4% to 40% in only 12 months and, shows that it is possible to develop a successful business case in this fledgling market.

I would also like to stress how, during these extraordinary acquisitions and integration, the Company has continued to work on laying solid foundations for future development.

Specifically, 2001 saw the completion of network infrastructure aimed at improving the quality of services offered and widening their range as well as, the signing of numerous content distribution agreements. A restructuring process was also initiated to rationalise the Group.

For this reason, we look forward with a great deal of confidence to 2002. Thanks to our solid business model, balanced financial structure, high level of know-how and exceptional staff, we are ready to face the challenge of the market on an equal footing with our competitors.

In 2001 we concentrated on consolidation and integration. Whilst this year, we will be putting our efforts into growth and profitability. For 2002 we aim to consolidate our leadership position in the European Internet market, focusing particularly on the quality and variety of services offered. This will be achieved by ongoing development of ideas, and by following the principles which guided us previously — acting, thinking and working like a European Company.

Renato Soru

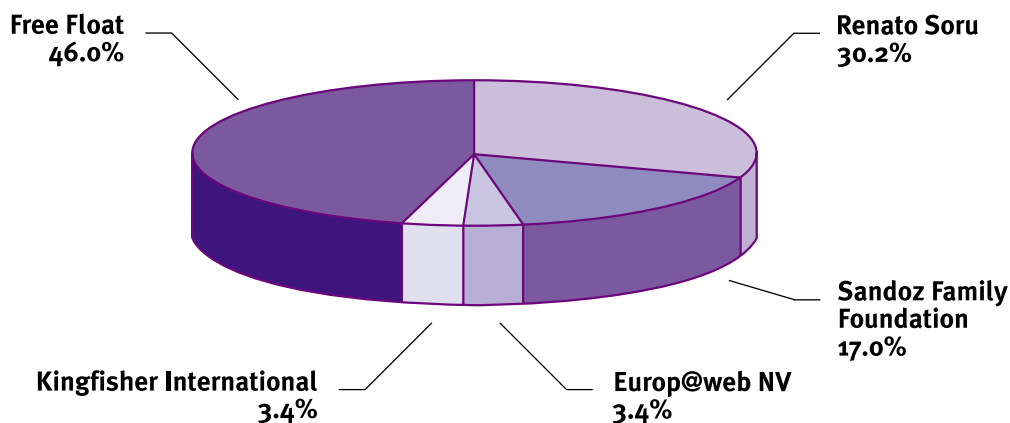
A handwritten signature in black ink, reading "Renato Soru". The signature is written in a cursive, flowing style with a large initial 'R'.

TISCALI SHARES

Tiscali has been listed on the Italian Nuovo Mercato since October 1999, and the Nouveau Marché in Paris since June 2001. Last year the number of shares in the Company increased considerably, rising from 304,626,082 as of December 2000 to 358,417,658 twelve months later.

The shareholder base at end-December 2001 is shown below:

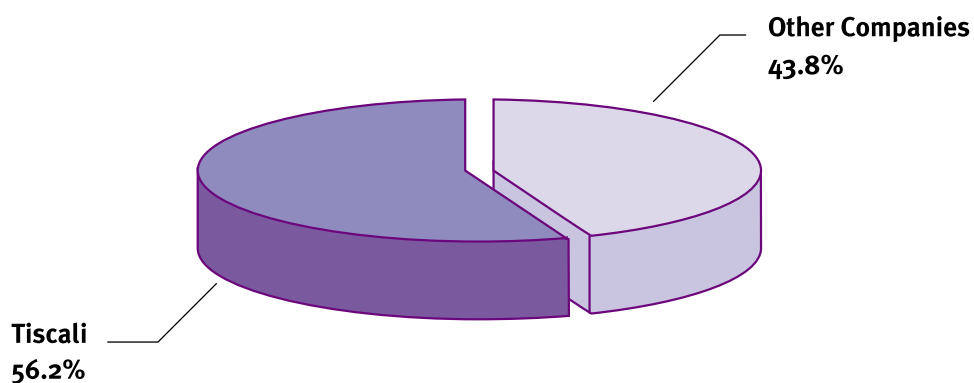
Shareholders structure



Source: CONSOB

In 2001, Tiscali had the highest capitalisation on the Nuovo Mercato (EUR 3.6bn as of December 2001). It was also the most frequently traded stock, with 2.6bn transactions: an average of 10,357 transactions per day and 370 shares per transaction. Daily average trading volumes of Tiscali shares were around 3.8mn shares, being approximately 0.98% of the entire share capital, with a daily average turnover of EUR 45.8mn. Tiscali is therefore the most liquid stock on the Italian market, as well as one of the most frequently traded stocks in the sector in Europe.

Trading in Tiscali shares as a percentage of NM average over the last 12 months



Source: NM

Tiscali: daily average trading volumes on the Nuovo Mercato and Nouveau Marché (No. of shares)

| Date | NUOVO MERCATO | | NOUVEAU MARCHÉ | | TOTAL | |
|----------------------|------------------|---------------|----------------|--------------|------------------|------|
| | No. shares | % | No. shares | % | No. shares | % |
| Jan. 2001 | 5,691,900 | 100.00% | | | 5,691,900 | 100% |
| Feb. 2001 | 4,120,742 | 100.00% | | | 4,120,742 | 100% |
| Mar. 2001 | 2,180,372 | 100.00% | | | 2,180,372 | 100% |
| Apr. 2001 | 1,442,337 | 100.00% | | | 1,442,337 | 100% |
| May 2001 | 768,323 | 100.00% | | | 768,323 | 100% |
| Jun. 2001 | 1,515,952 | 94.13% | 94,563 | 5.87% | 1,610,515 | 100% |
| Jul. 2001 | 1,705,876 | 98.73% | 21,965 | 1.27% | 1,727,841 | 100% |
| Aug. 2001 | 3,734,355 | 99.29% | 26,675 | 0.71% | 3,761,029 | 100% |
| Sep. 2001 | 3,537,911 | 99.20% | 28,403 | 0.80% | 3,566,314 | 100% |
| Oct. 2001 | 7,719,051 | 99.79% | 15,878 | 0.21% | 7,734,929 | 100% |
| Nov. 2001 | 9,068,472 | 99.88% | 10,933 | 0.12% | 9,079,405 | 100% |
| Dec. 2001 | 4,444,003 | 99.86% | 6,079 | 0.14% | 4,450,082 | 100% |
| Daily average | 3,827,441 | 98.70% | 29,214 | 1.30% | 3,844,482 | |

Source: Bloomberg

Although Tiscali has been listed on the Nouveau Marché for almost a year, the Nuovo Mercato remains predominant, accounting for 98.7% of transactions. The daily average trading volume on the Nouveau Marché from June to December 2001 was 29,214 shares.

During 2001 the Tiscali stock lost 30% of its value, compared to a 42% fall in the Numtel Index.





Tiscali 10.0

Backup di culture

Dentro di te ci sono la tua cultura e quella dei tuoi padri. Ci sono culture che non si imparano a scuola ed altre che non si imparano sui libri.

C'è già l'Internet di domani: più grande, più libera. E più semplice, grazie a Tiscali 10.0: l'offerta Internet di nuova generazione che ti dà, subito disponibili, un mondo di servizi personalizzabili, per utilizzare la rete in modo semplice e completo. Come la Mail di Tiscali 10.0, una casella da 50 MB da usare anche via telefono e per ricevere fax.

Rivivvi il tuo pensiero. Tiscali 10.0: tutto quello che cerchi è dentro di te.

TISCALI 10.0 - CON UN'UNICA REGISTRAZIONE E PASSWORD:

ACCESSO | Più spazio e più potenza
MAIL | per usare Internet
SPAZIO WEB | senza limiti.

AGENDA | Per condividere le tue
MESSENGER | passioni, il tuo tempo e
PEOPLE & CHAT | le tue amicizie.

NET PHONE | Per integrare meglio
TISCALI FAX | telefono, cellulari, fax
TISCALI BY PHONE | e PC utilizzando le nuove
TISCALI MOBILE | potenzialità del web.

CANALI | 15 canali tematici per
soddisfare ogni tua
curiosità.

E in più TISCALI BROWSER, il software di navigazione personalizzabile, per avere sul tuo PC tutti i servizi di Tiscali 10.0 pronti per l'uso.

SERVIZIO CLIENTI | ABBONATI GRATIS
800.91.00.91 | www.tiscali.it

 TISCALI

The European Internet Company

REPORT ON OPERATING PERFORMANCE

REPORT ON OPERATING PERFORMANCE

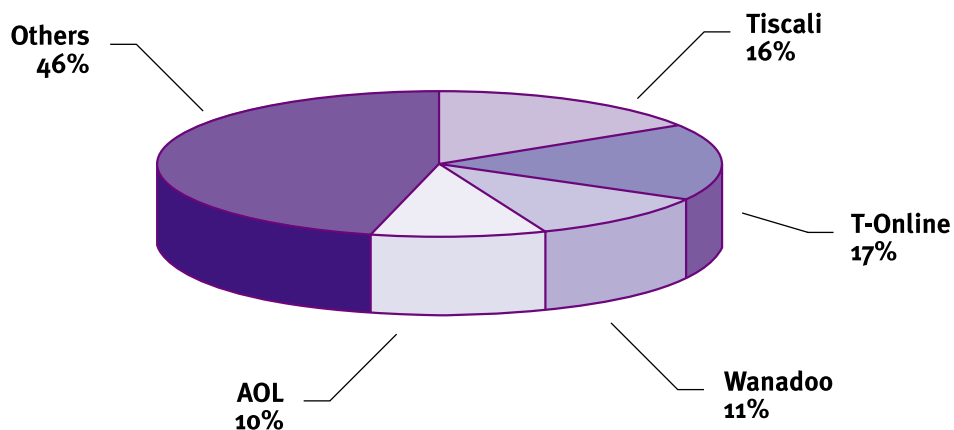
Market profile

2001 was crucial for the Internet, with strong competition leading to a concentration of providers through mergers and acquisitions, as well as the failure of some ventures that were mainly national in scope.

With about 47mn active users, the European Internet access market is currently dominated by three providers which, together with Tiscali, account for about 54% of total market share:

- T-Online, ISP subsidiary of Deutsche Telekom AG, and market leader in Germany;
- Wanadoo, ISP subsidiary of France Telecom and market leader in France and the UK (operating as Freeserve);
- AOL Europe, European branch of AOL Time Warner, which operates mainly in Germany, France and the UK.

European Internet Market 2001



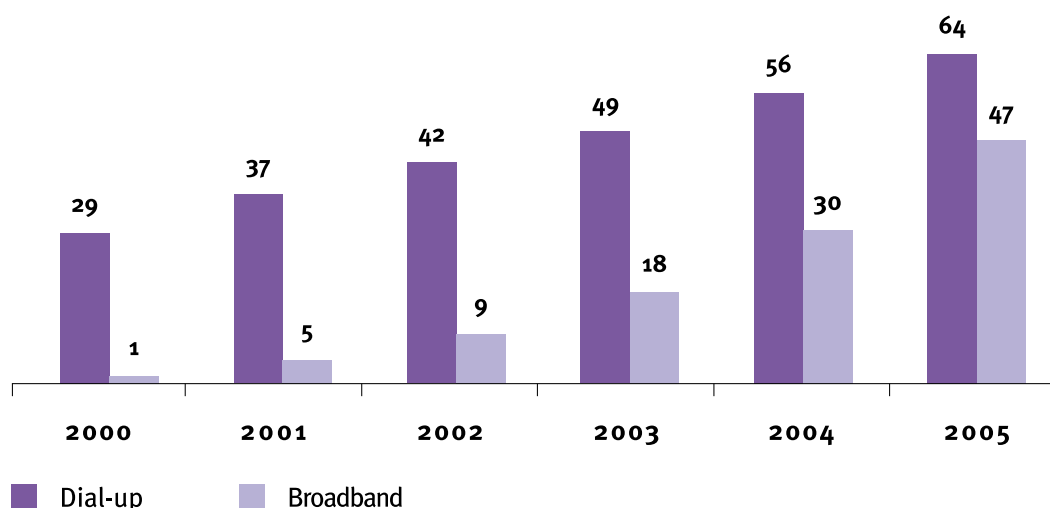
Source: IDC

Added to these Companies are ISPs controlled by ex-incumbent operators, including Terra-Lycos in Spain, Seat-Tin.it in Italy and BT Openworld in the UK. These enjoy important positions in their respective markets, often thanks to their first-mover advantage.

In 2001, user demand for Internet services jumped sharply, as evidenced by the increase in minutes of Internet traffic as well as the growing use of services like e-mail, Instant Messenger, value added services including Internet banking and e-travel.

The Internet has consolidated its position as one of the major media. Its development shows no signs of slowing and seems set to continue in the years to come, as regards not only its penetration amongst the public, but also the number and scope of products and services on offer.

Western Europe Connections (in million)



Source: IDC

Dial-up is still the most commonly used access method in Europe and around the world, accounting for about 88% of all Internet connections in Europe. Most users still consider this system the most convenient, as it offers a satisfactory quality standard at affordable prices.

The percentage is estimated to stand at 70% in 2005, confirming that the narrow band access market still has considerable potential.

During 2001 many new dial-up services appeared on the market. These included pre-paid packages, where users purchase a set number of hours of connectivity at a discounted rate as well as, unmetered access offers, in which users pay a fixed monthly subscription in return for unlimited useage.

Pre-paid offers have been successfully launched in France while unlimited access, also known as FRIACO (Flat Rate Internet Access Call Origination) has been well received in the UK where ISPs benefit from a fixed cost structure for access to the incumbent-owned local loop. This cost structure will also soon be introduced in Italy.

Although broadband technologies (in particular XDSL) have created strong interest among intensive Internet users, they have not become as widespread as expected.

The limited broadband take-up is certainly due almost solely to excessively high interconnection costs resulting from the fact that, the former incumbents hold a monopoly on access to the "last mile". This forces alternative providers to operate with reduced profit margins and high sale prices, which effectively limits market competition.

Europe's national telecommunications regulators have recently taken measures to promote effective competition in the broadband market and encourage user take-up. It is expected that the ADSL market will pick up significantly in 2002 and to gain momentum in the following years. This should bring new and better growth opportunities for independent providers like Tiscali.

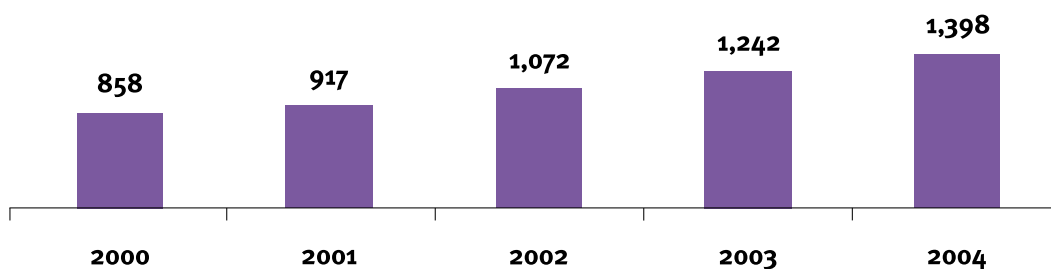
Revenues from portal services (chiefly on-line advertising and e-commerce) were largely

flat in 2001; mainly because of the general market slowdown and the difficult market environment that affected a number of portals.

However, sector experts are unanimous in forecasting an increase in on-line advertising and e-commerce spending, as advertising methods more effective than traditional banners are developed the net user base and average connection time increases and, new content and services are made available.

The experience of the more mature US market has in fact shown that it is possible to generate significant revenues from this area of activity, via an effective content distribution policy and strategic partnerships with suppliers of products and services. Particularly those which, by their very nature, can be more easily acquired on the net (such as banking services, music, games, travel services and software).

European on-line advertising market (in \$mn)



Source: Zenith Media

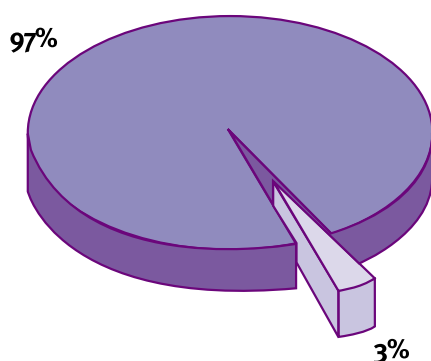
New revenue sources are expected from paid content and services which will spring up from the development and spread of broadband access technologies.

Thus portal revenues, which currently account for only a marginal slice of the total Internet market, will be an important growth driver for Companies which, through state-of-the-art technological infrastructure and a broad user base, as well as a strong position on local markets, can promote themselves as ideal partners for businesses planning to offer their products and services on the net.

Group Operating Performance

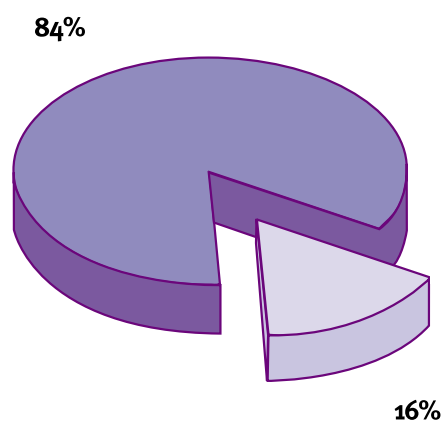
During 2001, Tiscali launched an expansion campaign aimed at strengthening and consolidating its position as one of Europe's leading Internet Companies. Thanks to this strategy, Tiscali's European market share increased from 3% at end-2000 to 16% at end-2001, giving the Group a prominent position on all the main European markets.

Tiscali market share in Europe (December 2000)



Source: IDC

Tiscali market share in Europe (December 2001)



Source: IDC

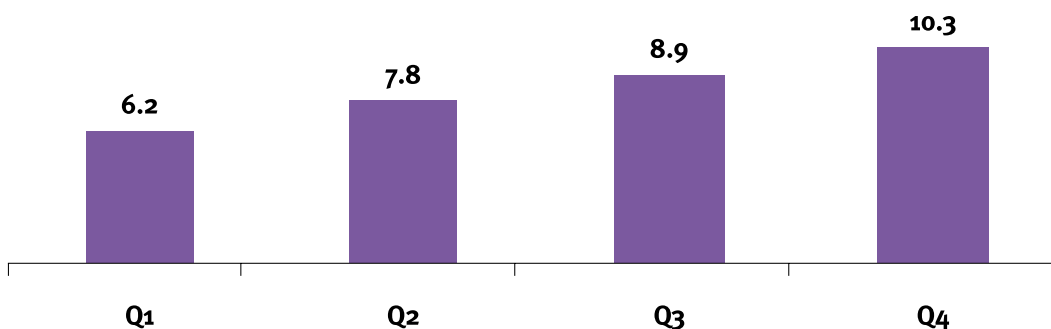
| TISCALI'S POSITION ON THE MAIN EUROPEAN MARKETS | | |
|---|-------------|------|
| COUNTRY | 2000 | 2001 |
| Italy | 3 | 3 |
| France | Not placed | 2 |
| Germany | Beyond 10th | 4 |
| UK | Not placed | 4 |
| Benelux | Beyond 10th | 2 |

Source: IDC

The sharp increase in its subscriber base to 7.3mn active users at end-2001 (up 82% on 2000), has enabled Tiscali to achieve significant cost and revenue synergies, leading to a marked improvement in, industrial and financial performance.

The improvement in industrial performance was mainly due to an increase in traffic volumes, price rises in France and Germany, the transfer of traffic onto the Group's own international IP network and the gradual streamlining of local access networks. More specifically, total Internet traffic on the Tiscali network in 2001 was 33.2bn minutes, a 37.8% increase on 2000. On a proforma basis, total traffic exceeded 39bn minutes.

Tiscali on-line traffic in 2001 (billion of minutes)



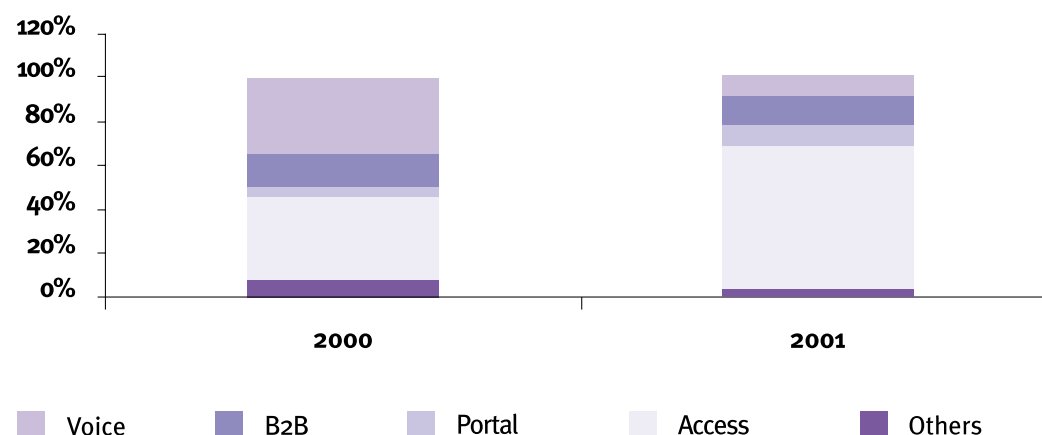
The Tiscali Group closed 2001 with consolidated revenues of EUR 635.7mn, a 267% jump on the EUR 173.1mn generated in 2000. Takeover operations in 2001 significantly altered the consolidation area, which now includes Excite Italia BV, Liberty Surf SA, Guglielmo GmbH (Planet Interkom), Springboard Internet Services Ltd (LineOne), PlanetOne, Intercall, Infosource, Tiny, Inicia and Yucom. EBITDA stood at EUR -170.4mn, or -27% of total revenues, compared with EUR -43.1mn recorded in 2000 (-25% of total revenues).

| (in EUR mn) | | | |
|--|---------|-----------|--------|
| | 2000 | 2001 | % |
| Revenues | 173.2 | 635.7 | 267% |
| Operating Expenses | (216.2) | (806.1) | 273% |
| EBITDA | (43.1) | (170.4) | 295% |
| Amortisation/Depreciation & Provisions | (47.6) | (135.7) | 185% |
| EBIT before goodwill amortisation | (90.7) | (306.1) | 237% |
| Goodwill amortisation | (82.7) | (362.2) | 337% |
| EBIT | (173.4) | (668.2) | 285% |
| Net Financial Income/(Charges) | (7.2) | 13.8 | (292%) |
| Restructuring Charges | | (202.0) | |
| Write-downs | | (815.1) | |
| Other Extraordinary Charges | (5.4) | (19.1) | 254% |
| Profit (loss) Before Tax | (186.0) | (1.690.5) | 808% |
| Tax | (0.2) | (1.1) | 4000% |
| Minority interests | 4.8 | 27.2 | 466% |
| FY net profit | (181.4) | (1.664.4) | 818% |

The integration process implemented to date has led to considerable economies of scale through the streamlining of production and management processes. As well as completion of the network restructuring program. Further savings in connectivity costs were achieved in the second half of 2001, as traffic driven on Tiscali's own network increased, and as the Group enjoyed increased bargaining power in renegotiating access contracts. As these costs constitute the main expense item, their percentage decrease against total revenues has led to a significant rise in the gross industrial profit margin.

This positive trend is compounded by growth in revenues, which increased by 267% on the previous year, thanks both to the Company's overall growth and the enlargement of its consolidation area.

Breakdown of turnover by sector of activity



A comparison between the revenues breakdown for 2001 and that of the previous year highlights how the Company's strategy has evolved so far.

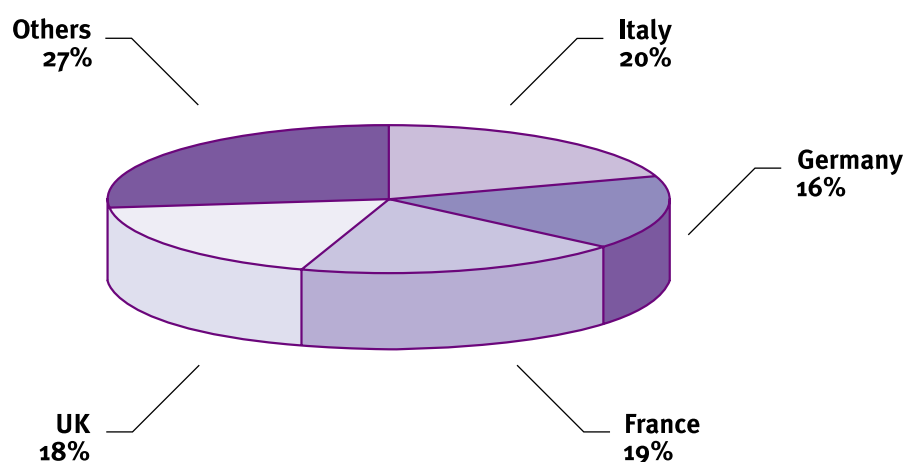
Access revenues, which accounted for about 64% of total turnover last year, confirmed their role as the Company's main income source, thanks to the acquisitions made so far and to organic growth.

Portal revenues (on-line advertising and e-commerce) stood at 10% of the total, a sharp increase on the previous year, when they accounted for only 3%.

Revenues from business-to-business services confirmed the importance of the B2B market, which generated 13% of total turnover, thanks to a more complete and high quality range of services.

Voice services have become a marginal revenue source. They accounted for 9% of total revenues in 2001, a sharp decrease on the previous year.

Tiscali revenues by geographic area 2001



Revenues by country were as follows: Italy 20%, Germany 16%, France 19%, UK 18% and other countries 22%. On a proforma basis, the country which contributed most to revenues was Germany, with approximately 24%. The breakdown shows that Tiscali is now targeting the whole of the European market.

Revenues analysis

| (in EUR mn) | | | |
|--------------|--------------|--------------|-------------|
| Revenues | 2000 | 2001 | Change % |
| Access | 65.6 | 409.3 | 523% |
| Portal | 7.3 | 64.9 | 789% |
| B2B | 25.8 | 85.3 | 231% |
| Voice | 61.1 | 54.4 | (11%) |
| Other | 13.3 | 21.8 | 64% |
| Total | 173.1 | 635.7 | 267% |

Access

Internet access revenues, accounting for 64% of total turnover, were up 523% on the previous year, owing to generalised growth in user numbers and the enlargement of the Group's consolidation scope.

At end-2001, Tiscali had about 7.3mn active users (ie users who in the previous 30 days had made at least one Internet connection via Tiscali). In percentage terms, the user base was up 386% on December 31, 2000.

The growth in the user base was reflected in an increase in dial-up traffic, which shot up by 381% on the 6.9bn minutes recorded in 2000. Average revenues per minute also increased by 27%, from EUR 0.95 cents in 2000 to EUR 1.2 cents in 2001.

Other reasons for the rise in revenues were price increases in Germany and France, and the launch of new services like pre-paid access packages. The introduction of these new services has led to an increase in the proportion of customers having a direct billing relationship with Tiscali. At end-2001, Tiscali had a direct billing relationship with 30% of its active user base.

2001 also saw the launch of broadband access services using DSL (Digital Subscriber Line) technology, both through wholesale agreements and via Tiscali's own access equipment. In order to enter the DSL services business, Tiscali bought a 20% share in Netchemya, an Italian XDSL provider, and signed an agreement with German Company QSC, which provides broadband services.

Another broadband Internet access service using a bi-directional satellite system was also launched following an agreement with Gilat, a leading provider of telecommunications solutions based on satellite networks.

These operations are part of Tiscali's strategy to develop broadband access services, both through its own investment and through network-sharing agreements aimed at maximising infrastructure efficiency and minimising technical investment.

Total broadband revenues for 2001 stood at EUR 10.4mn.

The industrial margin from access services grew steadily, from 12% in the first quarter of 2001 to 42% in the fourth quarter. This was mainly because Internet traffic generated by the customers of the newly acquired Companies was transferred onto the Tiscali network, and as a consequence of the several interconnection and bandwidth purchase agreements thanks to its increased bargaining power.

Portal

Portal revenues amounted to 10% of the total, and were up 789% on 2000. This result is all the more remarkable in the light of the crisis that affected the on-line advertising market, and the slowdown of e-commerce growth in 2001.

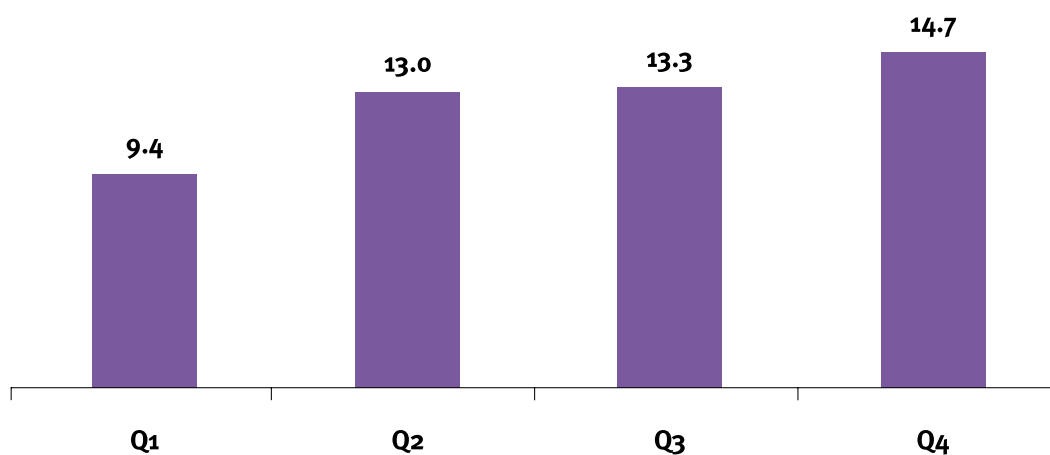
The best performances in this sector came from Italy, France (where Tiscali has its own dedicated advertising sales department for each country), and the UK.

At an operating level the portal business has benefited from the Group's enlargement, as the better market position of Tiscali portals, shown by their increased "reach" and pan-European spread, has enabled Tiscali to secure content and service provision agreements

with major international partners. The gross margin from portal activities rose from 43% in the first quarter to 49% in the fourth quarter of 2001.

According to Jupiter MMXI, in 2001 the Tiscali Group registered over 14.7mn unique visitors to its portals, giving the Company the status of Europe's biggest web property as at December 2001.

Tiscali unique visitors 2001 (in million)



Source: Jupiter MMXI

Top ten web property in Europe

| (December 2001) | | | |
|-------------------------|----------|------------------------|--------------|
| | RANK | UNIQUE VISITORS (000s) | REACH |
| MSN-MICROSOFT SITES | 1 | 41330 | 65.1% |
| YAHOO SITES | 2 | 25240 | 39.8% |
| AOL TIME WARNER NETWORK | 3 | 22467 | 35.4% |
| LYCOS SITES | 4 | 21351 | 33.7% |
| GOOGLE SITES | 5 | 15135 | 23.9% |
| TISCALI SITES | 6 | 14717 | 23.2% |
| T-ONLINE SITES | 7 | 14098 | 22.2% |
| WANADOO SITES | 8 | 12217 | 19.3% |
| AMAZON SITES | 9 | 10760 | 17.0% |
| VIVENDI-UNIVERSAL SITES | 10 | 8251 | 13.0% |

Source: Jupiter MMXI

B2B

Business-to-business revenues, at 13% of the total, were up 231% on 2000. This was the result of enlarged consolidation and a wider range of services, made possible by the integration of national infrastructures into the Company's international backbone. As well as, by the creation of dedicated corporate departments focused on the development of B2B services.

Tiscali offers one of the most comprehensive ranges of B2B services on the market, from broadband access through leased lines and XDSL to hosting, housing, VPN (Virtual Private Networks), security solutions and streaming. Here too, the gross margin recorded steady growth last year, standing at 46% of revenues in the first quarter and increasing to 49% in the fourth.

Voice

Revenues from voice services fell 11% to EUR 54.4mn in 2001, and accounted for 9% of total turnover.

These services, available only in France, Italy and the UK, consist mainly of B2B services, pre-paid phone cards and voice/Internet packages.

To improve this business area's profitability, low-margin products were withdrawn, and as a result the gross industrial margin, which had a negative value of -25% in the first quarter, improved in the fourth to almost breakeven point, at -1%.

Operating costs

Operating costs totalled EUR 806.1mn, up 273% on 2000 following the changes in corporate structure, which saw the Companies acquired during the year integrated into the Group.

Direct costs increased on 2000 because of the enlarged user base and higher traffic volumes generated. Line rental and traffic purchase costs were EUR 209.4mn and EUR 166.6mn respectively.

The aggregate gross margin rose from EUR 39.4mn (4% of total revenues) in 2000, to EUR 179mn (28%) in 2001, a jump of 354%. This growth, as already highlighted, was attributable mainly to synergies created by the integration of the Companies acquired during 2001 into the Group. These Companies generated 40% of the Group's gross industrial margin in the last quarter.

Marketing and sales costs were EUR 118.4mn, or 19% of total revenues, an increase of 187% on 2000.

Tiscali has begun a brand unification process. A corporate brand marketing and product advertising campaign is planned to increase brand recognition in Europe and maximise the impact of Tiscali's advertising budget.

At December 31, 2001, staff costs totalled EUR 162.7mn (26% of revenues), an increase of about 474% on 2000 as a consequence of increased headcounts following the acquisitions

made during the year.

It should be emphasised that, in order to rationalize the existing staff and eliminate duplications caused by the acquisition of Companies in countries where Tiscali was already operating, the Company last year implemented a staff downsizing programme, cutting the total workforce from 4,200 (on a proforma basis) at December 31, 2000 to 3,020 at end-2001. The Group posted an EBITDA loss of EUR 170.4mn (27% of total revenues), compared with losses of EUR 43.1mn in 2000 (25% of revenues).

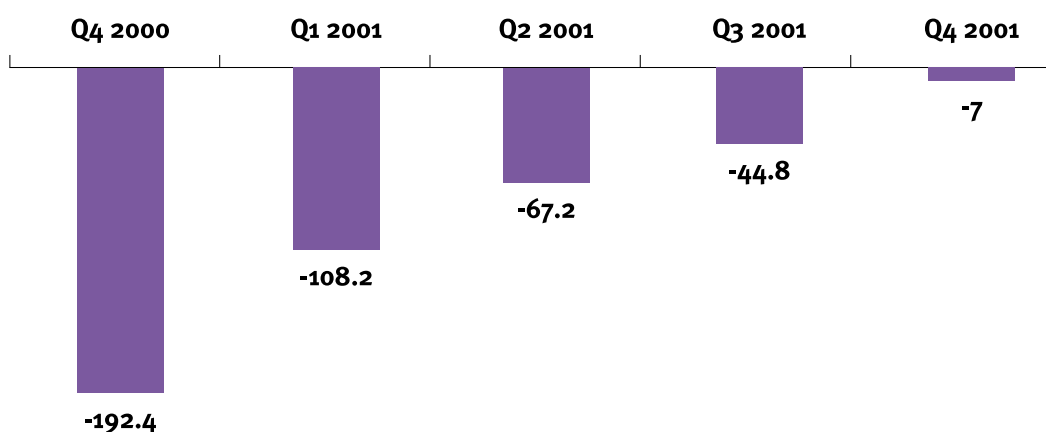
This item was negatively affected by losses attributable to Companies acquired during the year, which were gradually introduced into the Group's consolidation program.

The consolidation process has enabled the new Companies' operations to be streamlined, and by the second half of 2001 there was already a marked improvement in their economic and industrial performance. This became evident in the last quarter of 2001, when the negative value of EBITDA decreased to 3.5% of revenues, partly because of the lower incidence of indirect operating costs, which decreased to 43% of revenues.

The integration process involved the merging of the new Companies acquired into the Group. This brought significant savings, as a number of branch offices were closed down and redundant overheads were eliminated.

This positive effect is well illustrated by the proforma EBITDA performance across the four quarters.

EBITDA by quarter (in EUR mn)



Depreciation and amortisation of fixed and intangible assets, net of goodwill amortisation, came to some EUR 122.2mn, up 514% on the EUR 19.9mn at end-2000.

Goodwill amortisation stood at EUR 362.2mn, an increase of 333% on 2000. This increase was due to the expansion of the consolidation area.

Net financial income rose from EUR -7.2mn in 2000 to a positive result of EUR 13.8mn in 2001, thanks to the Group's liquidity.

Consolidated net profit was negative to the tune of EUR -1,664.4mn compared to EUR -181.4mn in 2000. The poor performance in 2001 was largely due to the high incidence of restructuring costs and to the write-down of goodwill relating to holdings recorded in the balance sheet as shown below.

Extraordinary operations

Extraordinary items were high owing to the Group's corporate and operational restructuring process.

The total negative balance was EUR 1,036mn, of which EUR 815mn related to extraordinary goodwill write-downs, and EUR 202mn to other restructuring costs. The most significant items under the latter heading were the cost of staff downsizing, penalties paid for early termination of line rental and bandwidth provision contracts signed by the newly acquired Companies, termination of sponsorship and marketing agreements, and asset write-downs. However, the restructuring initiative has improved operating and financial performance as well as laying the foundations for a higher level of efficiency this year.

Goodwill write-down for a total of EUR 815mn was due to the adjustment of the book value of the holdings — both those acquired through share swaps, adjusted to the current market value of Tiscali shares, and those transferred or liquidated.

Corporate restructuring

As a consequence of acquisitions made in 2000 (including the World Online Group) and 2001 (including the Liberty Surf Group), the Tiscali Group has expanded to include, as at the end of 2001, a total of 178 Companies.

In order to reorganise and streamline the Group's structure, which has burgeoned in a very short period of time, a corporate restructuring plan has been launched, with the following objectives:

- A leaner corporate structure: the number of Companies will be substantially reduced. Companies will be merged and wound up, reducing the total number of legal entities in the Group from 178 to about 80 by the end of 2002;
- Cost cutting: the reduction in the number of Companies will be accompanied by significant administrative cost savings. Fiscal charges arising from the restructuring process will be almost negligible, although most of the Group's tax losses will be maintained;
- Creation of a corporate culture: the restructuring process underway has helped, and will continue to help create the image (in the minds of both the market and employees themselves) of a united, closely-knit Group, rather than a loose gathering of the three Companies Tiscali, Liberty Surf and World Online.

This reorganisation has been implemented along separate guidelines, for each country, and aimed at concentrating the business activities carried out in each country into a single legal entity. Any exceptions to this rule are due to the simultaneous existence in a given country of different business activities (such as B2B, B2C, and telecoms, for example), or by the need to preserve a domain name.

For these reasons, in some countries the Group will act through more than one Company.

The main operations carried out in each country in 2001 are outlined below, indicating the economic effects of each operation. These effects have been duly eliminated in the consolidation process where necessary.

Belgium

In December 2001, Tiscali Belgium SA sold its branch Company to World Online Belgium NV (now renamed Tiscali SA/NV) for EUR 6.7mn, and was then liquidated by its shareholder Tiscali Belgium Holding SA. The latter was in turn liquidated and closed down.

As part of this operation, Tiscali SpA made an extraordinary write-down of about EUR 46mn, against the outstanding receivables from Tiscali Belgium Holding SA (previously transferred by Tiscali Finance SA to Tiscali SpA).

France

In 2001, Liberty Surf Group SA purchased, for about EUR 15.7mn, the Company World Online France SA (renamed Tiscali Business SA), previously recapitalised by Tiscali International BV for EUR 55mn (through a waiver of inter-Company receivable).

In November 2001 Liberty Surf Group SA also took over Liberty Surf Telecom SA which, on December 31, 2001, incorporated by merger Praxitel SA and None Networks SA which had been fully taken over in November 2001.

Also in 2001, Liberty Surf Telecom SA transferred its B2C operations to Liberty Surf SA, while World Online France SA (Tiscali Business) transferred its B2C operations to Liberty Surf SA.

In 2001, Tiscali Reseaux SA (formerly Tiscali France SA), 100% owned by Tiscali SpA, incorporated by way of a merger its subsidiary A Telecom Enterprise SA, a Company originating from the earlier merger of its three subsidiaries Taxiphone SA, Trastel SA and MCI SA.

Tiscali Reseaux SA, recapitalised during 2001 by means of the Parent Company's writing off receivables of about EUR 33mn, was sold in the first quarter of 2002 to Liberty Surf Telecom SA for EUR 5mn. To align the value of the subsidiary to this selling price, Tiscali SpA made a write-down of EUR 124mn.

Germany

In December 2001, Tiscali SpA sold its share of Addcom AG, which it had taken over in March 2001, to Tiscali GmbH, for a total price of about EUR 5.4mn, recording a capital gain of EUR 2.9mn. This was written off in the consolidated accounts.

Tiscali GmbH also purchased SurfEU Germany GmbH for EUR 0.6mn from SurfEU.com Ltd, a direct subsidiary of Tiscali SpA.

United Kingdom

In July 2001, LibertySurf Group SA recapitalised Liberty Surf UK Ltd by writing off receivables amounting to EUR 34.3mn. Liberty Surf UK Ltd then sold its going concern to Tiscali UK Ltd (formerly World Online UK Ltd) for EUR 4.7mn.

A similar transaction involved Liberty Surf Communications Ltd, which was recapitalised by Liberty Surf Group SA by writing off receivables amounting to EUR 33.9mn and which subsequently sold its going concern to Tiscali UK Ltd (formerly World Online UK Ltd) for about EUR 3mn.

World Online Ltd and Springboard Internet Services Ltd (LineOne) also sold their going concern to Tiscali UK Ltd during 2001.

Spain

During 2001, Freegames SL and Freelosophy SL, two subsidiaries of Tiscali Telecomunicaciones SA were wound up. In order to recapitalise Tiscali Telecomunicaciones SA, Tiscali SpA picked up its debt of EUR 1.4mn to Tiscali Finance SA, and wrote off trade receivables of EUR 352,000. In view of the forthcoming sale of Tiscali Telecomunicaciones SA, planned for 2002, the book value of this shareholding was aligned to the planned selling price of EUR 125,000 by effecting a write-down of about EUR 2.3mn. The overall economic impact of Tiscali Telecomunicaciones SA on the Parent Company's financial statements as a result of these operations was EUR 3.7mn.

Again in 2001, World Online International BV transferred 49.2% of World Online Spain SA to World Internet Online SL (re-named Tiscali España SLU).

Note also that during 2001 the German, Swedish, Austrian, Swiss and Finnish subsidiaries of SurfEU.com Ltd were transferred to other Tiscali Group Companies operating in those countries.

Specifically, SurfEU Deutschland GmbH was transferred to Tiscali Deutschland GmbH, and subsequently by the latter to Tiscali GmbH; SurfEU Austria was transferred to World Online Austria GmbH; SurfEU OY to Tiscali International BV; SurfEU Switzerland AG to World Online Holding SA, and SurfEU Sverige AB to World Online AB.

In December 2001, the Board of Directors of SurfEU.com Ltd distributed a bonus dividend of EUR 8.5mn, consisting mainly of receivables from the above-mentioned sales. It also approved the Company's winding up.

The book value of the shareholding in SurfEU.com Ltd entered in Tiscali SpA's financial statements was written down by about EUR 18mn, in order to align it with the total amounts of the transferred Companies' sale values.

Group balance sheet result

| (in EUR mn) | | | |
|---|----------------|----------------|-------------|
| | 2000 | 2001 | % CHANGE |
| Non-current Assets | 1,357.3 | 1,302.7 | -4% |
| Current Assets | 1,671.1 | 957.9 | -43% |
| Total Assets | 3,028.4 | 2,260.5 | -25% |
| Shareholders' Equity | 2,224.4 | 1,107.9 | -50% |
| Risk and Severance Pay Funds | 11.9 | 42.1 | 253% |
| Liabilities | 792.1 | 1,110.4 | 40% |
| Total Liabilities and Net Sh. Equity | 3,028.4 | 2,260.5 | -25% |

At end-December 2001, total non-current assets stood at EUR 1,302.7mn, a fall of EUR 54.6mn on 2000.

This fall was mainly due to goodwill write-downs carried out as a consequence of the restructuring process.

Current assets decreased by 43%, mainly because of a reduction in cash, which was used in 2001 to face operating losses, Group restructuring costs, investments in infrastructure and fixed assets, and for some of the acquisitions made during the year. The Tiscali Group had total cash of EUR 547.8mn at December 31, 2001. Its net financial position stood at EUR 212mn, against EUR 1,032mn at end-2000.

Consolidated shareholders' equity was down 50%, mainly because of the net loss posted in 2001. Liabilities went up by EUR 318mn, mainly because of the EUR 138.8mn increase in trade payables caused by the increased size of the business, and because of payables to non-consolidated subsidiaries and affiliated Companies, which rose by EUR 99.9mn on 2000. These last arose from the corporate restructuring process.

Group investments

During 2001 the Group made investments totalling EUR 259mn, net of consolidation differences.

Investments in intangible assets amounted to EUR 140mn, while investments in fixed assets stood at EUR 118mn.

Investments in intangible assets consisted mainly of software licence purchases and development of new products and applications. Of the latter, it's worth mentioning Tiscali 10.0 a new-generation Internet technology product offering access to all Tiscali communication services through a single subscription and log-in. Tiscali 10.0 was launched in Italy in October 2001, and will be extended to other European countries this year. Investments in intangible assets also included the purchase of bandwidth over a number of years (IRUs, or Indefeasible Rights of Use).

Investments in fixed assets related mainly to the purchase of equipment and technical instruments for developing network infrastructure.

Specifically, during the year the Group completed the development of its international and national networks by acquiring routers and bandwidth, connecting the various POPs of its international and national networks.

To date, Tiscali's international network comprises over 12,000 km of fibre optic cabling run on DWDM transmission technology. It links over 40 cities across Europe, and is interconnected with all the major "carrier hotels", thanks partly to six metropolitan networks. The total length of the Tiscali network, including local access networks, is about 50,000 km.

From this infrastructure Tiscali has built one of the world's largest IP networks, which runs across the whole of Europe from the Czech Republic, and reaches as far as the USA.

This network is one of the most extensively interconnected in Europe, thanks to its high bandwidth of 2.5 Gbps and over 300 peering agreements reached with major carriers and ISPs.

Moreover, the redundancy systems have been set up to ensure the security of the Tiscali network and continuous excellent quality of service.

Parent Company operating performance

The Parent Company generated revenues of EUR 115.8mn, a 4% decline on 2000 resulting from a drop in voice revenues. This was mainly due to fierce local competition on the voice services market, and to the Company's greater focus on its core business of Internet services for private and business customers.

As a matter of fact, emphasise total revenues from Internet-related services rose by 38%, thanks to the growth of the Italian market and the success of Tiscali's services, which confirm the Company's leading position in Italy alongside Virgilio-Tin.it and Wind-Infostrada.

EBITDA in 2001 stood at EUR -23.6mn, largely in line with 2000. Note however that the 2001 result was significantly affected by Tiscali SpA's operating costs related to international corporate activities, totalling some EUR 14mn. These costs were considerably less in 2000; their sharp increase in 2001 was due to Tiscali's international expansion. Therefore, EBITDA, net of holding costs and following the application of the I.A.S. 17 accounting principle, was actually positive for EUR 5.3mn in 2001.

The year closed with net losses of EUR 1,041mn. This loss was mainly due to extraordinary items of EUR 979mn, following the adjustment of shareholding values as part of the Group's reorganisation. This is shown in the Parent Company's Notes to the Financial Statements.

| (in EUR mn) | | | |
|---|-------------|-------------|-----------------|
| | 2000 | 2001 | % CHANGE |
| Revenues | 120.9 | 115.8 | (4%) |
| Operating Expenses | (146.3) | (138.7) | (3%) |
| EBITDA | (25.3) | (23.6) | (7%) |
| Depreciation, amortisation & provisions | (24.7) | (33.2) | 34% |
| EBIT | (49.9) | (56.1) | 12% |
| Net Financial income (Charges) | (1.1) | (6.2) | 436% |
| Net Extraordinary Charges | (3.8) | (978.9) | |
| Write-downs | (46.8) | | |
| Profit (Loss) Before Tax | (101.0) | (1,041.2) | |
| Tax | | | |
| Net Profit/Loss | (101.0) | (1,041.2) | |

Breakdown of Parent Company revenues

| (in EUR mn) | | | |
|--------------|--------------|--------------|-------------|
| REVENUES | 2000 | 2001 | % CHANGE |
| Access | 48.1 | 60.8 | 26% |
| Portal | 6.4 | 15.6 | 144% |
| B2B | 3.5 | 3.9 | 11% |
| Voice | 44.6 | 18.8 | (58%) |
| Others | 18.4 | 16.7 | (9%) |
| Total | 121.0 | 115.8 | (4%) |

Access

Internet access revenues were EUR 60.8mn (53% of total revenues), a 26% increase on the previous year.

This increase was mainly due to an increase in the number of active users who, at end-2001 numbered over 1.3mn, and to a 47% rise in traffic minutes, to 8.7bn.

Internet access services were also expanded with the introduction of broadband packages (ADSL and Tiscali SAT), and the launch of Tiscali 10.0 in October 2001.

Portal

Portal revenues (advertising and e-commerce) stood at EUR 15.6mn (13.5% of the total), up 144% compared to 2000.

This excellent performance, achieved despite the slump in the advertising market, was mainly due to the higher profile of Tiscali's portals and services, the market concentration and activities of Tiscali advertising, and the Company's advertising sales department. All these factors enabled Tiscali to become the leader in concentrating advertising revenues on the Italian market.

B2B

Revenues from business-to-business services totalled EUR 3.9mn, an incremental rise of 11% on the previous year.

During 2001, an internal technical and business unit dedicated to B2B services was set up, while the range of services offered was expanded and streamlined in the second half of the year. This will allow Tiscali's technical infrastructure in Italy, as well as its international backbone, to be fully exploited.

Voice

Voice revenues were EUR 18.8mn, down 58% on 2000. This decrease was due mainly to the Group's strategic refocus on Internet services, as well as to growing competition on the domestic voice market.

Operating costs

Operating costs totalled EUR 138.7mn, a fall of 4% on 2000.

In particular, line rental costs went down by 9%, while traffic purchasing costs decreased by 54%. This reduced incidence of direct industrial costs was reflected in the gross margin, which went up from 33% in 2000 to 39% in 2001.

Salaries and associated costs rose by EUR 7.6mn to about EUR 19.2mn (17% of revenues) owing to the increased workforce: the number of employees rose from 601 at December 31, 2000 to 731 at December 31, 2001. This cost item also includes staff dedicated specifically to holding Company activities, who accounted for EUR 6.2mn.

Depreciation, amortisation and provisions increased by 34%, from EUR 24.2mn in 2000 to EUR 33.2mn in 2001. The increase was due to the growth in non-current assets following investments carried out in 2001.

Net financial charges were negative as a consequence of debts payable to the subsidiaries Tiscali International BV and Tiscali Finance SA.

Extraordinary items were negative to the tune of EUR -978.9mn. This result was mainly due to the reestablishment in the value of subsidiaries since December 31, 2000, and is made up of income of EUR 767mn as a consequence of new takeovers, and charges of EUR 924mn, of which about EUR 922mn were due to write-downs. These write-downs were effected to redefine the book value of the Companies acquired. As a rule, for takeovers effected by the issue of new Tiscali shares, the original costs were adjusted to the value of Tiscali shares as recorded in January 2002. Further write-downs were effected following the restructuring plan (as mentioned above). Please refer to the Notes to the Financial Statements for further details. Other costs were related to charges not reported in previous financial years, and to the depreciation of non-current assets to their current value.

Parent Company balance sheet results

| (in EUR mn) | | | |
|---|----------------|----------------|------------|
| | 2000 | 2001 | % CHANGE |
| Non-current Assets | 2,293.5 | 2,166.9 | -6% |
| Current Assets | 150.6 | 219.9 | 46% |
| Total Assets | 2,444.1 | 2,386.8 | -2% |
| Shareholders' Equity | 2,287.4 | 1,793.0 | -22% |
| Risk and Staff Severance Funds | 13.2 | 24.8 | 87% |
| Liabilities | 143.5 | 569.0 | 297% |
| Total Liabilities and Shareholders' Equity | 2,444.1 | 2,386.8 | -2% |

Total non-current assets fell by EUR 126mn, mainly because of the adjustment of subsidiary Companies' values, which was not offset by an increase in value from new acquisitions.

The net financial position was negative to the tune of EUR 6.5mn. This item, shown in detail in the Parent Company's Financial Statements, was affected by the acquisition campaign, which continued in 2001. This also led to negative net working capital of EUR -347mn. However, the negative value is almost entirely wiped out when considered net of inter-group positions (assets and liabilities), dropping to EUR -6mn.

Tiscali considers this to be a temporary situation, since it was caused by the concentration of liquid assets in subsidiary Companies, and is thus set to be absorbed as the Group restructuring process nears completion, as well as by the positive effects of the expected growth in revenues. Net working capital at Group level is in fact positive, at EUR 253mn.

Parent Company investments

During 2001, the Company's main investments consisted were effected through leasing and operating leases. Capital expenditure were mainly related to the acquisition of new routers, servers and switching exchanges in order to increase service capacity for future needs. Fixed assets increased by about EUR 12mn. The Company also invested in intangible assets, including software purchase and development, as part of the plan to unify the Group's whole technological platform and billing procedures, and with the aim also of providing new services, including the new Tiscali 10.0 package. Intangible assets went up by EUR 29mn.

Principal subsidiaries and shareholdings

World Online International NV

This Company was bought in November 2000 via a Public Exchange Offer by Tiscali for all World Online shares, and was completed at the end of January 2001. At that date Tiscali held 287,333,645 World Online shares.

The World Online Group began life in 1996 as a Netherlands-based Internet Services Provider. It was a European Internet market leader, offering a complete range of network services designed for both professionals and the wider public.

The takeover of World Online gave Tiscali a pan-European position and made it one of the major players in the Internet sector. World Online's activities cover a wide-ranging, comprehensive platform of services including Internet access, portals, e-commerce and streaming. The Company was listed on the Amsterdam Stock Exchange (Euronext) on April 17, 2000, but was subsequently delisted on January 12, 2001 following the successful outcome of Tiscali's Public Exchange Offer. All the World Online Group's activities were integrated into the Tiscali Group.

During 2001, World Online's consolidated revenues totalled EUR 249.2mn. EBITDA for the same period was EUR -123.9mn.

Liberty Surf Group SA

Liberty Surf Group SA is one of France's leading media and Internet Companies. The Company was taken over in March 2001 under an agreement with its two main shareholders, which together held 72% of the share capital. Following a Public Purchase and Exchange offer, completed in April 2001, Tiscali's shareholding increased to 94.5%.

Thanks to the takeover of Liberty Surf, Tiscali now stands in second place on the French ISP market. The integration between Tiscali and Liberty Surf has been very beneficial in terms of expanding market share in the European countries of operation, and has led to significant cost savings, thus laying the foundations for generating a profit more rapidly and freeing up more resources for investment.

Liberty Surf Group SA, whose consolidation into the Tiscali Group became effective on April 1, 2001, posted revenues of EUR 98.1mn last year. EBITDA in the same period was EUR -43.8mn.

Main acquisitions by the Tiscali Group in 2001

AddCom AG

In December 2000 Tiscali took over 100% of Addcom AG, an Internet Service Provider and former subsidiary of Web Media GmbH, the Internet arm of the Ebner Media Group. The transaction was completed in March 2001, through the issue of 1,532,887 new Tiscali shares. AddComm has developed a complete range of portal services, including bigbag.de which offers a huge selection of CDs, video cassettes and video games; gamesmania.de, a webzone dedicated to games and the games community; and movieline.de – Germany's most complete and accessible database of film facts. As part of the deal, Tiscali also signed an important commercial deal with the Ebner Group, enabling the distribution of Tiscali products and services in Germany.

CD Telekomunikace sro

The Czech Company CD Telekomunikace sro holds a government licence to offer telecommunications services in the Czech Republic, and represents a strategic acquisition within the framework of Tiscali's expansion into eastern and central Europe. The Company has been awarded exclusive rights by Czech railways to lay and manage a fibre optic network along the country's entire rail network — a total length of about 9,600 kilometres. In July 2000, Tiscali acquired 80% of CD Telekomunikace's floating capital. The remaining 20% was purchased in July 2001. In both cases, consideration was paid through newly issued Tiscali shares.

Excite Italia BV

In February 2001 Tiscali signed a strategic partnership agreement with Excite@Home. Under the terms of the agreement, Tiscali purchased 70% of Excite Italia BV, a Dutch Company with operational headquarters in Italy. The total investment, for Tiscali, was EUR 27mn in cash, of which EUR 23.4mn were related to an underwriting of a capital increase by Excite Italia. In March 2002, Tiscali signed an agreement for the purchase of the remaining 30% of Excite Italia BV, held by the US-based At Home Corporation. At Home will also give Tiscali all the rights to the Excite brand, technology and domains for the whole of Europe.

The price of the transaction is EUR 2,985,000, to be paid in newly issued Tiscali shares. The agreement is subject to approval of the capital increase by Tiscali's Shareholders' Meeting, set for April 29 and 30, 2002. Upon completion of the transaction (expected by mid-May 2002), Tiscali will own 100% of Excite Italia BV's share capital. Excite Italia was established in 1999 and is one of Italy's biggest portals, with more than 2mn registered users as of December 2001. Excite Italia has kept its operational and managerial autonomy, acting at the same time as a distribution channel for Tiscali's innovative on-line services, including access, Voice Over IP and voice navigation services.

Guglielmo GmbH (Planet Interkom)

In April 2001, Tiscali took over the German Company Guglielmo GmbH, owner of the ISP Planet-Interkom, from VIAG Interkom GmbH & Co., a German Company belonging to the British Telecom Group. Payment consisted of 4,141,758 new Tiscali shares plus EUR 15mn in cash, for a total consideration of EUR 77.1mn. Planet Interkom is a leading German ISP, providing Internet access to residential customers. With approximately 685,000 active users, who generate around 300mn minutes of traffic per month. Planet Interkom was recently rated one of the top dial-up providers by the German specialist press (Chip, PC Online, Tomorrow, PC Magazin).

SurfEU.com Ltd

In April 2001, Tiscali acquired SurfEU.com Ltd, an ISP and portal with a leading position in Germany and operations in Austria, Switzerland and Finland. At March 31, 2001, the Company had more than 1.1mn registered subscribers, of whom over 600,000 were active. The deal also included an agreement between Tiscali and the Media Saturn Group, a former SurfEU shareholder, for the distribution of Tiscali products and services in Germany, Austria and Switzerland. Following the takeover, all SurfEU services were renamed under the brand Tiscali.

The total price of the transaction was about EUR 70mn, consisting of EUR 18.7mn in cash and about 4.8mn new Tiscali shares.

Springboard Internet Services Ltd (LineOne)

At the end of April 2001, Tiscali acquired the British Company Springboard Internet Services Ltd (trading as "LineOne"), one of the UK's leading ISPs and portals, for a total price of EUR 100mn, of which EUR 20mn was paid in cash and the rest with about 5.4mn newly issued Tiscali shares.

LineOne, previously jointly owned by BT Holdings Ltd, British Telecommunications plc (BT) and United Business Media plc, had over 1.85mn registered users at the end of March 2001, of whom approximately 430,000 were active dial-up subscribers. Again in March 2001, LineOne's active subscribers generated approximately 300mn access minutes, and each subscriber spent an average of around 23 minutes per day on-line. LineOne is also one of the UK's leading portals, with 1.3mn unique visitors generating over 81mn page views in March 2001.

Inicia Comunicaciones SA

In July 2001, a Spanish subsidiary of Tiscali took over the Spanish Company Inicia Comunicaciones SA, for a cash payment of EUR 8.2mn. Inicia, which was sold by Prisa, Spain's largest media Group, has 300,000 subscribers, 82,000 of whom are active, making it one of Spain's leading ISPs. Through its portal, Inicia offers value-added services and content from the Prisa Media Group. As part of this deal, a B2B agreement was signed for the provision of telecommunications services to the Prisa Group. The Prisa Group also provides strategic content to the Tiscali portal network in Spain.

Yucom

In August 2001, Tiscali, through its subsidiary Tiscali Belgium Holding SA, acquired the branch Company Yucom SA from British Telecommunications plc (BT) and Banque Bruxelles Lambert (BBL). Yucom ranks among the leading Belgian ISPs and portals, with 85,000 active users generating 43mn minutes of monthly Internet traffic. The takeover cost EUR 4mn in cash. As part of the deal, Tiscali and BBL have entered into a partnership agreement for the distribution of Tiscali products and services to BBL clients.

Tiny Online Ltd

In August 2001, Tiscali, through its subsidiary Tiscali UK Ltd, acquired 100% of Tiny Online Ltd, the UK ISP of Tiny Computers Ltd, for EUR 13mn in cash. At the time of the takeover, Tiny Online had a customer base of over 700,000 registered users, of whom 218,000 were active in the previous 30 days as at July 31, 2001, generating Internet traffic of more than 100mn minutes in that month.

PlanetOne Internet Service GmbH

In September 2001, Tiscali, through its Austrian subsidiary World Online GmbH, acquired 100% of the share capital of PlanetOne Internet Service GmbH, one of Austria's best-known B2B Internet Service Providers, for approximately EUR 2mn in cash. PlanetOne has an excellent reputation among B2B clients in Austria, thanks to the high quality of its services, which include leased line access, ADSL products, web domains, e-mail services and intranet solutions.

Infosource

In October 2001, Tiscali, through its subsidiary Liberty Surf Group SA, acquired Infosource, Belgacom's French Internet subsidiary. Infosource is one of France's main ISPs, with over 250,000 active users and with the web portals Infonie.fr and Lokace.fr. In September 2001, it recorded monthly traffic of 150mn minutes and 35.8mn page views. The transaction value was EUR 5mn in cash.

Wish-NokNok

In November 2001, Tiscali, through its subsidiary Tiscali BV, took over the Internet business of Wish-NokNok for EUR 2.3mn in cash.

Wish-NokNok is a Dutch ISP with more than 130,000 active subscribers, who generate an average of 70mn minutes of Internet traffic per month.

Nextra Deutschland GmbH Co. KG

In December 2001, Tiscali, through its subsidiary Tiscali Deutschland GmbH, acquired 100% of the German Companies Nextra Deutschland GmbH & Co. KG, and Nextra Deutschland Verwaltungs GmbH — which together account for all Nextra operations in Germany — from Telenor/Nextra AS, for a total cash payment of EUR 5mn. Nextra Deutschland operates as a Communications Service Provider, providing IP-based solutions to about 2,000 business clients in Germany. Its core products are managed Virtual Private Networks (VPNs), secure firewalls and hosting/housing services. Nextra's strong market position in managed VPNs completes Tiscali's range of products for corporate customers in Germany.

Intercall

In June 2001, Tiscali, through its subsidiary Liberty Surf Group SA, acquired Intercall, a French Nouveau Marché-listed Company, via a capital increase made for the purpose. On the same date, Liberty Surf filed a simplified Public Purchase Offer plan with "Conseil des Marchés Financiers". Liberty Surf Group SA currently holds 88.63% of Intercall shares.

Relations with Group Companies and associated parties

Relations with Group Companies are mainly linked to the corporate restructuring which is still underway. Details on the restructuring and its economic impact, duly written off in the consolidated accounts as required, are provided in a separate paragraph.

All other operations effected within the Group and falling within the scope of ordinary activities are shown in the Parent Company's Financial Statements and have been written off in the consolidated accounts.

With regard to relations with associated parties, it's worth mentioning that in October 2001 Tiscali SpA acquired a 20% stake in Netchemya SpA, a Company with which Tiscali director Elserino Piol is indirectly associated via a 0.55% stake held by Pino Partecipazioni SpA. On this respect, it's also worth mentioning that the Company Franco Bernabè & C. SpA has provided organisational consultancy services to the Parent Company. These services were rendered at market value for a fee of about EUR 250,000.

Recent events

In early 2002, Tiscali continued to develop its activities in Europe, as part of its business strategy aimed at establishing the Group as a leading Internet Company. In January 2002, a pan-European distribution agreement was signed with Fujitsu Siemens Computers, a leading international computer Company, all of whose PCs will now be sold with a Tiscali dial-up connection pre-installed. As a result of this agreement, Tiscali will be able to reach a huge user base, and, working with Fujitsu Siemens, provide tailored localised solutions in all European countries.

In the sphere of content distribution, an important agreement was signed with Dorna, which holds the rights to the world motorcycle and motocross championships. Under the terms of this agreement, Tiscali will provide server, band and lines, both for the official website www.motograndprix.com and for the on-site satellite coverage.

In March 2002, an agreement was reached for the acquisition of the 30% of Excite Italia shares still owned by Excite@Home. Tiscali (which on March 21, 2001 purchased 70% of Excite Italia), will thus gain 100% ownership.

At the same time, Tiscali obtained ownership of the technology used in producing the Excite portal and in customising its services (all distinctive characteristics of www.excite.it), as well as ownership rights to the Excite trademark and web domains for the whole of Europe.

In the early months of 2002, corporate restructuring progressed as planned, as shown below by country:

Germany

In the first quarter of 2002, Tiscali GmbH purchased Guglielmo GmbH from Tiscali SpA for about EUR 4mn, and incorporated by merger Time To Trade, SD Informationstechnik, Tiscali Voice GmbH, Addcom AG, SurfEU GmbH, and Guglielmo GmbH.

France

In March 2002, Tiscali Reseaux SA (formerly Tiscali France SA), 100% owned by Tiscali SpA, was transferred to Liberty Surf Telecom SA for EUR 5mn.

Outlook

At end-2001, Tiscali had a customer base of 7.3mn active subscribers, i.e. users who in a 30-day reference period made at least one Internet connection through Tiscali.

Tiscali's strategy for 2002 is focused on the development and rationalisation of its range of Internet access products on a pan-European level. To this end, the Company is in the process of centralising its services onto a single platform. In this context we should mention Tiscali 10.0, an Internet access software which was launched in Italy in October 2001. With just one user ID and password this immediately gives users access to Tiscali's whole range of personalised Internet services: E-Mail, Agenda, Net Phone, Tiscali Fax, Messenger, Tiscali Mobile and more. This product will give Tiscali users throughout Europe easy access to the network and existing and future services, greatly facilitating customers' surfing.

Based on past experience and the most reliable market surveys, we believe that the Internet will continue to develop at a fast pace, in terms of both user numbers and connection minutes. We feel confident in forecasting marked growth in access revenues, which are expected to remain Tiscali's core business.

Tiscali will also continue to offer a wide range of Internet access options, from dial-up to satellite technology, enabling customers to choose the solution that best meets their specific requirements.

More specifically, the Company plans to launch new dial-up and broadband access services, following the cuts in interconnection prices imposed by telecommunications regulators in several countries, including Italy and the UK.

The most noteworthy new products are flat-rate schemes, offering unlimited Internet access against payment of a fixed fee, and ADSL. Both services, as well as pre-paid packages (in which the user purchases a set number of Internet connection hours in advance), will alter the Company's corporate revenues structure to a certain degree. Revenue flows from direct customer billing will be higher than under the traditional "reverse" model, whereby the ISP receives from the former incumbent provider part of the cost borne by the customer for Internet access.

To support these products and encourage generalised growth in its user base, the Company has earmarked funds for an advertising campaign to raise the profile of the Tiscali brand in all its countries of operation.

Tiscali believes that, thanks to its Europe-wide user base and increased brand awareness, it can play an important role as a platform for distributing other Companies' services and content.

The integration of all activities under a single brand name will contribute to the success of Tiscali portals throughout Europe. This will enable the Company to present itself as a first-choice partner for Companies wishing to sell or advertise their products and services on a

pan-European level, and to exploit to the full all the opportunities offered by the growth of the on-line advertising and e-commerce markets.

The B2B sector is expected to continue to generate a significant share of revenues, following the rationalisation of resources, creation of dedicated units for this type of activity, and the development of network infrastructure and specific corporate departments.

OTHER INFORMATION

Legal Issues

Tiscali is involved in several routine legal proceedings, claims and litigation. The Group's management does not expect that any negative outcome of pending cases would have significant adverse effects on the consolidated financial position, nor on future results. The main cases pending are the following:

On March 8, 2002, Trayboard Holdings SA, which in May 2000 sold Tiscali its stake of around 27% in Quinary SpA, filed for arbitration proceedings against Tiscali in Italy to obtain payment of the price of a put option on 70% of Quinary's capital guaranteed under the contract. The value of the claim is nearly EUR 7mn, against a residual shareholding of Quinary's share capital.

On March 30, 2001 Tiscali initiated an arbitration procedure in Switzerland against Nikolai Manek, one of the major shareholders who in April 2000 sold the German Company Nikoma GmbH to Tiscali. Tiscali is claiming damages of over EUR 56mn, alleging that the purchase agreement contained incorrect information as to the number of active subscribers, which was overestimated. Tiscali has frozen over 800,000 Tiscali shares held as a guarantee, which were part of Mr. Manek's payment for the transaction. Mr Manek has rejected Tiscali's allegations and is claiming damages for illegal custody of the shares.

In December 2001, Dino Trovato, who in January 2000 sold Tiscali SpA 80% of the Swiss Company DataComm AG, filed for arbitration proceedings against Tiscali in Switzerland, in order to obtain payment of the put option price guaranteed in the acquisition agreement. The amount under litigation is almost EUR 10mn, against a residual shareholding of 20% of DataComm's share capital.

In February 2002, the US-based Viatel Global Communications Ltd, which is currently in temporary "Chapter 11" receivership, sued Nacamar Data Communications GmbH, a German subsidiary of the World Online Group (now renamed Tiscali Business GmbH). Viatel is claiming damages of about USD 13mn, alleging Nacamar's breach of its obligations under a data transport capacity assignment agreement.

In July 2001, the Dutch foundation Vereniging Van Effectenbezitters (VEB) representing a Group of shareholders, sued World Online International NV (currently 99.5% controlled by

Tiscali) and the main listing sponsors for damages, complaining in particular of the inaccuracy of some information provided in the placement prospectus, and of public statements made by the Company and its chairman at the time. Similar proceedings were launched by another Dutch foundation, Stichting Van der Goen, in August 2001.

In December 2000, Jean Philippe Illiesco de Grimaldi and Illiesco de Grimaldi & Co initiated legal proceedings against World Online Ltd, a British Company of the World Online Group. The plaintiffs complain they were prevented from exercising a purchase option on World Online Ltd capital, and demand damages of over EUR 17.4mn for loss of the profit they could have made from reselling the shares.

In December 2000, Globetrans Ltd and Interglobetrans Ltd began legal proceedings against World Online International NV. The plaintiffs — both controlled by Jean Philippe Illiesco de Grimaldi — assert their right to a 1% commission on the total sum paid by Tiscali for the purchase of World Online International NV, since they put the Company's management in contact with Tiscali. The total value of the litigation is about EUR 69mn.

Corporate Governance

Introduction

The Voluntary Self-Regulatory Code Of Listed Companies, prepared by the Committee for Corporate Governance of Listed Companies, sets out a model of Company organisation aimed at ensuring the correct management of risks and potential conflicts of interest which might arise between directors and shareholders and between majority and minority Groups.

The Self-Regulatory Code thus represents a model of best practice. Its adoption is voluntary and not mandatory: Companies are free to adapt its recommendations to meet the requirements of their specific organisation and Company set-up.

Tiscali's Board of Directors has examined the Self-Regulatory Code and has accepted most of its recommendations, re-organising in consequence its system of Company management.

In order to guarantee correct information on the Company, and pursuant to the indications of Borsa Italiana SpA, the results of this comparison are provided below, together with details on the system of corporate governance adopted by Tiscali SpA.

Role of the Board of Directors

The operations performed and powers exercised by the Company's Board of Directors are set out in Article 14 of the Company Statute ("Powers of the Directing Body"). In the exercise of its directorial functions, the Board of Directors holds regular meetings at suitable intervals, and all its members operate with full knowledge and autonomy of judgement. The Board of Directors is responsible for establishing strategic and organisational policy, and for verifying the existence of the controls required to monitor the progress of the Company.

For the year ending December 31, 2001 and for the current year, the Board of Directors has drawn up a schedule of meetings to deliberate on and approve the periodic accounting documents relating to the Company (quarterly reports, interim report and draft balance sheet).

These operations are described in the reports drawn up by the Board of Directors for the perusal of shareholders. Moreover, as required by Article 14 of the Company Statute ("Powers of the Directing Body"), the Board of Directors reports on a quarterly basis to the Board of Statutory Auditors on its activities and on the operations of greatest financial and economic impact involving the Company or its subsidiaries.

Structure of the Board of Directors

The Board of Directors currently consists of seven non-executive directors out of a total of eight. The only director with executive functions is in fact Chairman of the Board and CEO, Mr Renato Soru. This ensures that the judgement of non-executive directors is given considerable weight in the decision-making process. The role of the non-executive directors is in fact to contribute their specific skills and know-how to board discussions, and to assist in passing motions which meet the Company's interests. We feel that the present structure of the Board is well-balanced and, as far as competence and professional skills are concerned, able to guarantee good management for the Company.

Independent Directors

The Board of Directors also includes two independent members, namely Prof. Maurizio Decina and Mr Hermann Hauser. These directors are considered independent in that: (i) they have no significant economic relations with the Company, its subsidiaries, its executive directors, the majority shareholder or group of shareholders which could influence their autonomy of judgement; (ii) they do not hold, either directly or indirectly, shareholdings that would enable them to exercise control over the Company, nor do they participate in any external pacts for control of the Company itself.

Chairman of the Board of Directors

The role of the Chairman of the Board of Directors is crucial in ensuring that the principles of corporate governance are respected. The Chairman is in fact responsible for the functioning of the Board of Directors, the distribution of the information necessary for Directors to express their opinions with full knowledge, and for the co-ordination of Board activities. The Chairman of the Board of Directors also acts as CEO. No other specific powers have been conferred on the other Directors.

Reports to the Board of Directors

Subsequent to Board meetings (to be held at least quarterly), the CEO reports on proceedings of special interest. During the meetings themselves, he also provides the Board with extensive and up-to-date information relating to unusual or atypical operations whose approval is not reserved to the Board itself.

Confidential Information

An internal procedure (not as yet formalised, and briefly described hereunder) exists for the handling of confidential information, and for the dissemination of information regarding the Company, with special reference to price-sensitive matters.

Any form of communication of confidential information to the public is managed by the Investor Relations department, which prepares press releases and publishes them via a network of professional public relations Companies. More particularly:

- Press releases covering regularly-issued information (that is, balance sheets, interim reports, quarterly reports etc.) are approved by the CEO after consultation, where possible, with the Board of Directors;
- Press releases covering extraordinary operations (mergers, takeovers, capital increases, etc.) are approved by the CEO after consultation, where possible, with the CFO;
- In all other cases, the handling and dissemination of financial information to the public is the responsibility of the head of the Investor Relations department. Should such information be of a price-sensitive nature, its publication is decided, where possible, together with the Legal Department following the approval of the CFO.

Directors, Auditors, the head of the Investor Relations department and all employees are required to maintain the confidentiality of price-sensitive documents and information of which they may become aware in the performance of their duties, except where such

documents or information have already been made public in the prescribed forms. Such persons are moreover forbidden from giving press interviews or making public statements in general which contain information on important facts that may be classified as price-sensitive, which have not been included in press releases or documents already distributed to the public, or which have not been expressly authorised by the Investor Relations department.

Pursuant to the contents of Article 6 of the Self-Regulatory Code, the Board of Directors plans to formalise this procedure via the approval of a set of internal regulations by the Board of Directors.

Chief Executive Officer

The Chairman of the Board of Directors also holds the title of CEO; he was awarded full powers via motions passed by the Board of Directors on June 16, 2000 and July 16, 2001, which extended the powers already conferred by the Board motion of July 21, 1999.

Appointment of Directors

Article 11 of the Company Statute ("Board of Directors") provides for the appointment of directors by means of a list voting system, which ensures the transparency and correctness of the appointments procedure. The lists, which must be deposited at the Company's Head Office in advance of the date fixed for the meeting, contain detailed personal and professional information on nominees. It is not therefore felt necessary to take up the suggestion contained in the Self-Regulatory Code, and create an "ad hoc" nomination Committee.

Remuneration Committee

At its meeting of March 27, 2001, the Board of Directors passed a motion to create a Remuneration Committee, pursuant to Article 8 of the Self-Regulatory Code. The Committee is composed of the directors Elserino Piol (who acts as chairman), Renato Soru and Victor Bischoff. The Committee may submit proposals only; the power of setting the remuneration of directors who have been assigned specific tasks is vested in the Board of Directors (in accordance with article 2389, paragraph 2 of the Civil Code).

On May 14, 2001, the Board approved the regulations for the Remuneration Committee, which state, among other things, that the Committee shall formulate and submit to the Board proposals on the remuneration of the CEO and other Directors entrusted with special tasks and duties, and, on indication of the CEO, make suggestions on the determination of criteria for remunerating senior management. The Committee is furthermore entrusted with the formulation of proposals regarding Company Stock Option

plans and their implementation. The Committee may also under its remit have recourse to external consultants, paid by the Company.

Internal Control

At its meeting of October 2, 2001, the Board of Directors gave formal approval to the Company's internal control system, and adapted it to meet the recommendations contained in the Self-Regulatory Code, by creating a Committee for Internal Control and appointing a person to lead it.

This person, who will shortly be appointed by the CEO, will not report to any operational area manager; but will instead report directly to the CEO, the Committee for Internal Control and the Board of Statutory Auditors. The head of internal control will, moreover, be free of hierarchy constraints as regards the persons under his/her control, the aim being to avoid interference with his/her autonomy of judgement. The CEO is charged with ensuring the correct functioning and efficacy of the internal control system.

The purpose of the control system is to ensure more efficient management and greater capacity to identify, prevent and deal with risks of a financial and operational nature — including those relating to the effectiveness and efficiency of operations and adherence to laws and regulations — as well as any frauds perpetrated against the Company.

Committee for Internal Control

At its meeting on October 2, 2001, the Board of Directors passed a motion to set up a Committee for Internal Control, composed of three non-executive directors, Victor Bischoff, Franco Bernabè and Elserino Piol.

This Committee, which is autonomous and independent, will perform advisory functions and submit proposals, and in particular will:

- evaluate the adequacy of internal controls;
- evaluate the work plan prepared by the head of internal control and receive periodical reports from him/her;
- evaluate the proposals submitted by the auditing agency for the awarding of the auditing contract, as well as the working proposals submitted by the same for review, and in general terms will interact with the auditing agency itself;
- report to the Board of Directors on activities performed and the efficacy of the internal control system;

- perform any other tasks assigned to it by the Board of Directors.

The Chief Auditor and the CEO may attend the meetings of the Committee for Internal Control.

Relations with Institutional Investors and Other Shareholders

The Company feels that maintaining an ongoing dialogue with its shareholders and institutional investors is of prime importance.

Relations with institutional investors and other shareholders are overseen by a specific Investor Relations department, under the direct control of the Financial Director. Its responsibilities include handling communications to the financial community, shareholders and the public, as well as information regarding the Company and its performance, including confidential and price-sensitive information.

These communications functions are performed through press releases, regular meetings with institutional investors and the financial community, and through documentation distributed on the Company's website in the section "Investor Relations". The Company can also be contacted at the e-mail address (ir@tiscali.com).

Shareholders' Meetings

The Company recognises the shareholders' meeting as being of fundamental importance to Company debate and good relations between its shareholders and the Chairman of the Board of Directors. For this reason, the Company has always encouraged and facilitated the participation of shareholders in such meetings, providing them with all the information they request (while fully respecting all matters covering price-sensitive information).

At its meeting of May 14, 2001, the Board of Directors approved a list of meeting regulations which was subsequently approved and adopted at the shareholders' Annual General Meeting of July 16, 2001. These regulations establish the procedures to be followed for the orderly and functional running of meetings, without at the same time jeopardising the right of any shareholder to express his or her opinion on the items under discussion.

These regulations cover issues such as the length of speeches from the floor, their order, voting methods, speeches by the Directors and Auditors, as well as the powers of the Chairman of the Board to settle or prevent conflict situations which might arise during such meetings.

The Board of Directors feels, finally, that minority rights are safeguarded since the current Company Statute does not contain rulings on majority decisions which differ from those established by law.

Board of Statutory Auditors

The Board of Statutory Auditors is appointed on the basis of a fully transparent procedure, pursuant to article 18 of the Company Statute ("Board of Statutory Auditors"). This procedure entails the presentation of voting lists accompanied by a detailed presentation for each candidate.

It is the view of the Company that the interests of majority and minority Groups must be taken into account at the time of appointment of Company officers and that, subsequently, these officers (including the Auditors) must operate exclusively for the good of the Company, regardless of the interests of those who nominated them.

At the Extraordinary General Meeting of July 16, 2001, article 18 of the Company Statute ("Board of Statutory Auditors") was amended in accordance with Justice Ministry Decree 162 of March 30, 2000, to state that at least one of the permanent Auditors, and at least one of the substitute auditors, shall be chosen from the lists of registered auditors who have exercised legal accounts control functions for a period of not less than three years. Auditors not in possession of this qualification must have no less than three years' experience in specific activities which are similar to the above and which, in all cases, have direct relevance to the sphere of telecommunications.

Stock Option Plan

On March 12, 2001, the Annual General Meeting of Tiscali SpA, meeting in ordinary session, adopted a Stock Option plan open to managers, employees and staff of all Tiscali Group Companies, tasking the Board of Directors with the definition of terms and assignment of options. At the same meeting, in extraordinary session, two separate capital increases were approved (pursuant to article 2441, paragraphs 5 and 8 of the Civil Code), relating to the issue of a total of 15,000,000 shares to cover the Stock Options.

At its meeting of March 27, 2001, the Board of Directors exercised its powers by drawing up a plan and list of regulations for the assignment of Stock Options covering the period 2001-2005 (the "Plan"), aimed at providing an incentive for management and staff alike and making each individual a direct participant in the benefits deriving from a positive Company performance, in order to ensure their full commitment to the objectives of expansion and added value of the Company and the Group as a whole.

In order to achieve the aims set out above, and on the basis of the role played by each of the beneficiaries, the Plan makes provision for the assignment, free of charge, of options for the underwriting of ordinary Tiscali shares. The Plan is reserved exclusively to beneficiaries designated, in purely discretionary and irrevocable form, by the Board of Directors or, via a specific power of attorney, by its Chairman, who also takes into account the opinion expressed by the Remuneration Committee. Each option gives the right to underwrite one share at the price established by the Board of Directors or, via a specific

power of attorney, by its Chairman, taking account of, *inter alia*, the fiscal regulations applicable in the various countries relating to tax relief on Stock Options.

These options are personal, registered, non-transferable and non-negotiable, with the exception of their transfer *mortis causa*. The Plan, of three years' duration, sets out that the options may be exercised in three lots, each equalling one-third of the options assigned to each beneficiary. The lots of options may also be partially exercised. The exercise periods are established by the Board of Directors for each year, starting from September 2001. In accordance with current law, on April 27, 2001 an Information Prospectus was filed with CONSOB.

The Plan includes specific "stability commitment" obligations, whereby the options may be exercised only on condition that the beneficiary continues to work for or hold office continuously with Tiscali or another Group Company from the date of their assignment until the date they are exercised. Moreover, in line with current practice on this subject, special checks and balances have been set up to protect the rights of beneficiaries in the event of extraordinary operations, such as for example mergers or Company sales, and in the event of changes in the Company control structure.

On May 14, 2001, the Board of Directors, exercising the powers assigned to it by the Annual General Meeting, assigned a total of 15,000,000 options to staff, employees and managers of the Company and of the Tiscali Group. On March 13, 2002, the Board passed a motion to revoke in their entirety the options previously assigned, and at the same time to assign the same number of options to the same beneficiaries but at a different exercise price. In both cases, the exercise price, as established by the Board, corresponds to the "regular value" of Tiscali shares as defined by article 9, paragraph 4, sub-paragraph a), of Presidential Decree 917 of 1986 — that is, the mathematical average of the official price of Tiscali shares taken in the month immediately preceding assignment.

As at the date of this Report, none of the Stock Options assigned has been exercised. Consequently, the capital increase approved during the meeting of March 12, 2001, which has a five-year duration, has not been even partially underwritten.

Shares Held by Directors and Auditors

As required by current legislation, in particular Article 79 of the implementing regulations of D.Lgs. 58/1998 issued by CONSOB, with decision 11971/1999, the number of shares held by Directors and Auditors is listed hereunder.

| SURNAME FIRST NAME | POSITION | No. OF SHARES | | | No. OF SHARES HELD AS AT 12.31.2001 |
|---------------------------|------------------|-----------------------|-------------------------|--------------------|-------------------------------------|
| | | HELD AS AT 12.31.2000 | No. OF SHARES PURCHASED | No. OF SHARES SOLD | |
| Board of Directors | | | | | |
| <i>Soru Renato</i> | Chairman and CEO | 108,100,000 | | | 108,100,000 |
| Bernabè Franco | Director | | | | |
| Decina Maurizio | Director | 38,293 | | (6,293) | 32,000 |
| Hauser Hermann | Director | | | | |
| Piol Elserino | Director | | | | |
| Bischoff Victor | Director | | | | |
| Duffy Simon | Director | | | | |
| Kinsella James | Director | | | | |

| SURNAME FIRST NAME | POSITION | No. OF SHARES | | | No. OF SHARES HELD AS AT 12.31.2001 |
|------------------------------------|--------------------|-----------------------|-------------------------|--------------------|-------------------------------------|
| | | HELD AS AT 12.31.2000 | No. OF SHARES PURCHASED | No. OF SHARES SOLD | |
| Board of Statutory Auditors | | | | | |
| <i>Zini Andrea</i> | Chairman | 2,054 | | | 2,054 |
| Casu Rita | Permanent Auditor | 50 | | | 50 |
| Maccioni Piero | Permanent Auditor | | | | |
| Biondo Giuseppe | Substitute Auditor | 60 | | | 60 |
| Bianchi Livio | Substitute Auditor | 880 | | | 880 |

For the Board of Directors
The Chairman

Renato Soru





Tiscali 10.0

Unlimited access to the world



Inside you your ideas are free to roam.
Inside you is the ability to understand and communicate.

With Tiscali 10.0 you can now enjoy tomorrow's Internet today – larger, simpler, *free*. A single password gives you instant access to the Internet and all our exclusive products and services making the Internet rewarding, easy and fun.

Tiscali 10.0 The next generation Internet service.



TISCALI 10.0 THE NEXT GENERATION INTERNET SERVICE

INTERNET ACCESS | Speed and reliability
EMAIL | To use the Internet
WEB SPACE | without limits.

CALENDER | To share your
MESSENGER | passions, time
PEOPLE & CHAT | and friendships.

TISCALI BY PHONE | To better integrate telephone,
TISCALI MOBILE | mobile phone, text and PC using
TEXT MESSAGING | the latest web technologies.

CHANNELS |
25 superb Channels
to satisfy your interests

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The Internet Communication Company

TISCALI GROUP

CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2001

| (amounts in EUR/ooo) | | | |
|-------------------------------------|--|---|-------------------|
| CONSOLIDATED BALANCE SHEET – ASSETS | | 12.31.2001 | 12.31.2000 |
| A) | DUE FROM SHAREHOLDERS FOR CAPITAL CONTRIBUTIONS PAYABLE | | |
| - | Portion called up | 80 | |
| - | Portion not called up | 154 | 28 |
| | Total due from shareholders | 234 | 28 |
| B) | NON-CURRENT ASSETS | | |
| I | Intangible assets | | |
| 1) | start-up and expansion costs | 9,172 | 12,783 |
| 2) | costs for research, development and advertising | 44,881 | 11,601 |
| 3) | industrial patent rights and intellectual property rights | 4,686 | 2,969 |
| 4) | concessions, licenses, trademarks and similar rights | 63,084 | 52,516 |
| 5) | goodwill | | 320 |
| 6) | payments on account and intangible assets in course of acquisition | 16,873 | 3,119 |
| 7) | other intangible assets | 46,920 | 5,860 |
| 8) | difference due to consolidation | 685,084 | 1,022,930 |
| | <i>Total</i> | 870,700 | 1,112,098 |
| II | Fixed assets | | |
| 1) | land and buildings | 53,073 | 8,342 |
| 2) | plant and machinery | 40,792 | 30,393 |
| 3) | industrial and commercial equipment | 201,494 | 134,372 |
| 4) | other fixed assets | 35,064 | 7,452 |
| 5) | payments on account and fixed assets in course of acquisition | 55,738 | 2,757 |
| | <i>Total</i> | 386,161 | 183,316 |
| III | Long-term investments | | |
| 1) | <i>Participations</i> | | |
| b) | non-consolidated subsidiary Companies and affiliated Companies | 12,448 | 27,178 |
| c) | Parent Companies | | |
| d) | other Companies | 30,552 | 14,858 |
| | | <i>Receivable within the following financial year</i> | |
| 2) | <i>Receivables</i> | <u>12.31.2001</u> | <u>12.31.2000</u> |
| b) | from non-consolidated Group Companies | | |
| c) | from Parent Companies | | |
| d) | from others | <u>2,564</u> | <u>9,223</u> |
| | | <u>2,564</u> | <u>9,223</u> |
| 3) | other securities | | 104 |
| 4) | own shares | | |
| | <i>Total</i> | 45,564 | 61,860 |
| | Total non-current assets | 1,302,425 | 1,357,274 |

| CONSOLIDATED BALANCE SHEET – ASSETS (continued) | | 12.31.2001 | 12.31.2000 |
|--|--|---|--------------------------|
| C) | WORKING CAPITAL | | |
| I | Inventories | | |
| 1) | raw materials, supplies and consumables | 16,796 | 1,109 |
| 2) | work in progress and semi-finished products | 679 | 40 |
| 3) | work in progress to order | 136 | 697 |
| 4) | finished products and merchandise | | 2,603 |
| 5) | advance payments | 241 | 1,572 |
| | <i>Total</i> | 17,852 | 6,021 |
| | | <i>Receivable beyond the following financial year</i> | |
| II | Receivables | <u>12.31.2001</u> | <u>12.31.2000</u> |
| 1) | from customers | 713 | 1,509 |
| 3) | from non-consolid. subsidiaries and affiliated Companies | | 659 |
| 4) | from Parent Companies | | |
| 5) | from others | 5,075 | 1,588 |
| | <i>Total</i> | 5,788 | 3,097 |
| III | Investments other than non-current assets | | |
| 2) | participations in non-consolidated Group Companies | | |
| 3) | participations in Parent Companies | | |
| 4) | other investments | | |
| 5) | own shares | | |
| 6) | other securities | | 162,954 |
| | <i>Total</i> | | 50,256 |
| IV | Cash and cash equivalents | | |
| 1) | bank and post-office deposits | | 384,862 |
| 2) | cheques | | 1,130,700 |
| 3) | cash and other negotiable instruments | | 19 |
| | <i>Total</i> | | 384,881 |
| | <i>Total working capital</i> | | 913,230 |
| | | | 1,621,000 |
| D) | ACCRUED INCOME AND DEFERRED CHARGES | | |
| - | Accrued income and deferred charges | 41,279 | 49,949 |
| - | Disagio on loans | 3,365 | 128 |
| | <i>Total accrued income and deferred charges</i> | 44,644 | 50,077 |
| | TOTAL ASSETS | 2,260,533 | 3,028,379 |

| CONSOLIDATED BALANCE SHEET – LIABILITIES | | 12.31.2001 | 12.31.2000 |
|---|--|---|-------------------|
| A) | SHAREHOLDERS' EQUITY | | |
| | Group | | |
| I | Share capital | 179,209 | 1,573 |
| II | Share premium reserve | 2,654,963 | 2,392,340 |
| III | Revaluation reserve | | |
| IV | Legal reserve | | |
| V | Reserve for treasury stock held | | |
| VI | Statutory reserves | | |
| VII | <i>Other reserves</i> | | |
| - | Extraordinary reserve | | |
| - | Reserve for valuation of net equity participations | | |
| - | Currency translation reserve | 17,692 | 7,039 |
| - | Subsidiaries' undistributed profits and other reserves | (61,156) | 1,043 |
| - | Consolidation reserve | | |
| VIII | Retained earnings (losses carried forward) | | (5,537) |
| IX | Profit (loss) for the year | (1,664,429) | (181,386) |
| | <i>Total shareholders' equity (Group)</i> | 1,126,279 | 2,215,072 |
| | Of third parties | | |
| X | Third parties' equity and reserve | 8,791 | 14,097 |
| XI | Third parties' profits/losses | (27,127) | (4,787) |
| | <i>Total third parties' equity</i> | (18,336) | 9310 |
| | Total shareholders' equity | 1,107,943 | 2,224,382 |
| B) | RESERVES FOR RISKS AND FUTURE LIABILITIES | | |
| 1) | reserve for retainment and similar obligations | | |
| 2) | taxation reserve | | 83 |
| 3) | other | 39,537 | 10,269 |
| 4) | consolidated provision for future risks and liabilities | | 417 |
| | Total reserves for risks and future liabilities | 39,537 | 10,769 |
| C) | STAFF SEVERANCE INDEMNITY RESERVE | 2,591 | 1,164 |
| D) | PAYABLES | Due beyond the following financial year | |
| | | 12.31.2001 | 12.31.2000 |
| 1) | bonds | 250,000 | 250,000 |
| 2) | convertible bonds | | |
| 3) | due to banks | 7 | 2,739 |
| 4) | other short-term financing | 43,853 | 28,039 |
| 5) | down payments | | 663 |
| 6) | trade accounts payable | | 352,114 |
| 7) | credit instruments payable | | |
| 9) | due to non-consolid. subsidiaries & affiliated Companies | 95,018 | 101,121 |
| 10) | due to controlling Companies | | |
| 11) | taxes payable | | 31,136 |
| 12) | due to social security agencies | | 6,675 |
| 13) | other payables | 16,883 | 9,509 |
| | Total payables | 405,761 | 290,287 |
| | | 1,032,736 | 733,034 |
| E) | ACCRUED LIABILITIES AND DEFERRED INCOME | | |
| - | Accrued liabilities and deferred income | 75,950 | 58,830 |
| - | Premium on loans | 1,776 | 200 |
| | Total accrued liabilities and deferred income | 77,726 | 59,030 |
| | TOTAL LIABILITIES | 2,260,533 | 3,028,379 |

| | | MEMORANDUM ACCOUNTS | 12.31.2001 | 12.31.2000 |
|----------------------------------|----|----------------------------------|-------------------|-------------------|
| A) | | Guaranties given | | |
| | 1) | <i>To third parties</i> | | |
| | a) | sureties | 251,532 | 6,020 |
| | b) | other | | 29,227 |
| | c) | other personal guarantees | | 186 |
| | d) | real guarantees | 195,280 | 241,142 |
| | | <i>Total</i> | 446,812 | 276,575 |
| B) | | Other memorandum accounts | | |
| | - | Leasing payments coming due | | 108,845 |
| | - | Warrants | 12,704 | 70,075 |
| | - | Commitments | 15,066 | |
| | | <i>Total</i> | 27,770 | 178,920 |
| C) | | Guarantees received | | |
| | 1) | sureties | 6,131 | 826 |
| | | <i>Total</i> | 6,131 | 826 |
| TOTAL MEMORANDUM ACCOUNTS | | | 480,713 | 456,321 |

| CONSOLIDATED PROFIT AND LOSS STATEMENT | | 12.31.2001 | 12.31.2000 |
|---|---|--------------------|-------------------|
| A) | (+) VALUE OF PRODUCTION | | |
| 1) | revenues from sales and services | 615,116 | 169,730 |
| 2) | changes in inventories of work in progress, semi-finished and finished products | 140 | |
| 3) | changes in work in progress to order | (1,007) | 981 |
| 4) | increase in assets for work in progress/internal | 18,580 | 476 |
| 5) | <i>other revenues and income</i> | | |
| - | operating expenses subsidies | | 353 |
| - | other revenues and income | 2,908 | 1,630 |
| | Total | 635,737 | 173,170 |
| B) | (-) PRODUCTION COSTS | | |
| 6) | for raw materials, supplies, consumables and goods | (42,591) | (8,698) |
| 7) | for services | (592,335) | (170,228) |
| 8) | for use of third parties' assets | (13,072) | (5,451) |
| 9) | <i>for personnel</i> | | |
| a) | salaries and wages | (112,228) | (22,177) |
| b) | social security charges | (22,823) | (4,104) |
| c) | provision for staff severance indemnities | (1,696) | (787) |
| d) | retirement payments and similar obligations | (1,234) | (31) |
| e) | other expenses | (14,721) | (1,208) |
| 10) | <i>depreciation, amortization and writedowns</i> | | |
| a) | amortization of intangible assets | (402,265) | (90,560) |
| b) | depreciation of fixed assets | (81,951) | (12,059) |
| c) | other write-downs/amortizations of non-current assets | | |
| d) | depreciation of receivables included in working capital and cash & cash equivalents | (8,481) | (6,897) |
| 11) | changes in inventories of raw materials, supplies & consumables | 564 | (188) |
| 12) | risk provisions | (3,045) | (13,656) |
| 13) | other provisions | (2,000) | (7,132) |
| 14) | other operating expenses | (6,086) | (3,375) |
| | Total | (1,303,964) | (346,551) |
| (A - B) | Difference between value and costs of production | (668,227) | (173,381) |
| C) | FINANCIAL INCOME AND CHARGES | | |
| 15) | <i>(+) income from participations</i> | | |
| b) | in affiliated Companies | | |
| c) | in other Companies | 561 | 791 |
| 16) | <i>(+) income other than the above</i> | | |
| a) | from receivables registered under non-current assets | | |
| | from third parties | 9,738 | 1,681 |
| - | from affiliated Companies | | |
| - | from Parent Companies | | |
| b) | from securities registered under non-current assets other than participations | | |
| c) | from securities registered in the working capital other than participations | 20,156 | |
| d) | <i>earnings other than the above</i> | | |
| - | from third parties | 67,762 | 9,853 |
| - | from affiliated Companies | | |
| - | from Parent Companies | | |
| 17) | <i>(-) interest and other financial charges</i> | | |
| a) | due to third parties | (84,385) | (19,486) |
| b) | due to affiliated Companies | | |
| c) | due to Parent Companies | | |
| | Total | 13,832 | (7,161) |

| CONSOLIDATED PROFIT AND LOSS STATEMENT (continued) | | 12.31.2001 | 12.31.2000 |
|---|---|--------------------|-------------------|
| D) | VALUATION ADJUSTMENT TO FINANCIAL ASSETS | | |
| 18) | (+) <i>revaluations</i> | | |
| a) | of participations | 950 | |
| b) | of long-term investments other than participations | | |
| c) | of securities in the working capital other than participations | | |
| 19) | (-) <i>write-downs</i> | | |
| a) | of participations | | (1,040) |
| b) | of long-term investments other than participations | | |
| c) | of securities registered in the working capital other than participations | | |
| | Total adjustments | 950 | (1,040) |
| E) | EXTRAORDINARY INCOME (CHARGES) | | |
| 20) | (+) <i>extraordinary income</i> | | |
| a) | income | 36,630 | 2,461 |
| b) | capital gains from disposals of non-current assets | 108 | 786 |
| 21) | (-) <i>extraordinary charges</i> | | |
| a) | charges | (1,073,620) | (3,168) |
| b) | capital losses from disposals of non-current assets | (138) | (338) |
| c) | taxes pertaining to previous years | | (4,115) |
| | Total extraordinary items | (1,037,020) | (4,374) |
| | Profit (loss) before taxes | (1,690,465) | (185,956) |
| 22) | (-) <i>income taxes for the financial year</i> | | |
| a) | current | (645) | (439) |
| b) | deferred | (446) | 222 |
| | Net profit (loss) for the period | (1,691,556) | (186,173) |
| | (Profit) loss for the period pertaining to third parties | 27,127 | 4,787 |
| | NET PROFIT (LOSS) FOR THE YEAR | (1,664,429) | (181,386) |

For the Board of Directors
The Chairman

Renato Soru





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TISCALI GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2001

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

1) CRITERIA USED IN THE PREPARATION OF STATEMENTS

The Consolidated Financial Statements have been prepared in accordance with Articles 25 and thereafter of D.Lgs. 127/1991, and consist of the Balance Sheet, the Profit and Loss Statement and the Notes in relation thereto, drafted pursuant to and for the effects of Article 38 of said D.Lgs., which constitutes an integral part of these Consolidated Financial Statements. The Consolidated Financial Statements are presented making a comparison with the previous FY, whose data are coherent and homogeneous with those of the FY in question. The following documents are attached to these Notes, to permit better understanding of the Financial Statements:

- Reclassified Consolidated Balance Sheet;
- Reclassified Consolidated Profit and Loss Account;
- Consolidated Financial Report.

2) AREA OF CONSOLIDATION

The Consolidated Financial Statements of the Tiscali Group include the Financial Statements of the Parent 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, of Companies on which Tiscali has a dominant influence by virtue of an agreement or statutory clause, in compliance with applicable legislation, and of the Companies over which it exercises autonomous control of a majority of votes thanks to agreements with other partners.

As compared to December 31, 2001, the consolidation area was further modified by entry into the Group among others of Liberty Surf, the German Companies Addcomm and Guglielmo GmbH and the English Company Springboard Internet Services Ltd.

The following have been excluded from the integral consolidation: subsidiaries whose financial statement values are of slight relevance; subsidiaries in which the exercise of voting rights is subject to serious and lasting restrictions; subsidiaries held exclusively in view of future disposal and non-operating subsidiaries. Participations that constitute non-current assets in non-consolidated subsidiaries and participations in affiliated Companies of a certain importance are valued by means of the net equity method. Affiliated Companies are those in which Tiscali SpA, either directly or indirectly, controls one fifth of ordinary meeting votes, or one tenth of said votes if the Company is listed on the Stock Exchange.

The list of participations valued with the net equity method is enclosed. Participations which constitute non-current assets in non-consolidated subsidiaries and in affiliated

Companies of irrelevant entity are entered at their cost value. The listing of participations valued with the cost method is enclosed.

Moreover, it should be noted that as regards foreign subholdings, the sub-consolidated financial statements drafted for the purpose by the subsidiaries themselves were used for consolidation purposes.

3) REFERENCE DATE

The Consolidated Financial Statements were prepared on the basis of the draft Financial Statements approved by the respective Boards of Directors as of December 31, 2001 or, where these were not available, on the basis of financial statement data forwarded by each of the Companies on the basis of consolidation procedures.

4) CONSOLIDATION PRINCIPLES

The Financial Statements used for consolidation are, as explained above, those of each Company for the period in question. Said statements have been reclassified and rectified with the aim of adapting them to the accounting principles and valuation criteria of the Parent Company, which are in compliance with the rules set out in articles 2423 and thereafter of the Civil Code and with the accounting principles recommended by CONSOB. In preparing the Consolidated Financial Statements, the assets and liabilities as well as profits and losses of the Companies included in the consolidation were listed in their entirety. On the other hand, the receivables and payables, income and charges and the profits and losses originating from operations between Companies included in the consolidation have been offset. The book value of shareholding in Companies included in the consolidation is offset against their corresponding shareholders' equity quotas in the subsidiary/affiliated Companies. The book value of shares owned or quotas has been deducted from the book value of participations and from the shareholders' equity of the Companies included in the consolidation. Said amounts are posted in the Consolidated Balance Sheet under the headings: "Own shares" and "Reserve for own shares".

The difference between the book value of participations, which is offset, and the corresponding shareholders' equity quota, which is taken on, 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 of Companies included in the consolidation. The residual value (if any), if negative is entered in an account called "Consolidation reserve"; if it can be referred to expected unfavourable economic results, it is shown in a designated account called "Consolidation fund for future risks and liabilities". If the residual value (if any), is positive, it is shown among the assets in an account called "Consolidation difference".

The amount of equity and reserves of subsidiary Companies which corresponds to third parties' participations is shown in an account of the shareholders' equity called "Third parties' equity and reserves"; the portion of the consolidated profit and loss statement

which corresponds to third parties' participations is shown in an account called "Profit (loss) of the financial period pertaining to third parties".

5) TRANSLATION OF FINANCIAL STATEMENTS LISTED IN FOREIGN CURRENCY

The items of the Balance Sheet listed in extra-EU currency are converted into EUR using the conversion rate valid at the end of the financial year, while those of the Profit and Loss Statement are converted into EUR using the average exchange rates over the financial year. The difference between the financial year results calculated using conversion with the average exchange rates and the results obtained with the year-end exchange rates and the effects on assets and liabilities of the fluctuations in exchange rates between the beginning and end of the financial year are shown under shareholders' equity in the account "Currency translation reserve". Detailed information on currencies utilised in the preparation of the Consolidated Financial Statements is to be found in the attachment.

6) VALUATION CRITERIA

a) General criteria

Accounting principles and valuation criteria have been applied in a uniform manner to all consolidated Companies. The valuation criteria adopted in the consolidated financial statements are the same as those used by the Parent Company Tiscali SpA; they conform to the above mentioned applicable legislation. Such criteria have been integrated and interpreted by the accounting principles issued by the Italian Chartered Accountants Association (Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri). The criteria used during the financial year 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 caution 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 to their legal form. Investments are entered in the accounts at the time of their payment. Profits are included only if they accrued by the closing date of the financial year, whereas risks and losses are taken into account even if they became known at a later date. Miscellaneous items grouped under single accounts of the financial statements have also been valued separately. Durable assets have been classified as non-current assets.

b) Valuation adjustments and recoveries of value

The values of fixed and intangible assets whose useful life is limited over time are written down respectively through depreciation and amortization charges. The same fixed and intangible assets and the other assets are written down each time a durable loss of value is noted; the original value is re-established insofar as the

reasons for the previous loss of value are considered no longer current. The analytical methods for the charging of depreciation and amortization are explained separately hereunder in these notes.

c) Revaluations

To date, no revaluations have been performed.

d) Exceptions

No exceptions to the valuation criteria provided by legislation regarding year-end and consolidated financial statements have been made either in these financial statements or in the financial statements of the previous financial years.

e) Accounting entries made exclusively in application of tax laws

No accounting entries have been made exclusively in application of tax laws.

The more significant principles and criteria may be summarized as follows:

f) Intangible assets

Start-up and expansion costs are entered in the designated line item among assets and are amortized 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 five years starting from the financial year in which they were incurred, since said costs produce profits over a number of years.

Industrial property rights and intellectual property rights are recorded at their acquisition cost and amortized systematically in accordance with the period of use as established by the contract. At all events, the amortization period will not exceed 5 years from the financial year in which they were incurred.

Licenses, trademarks, patent rights and similar are recorded at their acquisition cost and amortized systematically in accordance with the period of use established by the contract. At all events, the amortization period will not exceed 5 years from the FY in which they were incurred. Intangible assets are posted at their purchase or internal production value including accessory charges and amortized by fixed amounts.

Goodwill is posted among assets only if acquired for a valuable consideration, within the limit of the cost incurred. It is amortized over a period not exceeding the duration of its use, or, if this cannot be estimated, over a period not exceeding five years.

Consolidation difference appears in the Consolidated Financial Statements when accounting values of participations are offset against the corresponding quotas of

shareholders' equity of the 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, or, if the necessary prerequisites are present, are shown in the assets in line item "Consolidation difference"; this account is amortized over the period during which it is expected to produce economic benefits, for a maximum of ten years.

Costs of maintenance and improvement of third party assets are shown in the line item "Other intangible assets" and are amortized systematically either over the period of estimated future use, or that shown in the leasing contract, whichever is the shorter.

Non-current assets whose market value at the end of the financial year is durably lower than their cost depreciated by means of the above criteria, are written down until the value shown corresponds to their market value. If the reasons which determined said loss in value cease to apply, the cost is then written back.

g) 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 consistent with the possibility of residual use.

The posting of financial leasing operations for capital equipment is based on the interpretation of applicable legislation, i.e. leasing payments are posted according to the reference period in which they occur.

Routine maintenance expenses are wholly debited to the profit and loss statement. Maintenance expenses of an incremental nature are attributed to the asset to which they refer and are amortized based on the possibility of residual use of said asset.

Following is a summary of depreciation rates, which remain unchanged with respect to the previous FY and are substantially in line with those of the Parent Company and are as follows:

| | |
|--|-----|
| Plant and machinery | |
| - plant and machinery in general | 20% |
| - specific plant and machinery | 20% |
| - other plant and machinery | 20% |
| Industrial and commercial equipment | |
| - network equipment and other specific equipment | 20% |
| - other machines | 12% |
| Other assets | |
| - office automation and furnishings | 20% |
| - other assets | 20% |

When an asset is purchased in the course of the financial year, depreciation of said asset for that year is reduced across the board by 50 percent. This accounting

method is deemed to provide a reasonable approximation of the time distribution of asset purchases during the year.

Fixed assets which are the subject of financial leasing operations are shown among technical fixed assets in the relevant classes and are systematically depreciated, in the same way as owned fixed assets, based on their possibility of residual use. The short-term and medium-term debts payable to the leasing organisation are posted as contra-entries to the listing of said fixed assets; leasing payments are written off from the expenses for rentals of assets owned by third parties 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.

h) 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 equity method, i.e. for an amount equal to the corresponding fraction of the net 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 net equity method are shown in the profit and loss statement respectively in line items "Participation revaluations" and "Participation write-downs".

Long-term investments consisting of receivables are calculated at their presumed realisable value.

– PARTICIPATIONS IN OTHER COMPANIES AND LONG-TERM 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, participations and securities are written down accordingly. In the year in which the conditions leading to loss in value cease to exist, the value before write-down is once again shown in the financial statements for the year.

i) Inventories

– RAW MATERIALS, WORK IN PROGRESS AND FINISHED PRODUCTS

Inventories are valued at the lower price resulting from the comparison of their

purchase cost and their estimated market value. Inventories of obsolete or slow-turnover goods are written down taking into account their use and sale potential.

– WORK IN PROGRESS TO ORDER

Work in progress based on customer orders is valued on the basis of contractual earnings accrued with a reasonable degree of certainty, in proportion to the progress of works, taking into account all foreseeable sales contract risks.

k) Receivables

Receivables are listed at their estimated realizable value. This value is obtained by direct write-down of the receivables carried out analytically for the most prominent items and on a lump-sum basis for the others.

l) Investments other than non-current assets

Participations in subsidiary and affiliated Companies for future disposal are valued at the lesser value between historical cost and market value. Other participations and securities are valued at their purchase cost, or - if lower - at their market value, which may be assessed on the basis of stock exchange quotations.

m) Accruals and deferrals

Accruals and deferrals include exclusively earnings and charges of the financial year which will have numerical value in subsequent financial years, and revenues and expenses accruing or incurred within the closure of the financial year but which will come due in subsequent financial years. At all events, this account only includes quotas of revenues and expenses spread over two or more financial years, whose amount varies over time.

n) Reserves for risks and future liabilities

Reserves for risks and future liabilities are created and posted in the liabilities section of the Balance Sheet, with the aim of covering potential liabilities of the Companies which are forecast as likely to take place, on the bases of realistic estimates of the amounts which may be involved.

o) Income taxes

Income taxes are calculated on the basis of the taxable income of each consolidated Company under the current tax laws of the respective countries. If the net balance of deferred taxes is positive, as a matter of prudence, the deferred charge is not posted. Fiscal benefits deriving from tax losses are credited to the Profit and Loss Statement only in the FY in which said losses were used to offset profits.

p) Staff severance indemnity reserve

The staff severance indemnity reserve covers the amounts payable and the reserves pertaining to commitments, matured as of the closure of the financial year, due to employees under current laws, employment contracts and any Company agreement in force in each country in which the consolidated Companies operate.

q) Liabilities

Liabilities are reported at their nominal value.

r) Risks, commitments, guarantees

Commitments and guarantees are shown in the memorandum accounts at their contractual value. The risks that are most likely to generate a liability are described in the Notes and allocated to the risk funds according to criteria of congruity. Those risks entailing only the possibility of a liability are described in the Notes, without allocating a specific risk fund, according to reference accounting criteria. Remote risks are not taken into consideration.

s) Revenues and earnings, expenses and charges

Revenues and earnings, expenses and charges are recorded in the financial statements net of returns, discounts, rebates and prizes, and net of the taxes directly linked to the sale of services. Financial earnings are posted on the basis of the pro-tempore accounting principle.

t) Amounts in foreign currencies

Receivables and payables in foreign currencies are adjusted to the exchange rates valid at the end of the financial year, taking into account the existence of coverage agreements. Profits and losses deriving from exchange rate fluctuations are listed as receivables or payables in the Profit and Loss Account.

| CURRENCY | Currency/EUR 1 |
|--------------------|----------------|
| Swiss franc | 1.4822 |
| Czech crown | 32.0068 |
| Danish crown | 7.4736 |
| Pound Sterling | 0.6107 |
| Norwegian crown | 8.013 |
| Swedish crown | 9.3089 |
| US dollar | 0.886 |
| South African rand | 10.582 |

ANALYSIS OF FINANCIAL STATEMENT ACCOUNTS

(amounts in EUR/000)

ASSETS

A) DUE FROM SHAREHOLDERS FOR CAPITAL CONTRIBUTIONS TO BE PAID

| | 12.31.2001 | 12.31.2000 | CHANGE |
|-----------------------|------------|------------|------------|
| Portion called up | 80 | | 80 |
| Portion not called up | 154 | 28 | 126 |
| Total | 234 | 28 | 206 |

The balance represents residual receivables from third-party shareholders pertaining to the increase in capital still to be paid in.

B) NON-CURRENT ASSETS

I - INTANGIBLE ASSETS

The balance of intangible assets at year start and at year end is broken down as follows:

| CATEGORIES | BALANCE | | WRITE-DOWNS EXTRAORD. AMORT. | OTHER CHANGES | OTHER (AMORTIZATION) | BALANCE |
|--|------------------|------------------|---------------------------------|------------------|-------------------------|----------------|
| | 12.31.2000 | INCREASES | | | | 12.31.2001 |
| Start-up and expansion costs | 12,783 | 1,385 | | (658) | (4,338) | 9,172 |
| R&D and advertising costs | 11,601 | 37,099 | | | (3,819) | 44,881 |
| Industrial patent rights and intellectual property rights | 2,969 | 840 | | 1,668 | (791) | 4,686 |
| Concessions, lic., trademarks, other | 52,516 | 20,780 | | (552) | (9,660) | 63,084 |
| Goodwill | 320 | 270 | | (590) | | |
| Payments on account and intangible assets in course of acquisition | 3,119 | 19,873 | | (2,143) | (3,976) | 16,873 |
| Other | 5,860 | 59,352 | | (652) | (17,640) | 46,920 |
| Consolidation difference | 1,022,930 | 890,833 | (866,641) | 3 | (362,041) | 685,084 |
| Total | 1,112,098 | 1,030,432 | (866,641) | (2,924) | (402,265) | 870,700 |

The increase of the line item "R&D and advertising costs" in the FY is mainly referred to the sub-consolidated Tiscali International BV and in particular to the start-up costs of Tiscali International Network BV, the Company which will provide the whole Group with connectivity services.

The item "Concessions, licenses, trademarks and others" mainly refers to investments in software with the attendant implementation costs. It increased by approx. EUR 21mn with respect to the previous FY. The increase recorded in FY 2001 mainly refers to the purchase of user licenses for software destined for the management of the new

technological platform for network access and management systems and for IT systems covering billing and administration. This line item also includes the rights of the affiliate Nets SA for the purchase of transmission capacity on a multi-year basis.

Among the other intangible assets, the increase regards also improvement of third party assets.

The column "Write-downs & Extraordinary Amortisations" includes the changes in LSG's consolidation area in the amount of EUR 83.3mn due to the withdrawal from the consolidation area - within the Liberty Surf Group - of X-stream network Inc, Ceic sarl, Liberty Surf Telecom BV, Liberty Surf Telco UK, Liberty Surf media UK, and AXS Inc.

Extraordinary write-downs and amortizations, in the amount of EUR 358mn refer to the Liberty Surf Group, for EUR 260mn to Tiscali International BV and for EUR 190mn to direct participations of the Parent Company. Said write-downs of an extraordinary nature were carried out in the framework of the overall corporate and operational Group restructuring and on the basis of cautious assessment on the part of its directors, with the aim of aligning the residual value of consolidation difference with the changed conditions of sector reference markets. To this end, the valuation elements indicated above were taken into due account.

As regards participations acquired by means of new share issues, average Tiscali share quotations in January 2002 and the market value of active underwriters were considered. It should moreover be noted that as regards operations in Germany and Great Britain, updated valuation reports were taken as reference.

Composition and changes which took place during the FY covering the line items under scrutiny are detailed below.

CONSOLIDATION DIFFERENCE

| COMPANY | BALANCE | | WRITE-DOWNS | | BALANCE |
|---------------------------------------|------------------|----------------|------------------|------------------|----------------|
| | 12.31.2000 | INCREASES | EXTRAORD. AMORT. | AMORTIZATION | 12.31.2001 |
| Tiscali SpA (*) | 679,355 | 200,942 | (211,161) | (179,671) | 489,465 |
| Liberty Surf Group SA | | 428,769 | (358,096) | (16,234) | 54,439 |
| World Online Int. NV | 309,513 | 254,646 | (259,969) | (166,036) | 138,154 |
| Tiscali Deutschland GmbH | | 6,476 | (3,350) | (100) | 3,026 |
| Tiscali Belgium Holding SA | 34,062 | | (34,062) | | |
| Total consolidation difference | 1,022,930 | 890,833 | (866,638) | (362,041) | 685,084 |

(*) Consolidation difference pertaining to the Parent Company

The column "Extraordinary amortizations & write-downs" shows changes in the consolidation area and the offsetting of items regarding transactions within the Group; as regards the sub-consolidated Liberty Surf, the whole amount of the consolidation difference is shown in the increments column since this Group was purchased during the course of FY 2001.

The consolidation difference resulting from the consolidation of the affiliates on the basis of the integral method, is amortised over a maximum period of ten years, starting from the purchase date of the affiliates and according to their sector.

| START-UP AND EXPANSION COSTS | 12.31.2001 | 12.31.2000 | CHANGE |
|---------------------------------------|-------------------|-------------------|----------------|
| Incorporation expenses | 14 | 364 | (350) |
| Expenses relative to capital increase | 5,203 | 5,606 | (403) |
| Start-up costs | 3,552 | 6,813 | (3,261) |
| Other | 403 | | 403 |
| Total | 9,172 | 12,783 | (3,611) |

The account "Start-up and expansion costs" mainly refers to the Parent Company Tiscali SpA. It includes costs that will produce profits over a number of years, namely capital increase expenses and start-up costs. The latter costs, which mainly accrued in 1999, include the costs for starting network implementation activities (installation and switchboard activation) as well as the "Tiscali Freenet" launching campaign.

II - FIXED ASSETS

Changes which occurred during the FY, with reference to the historical cost of fixed assets, are as follows:

| COST | BALANCE | | REVALUATIONS | OTHER | | BALANCE |
|---|-------------------|------------------|---------------------|-----------------|--------------------|----------------|
| | 12.31.2000 | INCREASES | | CHANGES | (DISPOSALS) | |
| Land and buildings | 8,342 | 48,157 | | 267 | (4) | 56,762 |
| Plant and equipment | 37,609 | 24,401 | | 29 | | 62,039 |
| Industrial and commerc. equipm. | 142,375 | 200,181 | | (20,769) | (141) | 321,646 |
| Other fixed assets | 8,704 | 38,343 | | (2,526) | (131) | 44,390 |
| Payments on account and fixed assets in course of acquisition | 2,757 | 56,511 | | (1,192) | (2,338) | 55,738 |
| Total | 199,787 | 367,593 | | (24,191) | (2,614) | 540,575 |

| DEPRECIATION FUNDS | BALANCE | | WRITE-DOWNS | OTHER | | BALANCE |
|---|-------------------|----------------------------|--------------------|----------------|--------------------|----------------|
| | 12.31.2000 | DEPRECIATION QUOTAS | | CHANGES | (DISPOSALS) | |
| Land and buildings | | 2,585 | | 1,104 | | 3,689 |
| Plant and equipment | 7,216 | 6,251 | | 7,780 | | 21,247 |
| Industrial and commercial equipm. | 8,003 | 62,572 | | 49,577 | | 120,152 |
| Other fixed assets | 1,252 | 10,543 | | (2,469) | | 9,326 |
| Payments on account and fixed assets in course of acquisition | | | | | | |
| Total | 16,471 | 81,951 | | 55,992 | | 154,414 |

| NET VALUE | BALANCE | | DEPRECIATION AND WRITE-DOWNS | OTHER | | BALANCE |
|---|-------------------|------------------|-------------------------------------|-----------------|--------------------|----------------|
| | 12.31.2000 | INCREASES | | CHANGES | (DISPOSALS) | |
| Land and buildings | 8,342 | 48,157 | (2,585) | (837) | (4) | 53,073 |
| Plant and equipment | 30,393 | 24,401 | (6,251) | (7,751) | | 40,792 |
| Industrial and commercial equipm. | 134,372 | 200,181 | (62,572) | (70,346) | (141) | 201,494 |
| Other fixed assets | 7,452 | 38,343 | (10,543) | (57) | (131) | 35,064 |
| Payments on account and fixed assets in course of acquisition | 2,757 | 56,511 | | (1,192) | (2,338) | 55,738 |
| Total | 183,316 | 367,593 | (81,951) | (80,183) | (2,614) | 386,161 |

Net fixed assets as at December 31, 2001 amounted to EUR 386mn and increased with respect to the previous FY. Total value, before depreciation, was about EUR 368mn. The increase is mainly linked to extension of the consolidation area and investments made during the FY.

Line item "Land and buildings" includes in the main real estate owned by Tiscali Denmark SA - 100% of which is controlled indirectly - for a total net value of about EUR 53mn. Transfer of the real estate was finalised in February 2002.

Line item "Industrial and commercial equipment" mainly includes specific and network equipment, such as routers, servers and telephone exchanges which constitute the main part of fixed assets.

The column "Other changes", refers as far as the cost of material fixed assets is concerned, to the de-consolidation of some Companies of the Liberty Surf Group, while as regards amortisation, it refers to increments in the consolidation area.

III - LONG-TERM INVESTMENTS

Analysis of long-term investments:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--|---------------|---------------|-----------------|
| Participations in | | | |
| Non-consolidated subsidiary and affiliated Companies | 12,448 | 27,178 | (14,730) |
| Other Companies | 30,552 | 14,858 | 15,694 |
| Receivables | | | |
| From others | 2,564 | 19,720 | (17,156) |
| Other long-term investments | | 104 | (104) |
| Total | 45,564 | 61,860 | (16,296) |

Participations in non-consolidated subsidiary and affiliated Companies as at December 31, 2001 amounted to about EUR 12mn. This value is mainly made up of the stake held by the Parent Company Tiscali SpA in non-consolidated subsidiaries, including SurfEU.com Ltd, under liquidation, posted for an amount of EUR 8.5mn, and Connect Software, posted for an amount of EUR 1mn.

Participations in other Companies mainly consist of minority shareholding valued at cost, of Tiscali SpA for EUR 4.7mn, Tiscali International BV for EUR 12.7mn (including First Market Communication for EUR 9.1mn), Tiscali Finance for EUR 12.5mn mainly pertaining to the former Andala SpA, renamed H3G SpA, of which Tiscali Finance holds 0.3%.

The significant reduction in "Receivables from others" is due to the write off of anticipated future capital increase which was posted in 2000 in Tiscali Finance regarding Andala SpA.

C) WORKING CAPITAL

I - INVENTORIES

Analysis of inventories:

| INVENTORIES | 12.31.2001 | 12.31.2000 | CHANGE |
|---|-------------------|-------------------|---------------|
| Raw materials, supplies and consumables | 16,796 | 1,109 | 15,687 |
| Work in progress and semi-finished products | 679 | 40 | 639 |
| Work in progress to order | 136 | 697 | (561) |
| Finished products and merchandise | | 2,603 | (2,603) |
| Advance payments | 241 | 1,572 | (1,331) |
| Total | 17,852 | 6,021 | 11,831 |

As of December 31, 2001, the total value of inventories was about EUR 17.8mn, consisting mainly of network equipment, consumables, telephone cards, goods for resale for merchandising activities and modems which, in the 2000 financial statements, were posted as finished products and merchandise. The notable increase is due to the entry in the consolidation area of the French Company Intercall SA which, operating in the telephone sector, has a stock of telecommunication equipment for resale or loan for use.

II - RECEIVABLES

Receivables are broken down as follows:

| RECEIVABLES | 12.31.2001 | 12.31.2000 | CHANGE |
|---|-------------------|-------------------|----------------|
| From customers | 245,327 | 119,381 | 125,946 |
| From non-consolidated subsidiary and affiliated Companies | 659 | 19,419 | (18,760) |
| From others | 101,557 | 46,691 | 54,866 |
| Total | 347,543 | 185,491 | 162,052 |

Receivables from customers totalled EUR 245mn. They accrued from the sale of Internet services, mainly consisting of the invoicing of network access services, reverse interconnection traffic, advertising revenues and business to business and telephone services provided by the Group. The sharp increase recorded in receivables from customers is mainly linked to the enlargement of the consolidation area and the growth of business.

Receivables are posted at their presumed realisable value by means of an "ad hoc" reserve for bad debts.

Receivables from clients are broken down as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|-----------------------------|----------------|----------------|----------------|
| EU clients | 278,304 | 129,387 | 148,917 |
| Extra-EU clients | 3,971 | 6,022 | (2,051) |
| Less: reserve for bad debts | (36,948) | (16,028) | (20,920) |
| Total | 245,327 | 119,381 | 125,946 |

Analysis of other receivables:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---|----------------|---------------|---------------|
| <i>Receivable within the following financial year</i> | | | |
| Receivables from the Treasury for advance taxes | 954 | 427 | 527 |
| Receivables from employees | 7 | 1,491 | (1,484) |
| Receivables for tax refund | 16 | 170 | (154) |
| VAT credits | 62,621 | 36,540 | 26,081 |
| Other credits | 35,448 | 15,697 | 19,751 |
| | 99,046 | 54,325 | 44,721 |
| <i>Receivable beyond the following financial year</i> | | | |
| VAT refund credit | 812 | | 812 |
| Receivables for tax refund | 2,648 | 1,042 | 1,606 |
| Guarantee deposits | 788 | 785 | 3 |
| Other credits | 827 | 10,259 | (9,432) |
| | 5,075 | 12,086 | (7,011) |
| Total | 104,121 | 66,411 | 37,710 |

Line item "Other credits" includes EUR 11mn accruing from Tiscali International BV towards non-consolidated Group Companies, mainly Liberty Surf Telecom UK and Liberty Surf Media UK. The remaining amount accrues mainly from Tiscali Deutschland GmbH and Liberty Surf Group SA.

III - INVESTMENTS OTHER THAN NON-CURRENT ASSETS

"Other securities" include the investment of liquid assets in bonded securities and other forms of short-term investment, to be found mainly in the financial statements of Tiscali International BV and Liberty Surf Group SA.

| | 12.31.2001 | 12.31.2000 | CHANGE |
|-------------------|-------------------|-------------------|----------------|
| Bonded securities | 40,272 | 50,256 | (9,984) |
| Other securities | 122,682 | | 122,682 |
| Total | 162,954 | 50,256 | 112,698 |

IV - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---------------------------------------|-------------------|-------------------|------------------|
| Bank and post-office deposits | 384,862 | 1,130,700 | (745,838) |
| Cash and other negotiable instruments | 19 | 248,532 | (248,513) |
| Cash and cash equivalents | 384,881 | 1,379,232 | (994,351) |

As at December 31, 2001 cash and cash equivalents were EUR 385mn. Change as regards the previous year are due to the portion of take-overs made with cash payments, payment of substantial Group restructuring and reorganisation charges and to the use of liquid assets for current expenses.

D) ACCRUED INCOME AND DEFERRED CHARGES

Accrued income and deferred charges are broken down as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|-------------------------------|---------------|---------------|-----------------|
| <i>Accrued income</i> | | | |
| Accrued rentals | | 224 | (224) |
| Contributions | 115 | 59 | 56 |
| Other accrued income | 163 | 13,651 | (13,488) |
| <i>Total accrued income</i> | <i>278</i> | <i>13,934</i> | <i>(13,656)</i> |
| <i>Deferred charges</i> | | | |
| Insurance premiums | 811 | 50 | 761 |
| Leasing and licenses | 10,681 | 2,429 | 8,252 |
| Rentals | 3,569 | 22 | 3,547 |
| Other pre-paid expenses | 18,747 | 3,351 | 15,396 |
| Other deferred charges | 7,193 | 30,163 | (22,970) |
| <i>Total deferred charges</i> | <i>41,001</i> | <i>36,015</i> | <i>4,986</i> |
| Total | 41,279 | 49,949 | (8,670) |

The reduction of accrued income may be explained by the reclassification for the year 2001 among receivables from customers of revenues accrued between the two FYs on reverse interconnection services to telephone Companies. Line item "Other pre-paid expenses" refers mainly to multi-year rental charges for international circuits on the part of Tiscali International Network SA (formerly Nets SA), to hardware and software maintenance fees (which are one of the typical pre-paid expenses in the sector), pre-paid rentals for connectivity circuits and sponsoring costs. Amongst other deferred charges we have listed disagio on the issue of a bonded loan by Tiscali Finance and costs borne by the Parent Company at FY closure for the launch of the Tiscali 10.0 service, whose effects will be produced in FY 2002, as well as pre-paid rentals for Telecom Italia SpA circuits.

LIABILITIES

A) SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

This schedule highlights changes in the shareholders' equity accounts for the period.

| SHAREHOLDERS' EQUITY | BALANCE 12.31.2000 | TRANSFER RESULT | DISTRIBUTED DIVIDENDS | TRANSLATION ADJUSTMENT | OTHER CHANGES | BALANCE 12.31.2001 |
|---|-----------------------|--------------------|--------------------------|---------------------------|--------------------|-----------------------|
| Group | | | | | | |
| Share capital | 1,573 | | | | 177,636 | 179,209 |
| Share premium reserve | 2,392,340 | | | | 262,623 | 2,654,963 |
| Revaluation reserve | | | | | | |
| Legal reserve | | | | | | |
| Reserve for treasury stock held | | | | | | |
| Statutory reserves | | | | | | |
| <i>Other reserves</i> | | | | | | |
| Extraordinary reserve | | | | | | |
| Currency translation reserve | 7,039 | | | 10,653 | | 17,692 |
| Subsidiaries' undistributed profits and other reserves | 1,043 | | | | (62,199) | (61,156) |
| Retained earnings (Losses carried forward) | (5,537) | (181,386) | | | 186,923 | |
| Profit (loss) for the period | (181,386) | 181,386 | | | (1,664,429) | (1,664,429) |
| <i>Total Group shareholders' equity</i> | 2,215,072 | | | 10,653 | (1,099,446) | 1,126,279 |
| Of third parties | | | | | | |
| Third parties' equity and reserves | 14,097 | (4,787) | | | (519) | 8,791 |
| Third parties' profits (losses) | (4,787) | 4,787 | | | (27,127) | (27,127) |
| <i>Total third parties' shareholders' equity</i> | 9,310 | | | | (27,646) | (18,336) |
| Total shareholders' equity | 2,224,382 | | | 10,653 | (1,127,092) | 1,107,943 |

The changes in shareholders' equity postings, in particular the amounts listed in the column "Other changes", refer to the enlargement of the consolidation area, and to the increases in share capital carried out by the Parent Company during FY 2001.

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

| SUMMARY COMPARATIVE SCHEDULE OF PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|---|------------------------|------------------|-------------------------|------------------|
| | CURRENT FINANCIAL YEAR | | PREVIOUS FINANCIAL YEAR | |
| | Net profit (loss) | Net equity | Net profit (loss) | Net equity |
| BALANCES POSTED IN THE PARENT COMPANY'S BALANCE SHEET | (1,041,208) | 1,792,964 | (101,002) | 2,287,375 |
| Elimination of effects of transactions between consolidated Companies net of fiscal effects | | | | |
| - Internal profits on long-term investments | | (1,183) | (1,183) | |
| - Writeoffs of devaluations pertaining to participations in subsidiary Companies | 920,439 | | 46,017 | |
| - Dividends paid by consolidated Group Companies | (27) | | | |
| 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 | 11,557 | 14,681 | 2,923 | 3,104 |
| - Net equity valuation of Companies registered in the Balance sheet at their cost value | 950 | (397) | (939) | (943) |
| Book value of consolidated participations | | (2,089,088) | | (2,232,592) |
| Net equity and financial year profit (loss) of consolidated Companies | (911,133) | 1,196,180 | (55,878) | 1,471,105 |
| Attribution of differences to the assets of consolidated Companies and associated depreciations | | | | |
| - Consolidation goodwill | (178,669) | 679,049 | (71,189) | 682,439 |
| - Adjustment of Tiscali SpA consolidation difference | (189,584) | (189,584) | | |
| Other adjustments | | | | |
| - Adjustment of Tiscali International BV consolidation difference | (248,262) | (248,262) | | |
| - Group restructuring and other adjustments | (28,492) | (28,081) | | |
| - Other minor adjustments | | | (135) | 4,584 |
| BALANCE AS PER THE CONSOLIDATED FINANCIAL STATEMENTS | (1,664,429) | 1,126,279 | (181,386) | 2,215,072 |
| (Group quotas) | | | | |
| BALANCE AS PER THE CONSOLIDATED FINANCIAL STATEMENTS | (27,127) | (18,336) | (4,787) | 9,310 |
| (Third parties' quota) | | | | |
| BALANCE AS PER THE CONSOLIDATED FINANCIAL STATEMENTS | (1,691,556) | 1,107,943 | (186,173) | 2,224,382 |

B) RESERVES FOR RISKS AND FUTURE LIABILITIES

Reserves for risks and future liabilities are detailed below:

| | BALANCE | | OTHER CHANGES | BALANCE |
|---|---------------|---------------|---------------|---------------|
| | 12.31.2000 | PROVISIONS | | |
| For taxes | 83 | | | 83 |
| Fund for risks and future liabilities | 417 | 3,119 | (417) | 3,119 |
| <i>Other</i> | | | | |
| Foreign exchange fluctuation fund | | 252 | | 252 |
| Risk fund for current legal proceedings | 257 | | | 257 |
| Other funds | 10,012 | 26,215 | (401) | 35,826 |
| <i>Total other funds</i> | 10,269 | 26,467 | (401) | 36,335 |
| Total | 10,769 | 29,586 | (818) | 39,537 |

Reserves are mainly referred to the forecast of future restructuring costs, both on operational Companies and Companies being wound up.

C) STAFF SEVERANCE INDEMNITY RESERVE

The table below displays the changes which occurred during the financial year:

| | BALANCE 12.31.2000 | PROVISIONS | (USE) | OTHER CHANGES | BALANCE 12.31.2001 |
|----------------|-----------------------|--------------|--------------|------------------|-----------------------|
| Office workers | 1,146 | 1,519 | (248) | | 2,417 |
| Executives | 18 | 177 | (21) | | 174 |
| Total | 1,164 | 1,696 | (269) | | 2,591 |

This item, mainly referred to the Parent Company and the other Italian Companies, consists of the staff severance fund.

D) PAYABLES

ANALYSIS OF PAYABLES

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--|------------------|----------------|----------------|
| Bonds | 375,294 | 380,932 | (5,638) |
| Due to banks | 30,362 | 16,380 | 13,982 |
| Other short-term financing | 63,445 | 44,042 | 19,403 |
| Down payments | 663 | 114 | 549 |
| Trade accounts payable | 352,114 | 213,278 | 138,836 |
| Due to non-consolid. subsidiaries & affiliated Companies | 101,121 | 1,182 | 99,939 |
| Taxes payable | 31,136 | 53,456 | (22,320) |
| Due to social security institutions | 6,675 | 1,278 | 5,397 |
| Other payables | 71,926 | 22,372 | 49,554 |
| Total | 1,032,736 | 733,034 | 299,702 |

The item "bonds" (EUR 375mn) includes bonded loans contracted by Tiscali Finance in the last six months of 2000 and by Tiscali International BV to fund the acquisition of Telinco UK. The loan contracted by Tiscali Finance is in the amount of EUR 250mn, and foresees lump-sum repayment after five years. The loan contracted by Tiscali International, of EUR 125mn, is posted among short-term payables and is repayable by the end of the FY, although it may be renewed. Interest accrues on the basis of Euribor plus spread. Swap contracts have been stipulated to cover rate fluctuation risk.

| | 12.31.2001 | 12.31.2000 | CHANGE |
|----------------------------|------------|------------|--------|
| Other short-term financing | 63,445 | 44,042 | 19,403 |

Other short-term financing is mainly referred to the capital quota of the debt deriving from reclassification of financial leasing contracts in accordance with I.A.S. principle 17 covering financial leasing contracts.

Taxes payable are detailed as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|-----------------------------------|---------------|---------------|-----------------|
| Direct taxes | 307 | 287 | 20 |
| Income tax - IRAP | 99 | 41 | 58 |
| Capital tax | | 937 | (937) |
| VAT payable | 2,374 | 312 | 2,062 |
| Advance withholding taxes payable | 4,431 | 645 | 3,786 |
| Other taxes payable | 23,925 | 51,234 | (27,309) |
| Total | 31,136 | 53,456 | (22,320) |

The sum posted under "Other taxes payable" refers mainly to payables for advance withholding taxes due to the Treasury on pay and allowances (from subsidiaries Tiscali International BV for about EUR 12.5mn, and Liberty Surf Group for EUR 19.9mn).

Other payables are detailed below:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--|---------------|---------------|---------------|
| Remuneration payable to Directors and Auditors | 166 | 754 | (588) |
| Personnel wages and salaries payable | 4,185 | 2,951 | 1,234 |
| Payables to personnel in lieu of holidays | 3,170 | | 3,170 |
| Due to social security agencies | | 264 | (264) |
| Other payables | 64,405 | 18,403 | 46,002 |
| Total | 71,926 | 22,372 | 49,554 |

"Other payables" mainly refer to Tiscali International BV for about EUR 23mn; they consist largely of other allocations for future charges and debts not assignable to other line items; EUR 17mn may be ascribed to the Liberty Surf Group, and accrue from Infonie Promotions and Liberty Surf Telecom SA.

E) ACCRUED LIABILITIES AND DEFERRED INCOME

The composition of accrued liabilities and deferred income is as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|----------------------------------|---------------|---------------|---------------|
| <i>Accrued liabilities</i> | | | |
| Infra-group passive interest | 280 | | 280 |
| Accrued holiday bonus | 535 | 4,342 | (3,807) |
| Other | 20,508 | 45,090 | (24,582) |
| <i>Total accrued liabilities</i> | 21,323 | 49,432 | (28,109) |
| <i>Deferred income</i> | | | |
| Pre-paid Internet services | 30,476 | 4,740 | 25,736 |
| Pre-paid voice services | 9,443 | 2,656 | 6,787 |
| Other | 14,708 | 2,002 | 12,706 |
| <i>Total deferred income</i> | 54,627 | 9,398 | 45,229 |
| Total | 75,950 | 58,830 | 17,120 |

Deferred income consists in the main of the deferral to following FYs of pre-paid services mainly accruing from Nets SA for EUR 23mn as pre-paid connectivity services, from the recording as deferred income of the contra-entry of tax credit posted in the assets of Tiscali SpA, matured on investments under Law 388/1999.

The decrease of accrued holiday bonus is due to a change in the classification criterion (in the current FY, holidays due and not taken have been reclassified among payables to personnel in lieu of holidays).

PROFIT AND LOSS STATEMENT

A) VALUE OF PRODUCTION

ANALYSIS OF THE VALUE OF PRODUCTION

| BREAKDOWN OF REVENUES BY CATEGORY OF BUSINESS | 12.31.2001 | 12.31.2000 | CHANGE |
|--|-------------------|-------------------|----------------|
| Access | 409,323 | 65,609 | 343,714 |
| Voice services | 54,386 | 61,123 | (6,737) |
| Portal | 64,935 | 25,852 | 39,083 |
| Business services | 85,347 | 7,278 | 78,069 |
| Other services | 21,746 | 13,308 | 8,438 |
| Total | 635,737 | 173,170 | 462,567 |

Group revenues, mainly generated in the EU area, are to be attributed especially to Internet Service Provider activities. In particular, 64.4% of revenues comes from access services, 10.2% from advertising revenues, 13.4% from business-to-business services and 8.6% from voice services. B2B services recorded significant growth as a result of the expansion of the consolidation area.

Increase in assets for work in progress/internal.

The amount posted, about EUR 18.5mn, refers to the increase in fixed assets for internal works borne by the Czech Republic and Germany for cabling or IRU projects.

Revenue distribution by geographic area is shown below.

| BREAKDOWN OF REVENUES BY GEOGRAPHIC AREA | 12.31.2001 | 12.31.2000 | CHANGE |
|---|-------------------|-------------------|----------------|
| EU sales | 606,716 | 168,762 | 437,954 |
| Extra EU sales | 29,021 | 4,408 | 24,613 |
| Total | 635,737 | 173,170 | 462,567 |

B) PRODUCTION COSTS

PURCHASES OF RAW MATERIALS, SUPPLIES, CONSUMABLES AND OTHER GOODS

Breakdown of this line item is as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---|---------------|--------------|---------------|
| Purchase of goods for resale | 17,446 | 1,998 | 15,448 |
| Purchase of consumables | 6,463 | 878 | 5,585 |
| Purchase of advertising and promotion materials | 1,308 | 496 | 812 |
| Other purchases | 17,374 | 5,326 | 12,048 |
| Total | 42,591 | 8,698 | 33,893 |

The item "Other purchases" is composed of about EUR 8.9mn disbursed by the Parent Company to implement the fiberoptic network in the Czech Republic; goods for re-sale for merchandising activity and equipment for sale with the ADSL service, as well as miscellaneous promotional materials.

COMPOSITION OF EXPENSES FOR SERVICES

Analysis and composition of expenses for services:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---------------------------|----------------|----------------|----------------|
| Leased lines | 209,425 | 38,105 | 171,320 |
| Purchase of traffic | 166,603 | 52,958 | 113,645 |
| Advertising and promotion | 100,380 | 32,145 | 68,235 |
| Maintenance costs | 16,877 | 5,049 | 11,828 |
| Advisory services | 20,992 | 7,424 | 13,568 |
| Cost of sales | 18,006 | 7,984 | 10,022 |
| Utilities | 7,787 | 1,328 | 6,459 |
| Bank and postal charges | 1,528 | 2,460 | (932) |
| Transportation expenses | 6,639 | 2,970 | 3,669 |
| Other services | 44,098 | 19,805 | 24,293 |
| Total | 592,335 | 170,228 | 422,107 |

This account includes the main industrial costs as detailed below:

Leased lines. This is a typical cost item, found in all subsidiaries and accounts for 35.4% of total costs for services and 32.9% of total revenues. The increase is linked mainly to the expansion of the consolidation area. The reorganisation of the Group has already made it possible to obtain significant savings, transmission capacity being equal. Starting from FY 2001, the Group's objective has been to support activity expansion by decreasing the percent incidence of this type of cost.

Purchase of traffic. This item, totalling EUR 167mn is directly linked to the Voice area and the type of Internet connection sold through the purchase of traffic, and is a pure

variable cost, whose growth in absolute terms for 2001 is mainly linked to the expansion of the consolidation area, in particular in France where the Group, besides Liberty Surf Telecom, has acquired Intercall SA, a Company specialising in pre-paid telephone services.

Advertising and promotional costs. These costs, accounting for approximately 17% of total costs for services and 16% of total revenues, have increased considerably, again as a consequence of the expansion of the consolidation area, they were also influenced, to a greater degree than in 2000, by the need to enhance Tiscali brand awareness in European countries.

Maintenance costs. These costs totalled about EUR 16.9mn. They consist in the main of regular maintenance fees pertaining to network equipment and software. The increase in maintenance costs with respect to the previous FY is a direct consequence of greater investment.

Advisory and professional services purchased. The composition of this item was influenced in 2001 by the Group's corporate and operational restructuring, which generated considerable costs for legal advisory services.

Other services. This item mainly includes costs for purchase of publishing contents.

COMPOSITION OF OTHER OPERATING EXPENSES

Analysis and composition of other operating expenses:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---|--------------|--------------|--------------|
| Government concessions, telecommunications licenses | 978 | 1,299 | (321) |
| Taxes other than income tax | 349 | 730 | (381) |
| Magazine and newspaper subscriptions | 33 | 62 | (29) |
| Other non-extraordinary contingent losses | 4,057 | 544 | 3,513 |
| Other minor charges | 669 | 740 | (71) |
| Total | 6,086 | 3,375 | 2,711 |

Government concessions are mainly telephone licenses in Italy and France. Other non-extraordinary contingent losses refer in the main to subsidiary Nets SA for EUR 2.7mn, consisting of unverified charges.

C) FINANCIAL INCOME AND CHARGES

Analysis of financial income:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---|---------------|--------------|---------------|
| Financial income from securities registered in the working capital other than participations from other securities | | | |
| Interest | 465 | | 465 |
| Other | 19,691 | | 19,691 |
| Total | 20,156 | | 20,156 |
| Income other than the above: from third parties | | | |
| Bank interest receivable | 29,728 | 5,645 | 24,083 |
| Interest receivables on other short-term credit | 560 | 55 | 505 |
| Income from positive exchange fluctuations | 1,737 | | 1,737 |
| Other financial income | 35,737 | 4,009 | 31,728 |
| Total | 67,762 | 9,709 | 58,053 |

Financial income from "Other securities" accrued on sums invested by Tiscali International BV and Tiscali Finance. Financial income includes active interest accruing on liquid assets. Other financial income is referred to income accrued on swap contracts issued by Tiscali Finance to cover the rate fluctuation risk and totals about EUR 30.4mn.

Composition of interest payable and other financial charges:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---|---------------|---------------|---------------|
| Financial charges on | | | |
| Bonds | 30,457 | 9,232 | 21,225 |
| Amounts due to banks for overdrafts | 788 | 964 | (176) |
| Amounts due to banks for mortgages and other medium/long term loans | 435 | 47 | 388 |
| Other short-term financing | 2,604 | 865 | 1,739 |
| Trade accounts | | 210 | (210) |
| Other payables | 241 | 7,045 | (6,804) |
| Negative exchange fluctuations | 560 | 496 | 64 |
| Other charges | 49,300 | 627 | 48,673 |
| Total | 84,385 | 19,486 | 64,899 |

Financial charges, totalling EUR 84mn, are mainly referred to the subsidiary Tiscali Finance SA and to Tiscali International BV for about EUR 20 and 10mn respectively, referring to bonded loans. Remaining financial charges refer to bank overdrafts and to interest on financial leasing operations.

Line item "Other charges" covers charges on Swap contracts for about EUR 30.7mn, offset in the financial income section by about EUR 30.4mn.

E) EXTRAORDINARY INCOME AND CHARGES

COMPOSITION OF EXTRAORDINARY INCOME

The composition of extraordinary income is as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---|---------------|--------------|---------------|
| <i>Extraordinary income</i> | | | |
| Insurance reimbursements | | 121 | (121) |
| Contingent assets and non-existent liabilities | 6,255 | 300 | 5,955 |
| Correction of wrong postings of previous FYs | | 120 | (120) |
| Other extraordinary income | 30,375 | 1,920 | 28,455 |
| Total | 36,630 | 2,461 | 34,169 |
| <i>Capital gains from the disposal of non-current assets</i> | | | |
| Capital gains from the disposal of fixed assets | 104 | 10 | 94 |
| Capital gains from the disposal of long-term investments (financial assets) | | 755 | (755) |
| Other extraordinary capital gains | 4 | 21 | (17) |
| Total | 108 | 786 | (678) |
| Total | 36,738 | 3,247 | 33,491 |

Composition of extraordinary charges:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--|------------------|--------------|------------------|
| Extraordinary charges | 1,073,620 | 3,168 | 1,070,452 |
| Capital losses from disposal of fixed assets | 138 | 338 | (200) |
| Taxes pertaining to previous FYs | | 4,115 | (4,115) |
| Total | 1,073,758 | 7,621 | 1,066,137 |

Extraordinary charges are referred, as detailed in the Report on Operating Performance, to costs borne for the corporate restructuring plan carried out during the FY. For purposes of clarity, restructuring charges include losses from extraordinary amortizations and write-downs of consolidation difference (for EUR 815mn) and charges from intra-group credit devaluations which cannot be offset in the consolidation process since they concern Companies that are being wound up (or will soon be). The other restructuring charges pertaining to early termination of contracts and staff downsizing following mergers and winding-ups of Group Companies totalled about EUR 202mn.

OTHER INFORMATION

As required by current regulations, the tables below disclose the composition of the work force by job category, and the amounts payable to Directors and Statutory Auditors grouped by category.

| AVERAGE NUMBER OF EMPLOYEES GROUPED BY CATEGORY | 12.31.2001 | 12.31.2000 | CHANGE |
|---|--------------|--------------|--------------|
| Middle Managers | 431 | 867 | (436) |
| Office workers | 2,528 | 788 | 1,740 |
| Executives | 123 | 85 | 38 |
| Total | 3,082 | 1,740 | 1,342 |

We would like to draw your attention to the plan carried out for a more rational use of resources, aimed at avoiding useless redundancies of operations in the various countries following the take-overs effected during the FY. Proforma data shows that staff downsizing brought total staff numbers from about 4,200 to the current 3,082.

Pursuant to Art. 78 of the regulations implementing D.Lgs. 58/1998 issued by CONSOB with deliberation 11971/1999, the tables hereunder show the remuneration paid to directors and auditors and the number of shares held by each.

| (amounts in EUR) | | | | | | | |
|------------------------------------|---|-----------------------------|----------|-----------------------|------------------------------|------------------------|--------|
| NAME | POSITION | DURATION OF POSITION | REMUNER. | NON MONETARY BENEFITS | BONUSES AND OTHER INCENTIVES | (*) OTHER COMPENSATION | |
| Board of Directors | | | | | | | |
| <i>Soru Renato</i> | Chairman and CEO (1) | adoption 2001 Balance Sheet | | | | | |
| <i>Piol Elserino</i> | Director (2) | adoption 2001 Balance Sheet | | | | | |
| <i>Decina Maurizio</i> | Director (2) | adoption 2001 Balance Sheet | | | | | |
| <i>Hauser Hermann</i> | Director (2) | adoption 2001 Balance Sheet | | | | | |
| <i>Bernabè Franco</i> | Director (2) | adoption 2001 Balance Sheet | | | | | |
| <i>Duffy Simon Patrick</i> | Director (2) | adoption 2001 Balance Sheet | | | | | |
| <i>Kinsella James Michael</i> | Director (2) | adoption 2001 Balance Sheet | | | | | |
| <i>Bischoff Victor</i> | Director (2) | adoption 2001 Balance Sheet | | | | | |
| Board of Statutory Auditors | | | | | | | |
| <i>Zini Andrea</i> | Chairman (5) | 3 years | 54,549 | | | | 1,265 |
| <i>Casu Rita</i> | Permanent auditor (6) | 3 years | 40,188 | | | | 13,059 |
| <i>Maccioni Piero</i> | Permanent auditor (7) | 3 years | 42,543 | | | | 8,990 |
| <i>Biondo Giuseppe</i> | Substitute auditor (7) | 3 years | | | | | 5,911 |
| <i>Bianchi Livio</i> | Substitute auditor (7) | 3 years | | | | | 1,265 |
| (1) | <i>Chairman from June 30, 1999 and CEO from July 21, 1999 until revoked</i> | | | | | | |
| (2) | <i>Appointed on June 30, 1999</i> | | | | | | |
| (3) | <i>Appointed on June 30, 2000</i> | | | | | | |
| (4) | <i>Appointed on March 12, 2001</i> | | | | | | |
| (5) | <i>Appointed on April 17, 2000 - Chairman from April 17, 2000</i> | | | | | | |
| (6) | <i>Appointed on April 17, 2000 - Chairman until April 17, 2000</i> | | | | | | |
| (7) | <i>Appointed on April 17, 2000</i> | | | | | | |
| (*) | <i>Remuneration received in the Group and reimbursement of expenses</i> | | | | | | |

LISTS

List of Companies included in the consolidation with the integral method

| COMPANY NAME | HEAD OFFICE | SHARE CAPITAL | |
|--|-----------------------|---------------|---------|
| | | IN EUR/ooo | % HELD |
| Best Engineering SpA | Turin | 775 | 60.00% |
| CD Telekomunikace sro | Prague | 19 | 100.00% |
| Energy Byte SpA | Milan | 950 | 55.00% |
| Excite Italia BV | Amsterdam | 75 | 70.00% |
| Guglielmo GmbH | Cologne | 60,000 | 100.00% |
| Ideare SpA | Pisa | 516 | 60.00% |
| Informedia Srl | Rome | 52 | 95% (1) |
| Liberty Surf Group SA | Paris | 75,280 | 94.50% |
| Motorcity SpA | Cagliari | 100 | 60.00% |
| Nets SA | Paris | (3) 11.284 | 100.00% |
| Quinary SpA | Milan | 1,281 | 70.00% |
| STS Srl | Rome | 100 | 50% (2) |
| Tiscali Belgium Holding SA <i>being wound-up</i> | Brussels | 62 | 92% (4) |
| Tiscali Datacomm AG (<i>ex Datacomm AG</i>) | Basil | 16,934 | 80.00% |
| Tiscali Finance SA | Brussels | 125 | 100.00% |
| Tiscali Reseaux SA (<i>ex Tiscali France SA</i>) | Marseilles | 923 | 100.00% |
| Tiscali Deutschland GmbH (<i>ex Nikoma</i>) | Hamburg | (3) 631 | 100.00% |
| Tiscali Telecomunicaciones SA | Madrid | 2,100 | 99.99% |
| World Online International NV | Maarsen (Netherlands) | (3) 119.404 | 99.49% |

(1) The remaining 5% is held by Andaledda SpA

(2) It is pointed out that as regards STS Srl is, de facto, controlled since the Chairman and CEO, who is also majority shareholder of Tiscali SpA, holds a further 10% share in the Company

(3) Data referred to sub-consolidated Companies

(4) The remaining 8% is held by Tiscali Finance SA

List of participations in non consolidated Group Companies calculated by means of the net equity method

| COMPANY NAME | HEAD OFFICE | SHARE CAPITAL | | VALUE AS AT 12.31.01 |
|--------------------------------------|------------------------------|---------------|--------|----------------------|
| | | IN EUR/000 | % HELD | IN EUR/000 |
| Andaledda SpA | Cagliari | 103 | 85% | 88 |
| Connect Software Inc | (1) S.Francisco (California) | (***) 54 | 100% | 1,027 |
| Gilla SpA | (1) Cagliari | 2,500 | 100% | |
| Tiscali Czech Republic sro | (1) Prague | 31 | 100% | 39 |
| Tiscali Armement Sarl | (1) Paris | 8 | 100% | 892 |
| SurfEU.com Ltd <i>being wound-up</i> | (2) Bermuda | 3,918 | 100% | 8,565 |
| Total | | | | 10,611 |

(***) Data refer to the updated financial status since the FY balance sheet has not yet been approved.

(1) Company valued at cost since it is inactive or of scarce importance as regards Tiscali Group activity and turnover.

(2) Company valued at cost since it has being wound-up.

| COMPANY NAME | HEAD OFFICE | SHARE CAPITAL | | VALUE AS AT 12.31.01 |
|----------------------|-------------|---------------|--------|----------------------|
| | | IN EUR/000 | % HELD | IN EUR/000 |
| Ariete Telemedia Srl | Milan | (*) 52 | 40.00% | 744 |
| FreeTravel SpA | Milan | (*) 500 | 50.00% | 250 |
| Total | | | | 994 |

(*) as at 12.31.2000

Subsidiaries

| COMPANY NAME | COUNTRY | QUOTA HELD | | | OVERALL STAKE | HELD BY |
|---|---------------|------------|----------|----------|---------------|-----------------------------|
| | | DIRECT | INDIRECT | TOTAL | | |
| World Online International NV | | 99,49% (1) | | | | Tiscali SpA |
| World Online GmbH | Austria | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| SurfEU.com GmbH | Austria | | 100.00% | 100.00% | 99.49% | World Online GmbH |
| PlanetOne Internet Services GmbH | Austria | | 100.00% | 100.00% | 99.49% | World Online GmbH |
| Nacamar Internet Services GmbH | Austria | | 100.00% | 100.00% | 99.49% | Nacamar Group plc |
| Tiscali SA/NV | Belgium | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Tiscali Denmark A/S | Denmark | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| 12Move Aps Denmark | Denmark | | 100.00% | 100.00% | 99.49% | World Online Partner BV, NL |
| Tiscali OY | Finland | | 100.00% | 100.00% | 99.49% | Tiscali Denmark A/S |
| SurfEU OY | Finland | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online OY | Finland | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Nacamar France Sarl | France | | 100.00% | 100.00% | 99.49% | Nacamar Group plc |
| World Online GmbH | Germany | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Tiscali Business GmbH | Germany | | 100.00% | 100.00% | 99.49% | Nacamar Group plc |
| Tiscali Holdings UK plc | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Springboard Internet Services Ltd (LineOne) | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali Holdings UK plc |
| Tiscali UK Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali Holdings UK plc |
| Telinco Business Communications Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali UK Ltd |
| Telinco Internet Services Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali UK Ltd |
| Telinco Specialist Communication Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali UK Ltd |
| Telinco UK Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali UK Ltd |
| Telinco Management Services Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali UK Ltd |
| Telinco Residential Communications Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali UK Ltd |
| Tiny Online Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali UK Ltd |
| World Online Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online Telecom Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Nacamar Group plc | Great Britain | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Nacamar Ltd | Great Britain | | 100.00% | 100.00% | 99.49% | Nacamar Group plc |
| World Online EPE | Greece | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online Iceland ehf | Iceland | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online Ltd | Ireland | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Nacamar (Ireland) Ltd | Ireland | | 100.00% | 100.00% | 99.49% | Nacamar Group plc |
| World Online Srl <i>being wound-up</i> | Italy | | 80% (*) | 80% (*) | 99,49% (*) | Tiscali Int.l BV |
| Tiscali Luxembourg SA | Luxembourg | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Nacamar Sarl | Luxembourg | | 51.00% | 51.00% | 50.74% | Nacamar Group plc |
| Tiscali AS | Norway | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Tiscali Norge AS | Norway | | 100.00% | 100.00% | 99.49% | Tiscali AS |
| Worldmo AS | Norway | | 100.00% | 100.00% | 99.49% | Tiscali AS |
| Wol Mobile AS | Norway | | 100.00% | 100.00% | 99.49% | Tiscali AS |
| 12 Move AS | Norway | | 100.00% | 100.00% | 99.49% | Tiscali AS |
| Tiscali International BV | Netherlands | 100.00% | | 100.00% | 99.49% | World Online Int.l NV |
| Tiscali BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| E-Trade BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali BV |
| 12move VOF | Netherlands | | 40% (**) | 40% (**) | 99,49% (**) | E-Trade BV |
| Sonera Plaza | Netherlands | | 100.00% | 100.00% | 99.49% | E-Trade BV |
| World Online Partner BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |

| COMPANY NAME | COUNTRY | QUOTA HELD | | | OVERALL STAKE | HELD BY |
|--|--------------|------------|----------|---------|------------------|--------------------------------|
| | | DIRECT | INDIRECT | TOTAL | | |
| World Online International NV (continued) | | | | | | |
| The Internet Plaza BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| The Portal Company BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Freemail BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Myt Vision BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online Star BV | Netherlands | | 50.00% | 50.00% | 49.75% | Tiscali Int.l BV |
| World Online Portal BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online Merchandising BV | Netherlands | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Ambowon Holding BV | Netherlands | | 50.00% | 50.00% | 49.75% | Tiscali Int.l BV |
| Voetbal.nl BV | Netherlands | | 66.00% | 66.00% | 32.83% | Ambowon Holding BV |
| World Online Sp.z.o.o. | Poland | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| CZ com sro | Czech Rep. | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online sro | Czech Rep. | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| Tiscali Espana SLU | Spain | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online SA | Spain | | 100.00% | 100.00% | 99.49% | Tiscali Espana SLU |
| Inicia Comunicaciones SA | Spain | | 100.00% | 100.00% | 99.49% | Tiscali Espana SLU |
| Map Telecom SL | Spain | | 100.00% | 100.00% | 99.49% | World Online SA |
| Vodacom World Online Ltd | South Africa | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online AB | Sweden | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| 12Move AB | Sweden | | 100.00% | 100.00% | 99.49% | World Online AB |
| SurfEU Sverige AB | Sweden | | 100.00% | 100.00% | 99.49% | World Online AB |
| X- Stream Sweden AB | Sweden | | 100.00% | 100.00% | 99.49% | World Online AB |
| World Online Holding SA | Switzerland | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online SA | Switzerland | | 100.00% | 100.00% | 99.49% | World Online Holding SA |
| SurfEU.com AG | Switzerland | | 100.00% | 100.00% | 99.49% | World Online Holding SA |
| World Online Kft | Hungary | | 100.00% | 100.00% | 99.49% | Tiscali Int.l BV |
| World Online Acquisition Corp. | USA | | 100.00% | 100.00% | 99.49% | The Portal Company BV |
| World Online Merchandising LLC | USA | | 70.00% | 70.00% | 69.64% | World Online Acquisition Corp. |
| <i>(*) The remaining 20% is held by Tiscali BV</i> | | | | | | |
| <i>(**) The remaining 60% is held by World Online Partner BV</i> | | | | | | |
| <i>(1) directly held by the Parent Company</i> | | | | | | |

| COMPANY NAME | COUNTRY | QUOTA HELD | | | OVERALL STAKE | HELD BY |
|--------------------------------------|---------------|------------|----------|---------|------------------|---------------------------|
| | | DIRECT | INDIRECT | TOTAL | | |
| Liberty Surf Group SA | | 94,5% (1) | | | | Tiscali SpA |
| Film non stop Monsieur Cinema.com SA | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Liberty Surf SA | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Objectif Net SA | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Liberty Contact SA | France | 50% | | 50.00% | 47.25% | Liberty Surf Group SA |
| CEIC SRL | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Hispavista | Spain | 100% | | 55.26% | 52.22% | Liberty Surf Group SA |
| Cyber Press Publishing SA | France | 15.80% | | 15.80% | 14.93% | Liberty Surf Group SA |
| Loisir Net SA | France | 88.00% | | 88.00% | 13.14% | Cyber Press Publishing SA |
| Respublica SA | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Cent pour Cent SA | France | 100% | | 100.00% | 94.50% | Respublica SA |
| Liberty Surf AB | Sweden | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Liberty Surf GmbH | Germany | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| OVNI Web SA | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Tiscali Business SA | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Liberty Surf Telecom SA | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| X-Stream Network Inc | USA | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| X-Stream Technologies Inc | USA | 100% | | 100.00% | 94.50% | X-Stream Technologies Inc |
| X-Stream Canada Inc | Canada | 100% | | 100.00% | 94.50% | X-Stream Technologies Inc |
| Liberty Surf UK Ltd | Great Britain | 100% | | 100.00% | 94.50% | X-Stream Technologies Inc |
| X-Stream The Netherlands BV | Netherlands | 100% | | 100.00% | 94.50% | Liberty Surf UK Ltd |
| Liberty Surf Network BV | Netherlands | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Liberty Telecom BV | Netherlands | 100% | | 100.00% | 94.50% | Liberty Surf Network BV |
| AXS Telecom Inc | USA | 100% | | 100.00% | 94.50% | Liberty Telecom BV |
| Liberty Surf Communications Ltd | Great Britain | 100% | | 100.00% | 94.50% | Liberty Telecom BV |
| Liberty Surf Telecom | Spain | 100% | | 100.00% | 94.50% | Liberty Telecom BV |
| Intercall SA | France | 67.00% | | 67.00% | 63.32% | Liberty Surf Group SA |
| Intercall Hellas SA | Greece | 100% | | 100.00% | 63.32% | Intercall SA |
| Intercall SA | Spain | 100% | | 100.00% | 63.32% | Intercall SA |
| Saftel Com SA | France | 99.22% | | 99.22% | 62.82% | Intercall SA |
| Charles Edouard SCI | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Frisbee SCI | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Freesbee PRO SCI | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| C-Freesbee SCI | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Freesbee SCI | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| My Way SCI | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Boite Postal SCI | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Poste Restante SCI | France | 100% | | 100.00% | 94.50% | Liberty Surf Group SA |
| Nets SA | | 100% (1) | | | | Tiscali SpA |
| Nets Broadband Ltd | UK | 100% | | 100.00% | 100.00% | Nets SA |
| Nets Broadband SAU | Spain | 100% | | 100.00% | 100.00% | Nets SA |
| Nets Broadband GmbH | Germany | 100% | | 100.00% | 100.00% | Nets SA |
| Nets Broadband SpA | Italy | 90.0% | | 90.00% | 100% (*) | Nets SA |

(1) directly held by the Parent Company

(*) the remaining 10% is held by Tiscali SpA

| COMPANY NAME | COUNTRY | QUOTA HELD | | | OVERALL STAKE | HELD BY |
|---|---------|------------|----------|---------|---------------|-------------------------------|
| | | DIRECT | INDIRECT | TOTAL | | |
| <i>Tiscali Deutschland GmbH</i> | | 100% (1) | | | | Tiscali SpA |
| Tiscali GmbH | Germany | 100% | | 100.00% | 100.00% | Tiscali Deutschland GmbH |
| SurEU.com GmbH | Germany | 100% | | 100.00% | 100.00% | Tiscali GmbH |
| SDI Informationstechnik GmbH | Germany | 100% | | 100.00% | 100.00% | Tiscali Deutschland GmbH |
| Tiscali Games GmbH | Germany | 100% | | 100.00% | 100.00% | Tiscali Deutschland GmbH |
| Brand Gate | Germany | 65% | | 65.00% | 65.00% | Tiscali Deutschland GmbH |
| Time to Trade GmbH | Germany | 100% | | 100.00% | 100.00% | Tiscali Deutschland GmbH |
| Finanzdirekt 24 | Germany | 60% | | 60.00% | 60.00% | Tiscali Deutschland GmbH |
| Tiscali Voice GmbH | Germany | 100% | | 100.00% | 100.00% | Tiscali Deutschland GmbH |
| Tiscali Technics GmbH | Germany | 100% | | 100.00% | 100.00% | Tiscali Deutschland GmbH |
| <i>Tiscali Telecomunicaciones SA</i> | | 100% (1) | | | | Tiscali SpA |
| Asepi SA | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Oem SA | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Tiscalinet SL | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Freelosophy SL | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Musica Por Internet X SL | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Jamas Navegaras Solo SL | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Sport Soul SL | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Net To Be SL | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Andar Por Las Redes SL | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |
| Vol Trabajo Dedicado SL | Spain | 100% | | 100.00% | 100.00% | Tiscali Telecomunicaciones SA |

(1) directly held by the Parent Company

CONSOLIDATION DIFFERENCE

Parent Company

| COMPANY | BALANCE | | WRITE-DOWNS & | | BALANCE |
|-----------------------------------|----------------|----------------|------------------|------------------|----------------|
| | 12.31.2000 | INCREASES | EXTRAORD. AMORT. | AMORTIZATION | 12.31.2001 |
| World Online International NV | 280,293 | 65,797 | | (68,940) | 277,150 |
| Liberty Surf Group SA | | 67,720 | (429) | (10,351) | 56,940 |
| Tiscali Reseaux SA | 87,201 | | (61,105) | (21,095) | 5,001 |
| Tiscali Deutschland GmbH | 229,955 | | (73,691) | (55,305) | 100,959 |
| Addcomm AG | | 2,529 | (2,529) | | |
| Nets SA | 7,517 | | (1,580) | (1,804) | 4,133 |
| Tiscali Datacomm AG | 41,732 | | (13,304) | (10,046) | 18,382 |
| Tiscali Belgium Holding SA | | | | | |
| Tiscali Finance AG | | | | | |
| CD Telekomunikace sro | | 20,985 | (10,078) | (2,099) | 8,808 |
| Excite Italia BV | | 6,086 | | (1,014) | 5,072 |
| STS Studi Technologie Sistemi SpA | 2,350 | | | (587) | 1,763 |
| Quinary SpA | 20,612 | | (12,032) | (4,666) | 3,914 |
| Best Engineering SpA | 4,725 | | (3,675) | (1,030) | 20 |
| Informedia Srl | 269 | | (176) | (67) | 26 |
| Tiscali Telecomunicaciones SA | | | | | |
| Motorcity SpA | 141 | | | (35) | 106 |
| Ideare SpA | 4,560 | | (530) | (1,032) | 2,998 |
| Energy Byte SpA | | | | | |
| SurfEU.com | | 18,621 | (18,621) | | |
| Guglielmo GmbH | | 19,204 | (13,411) | (1,600) | 4,193 |
| Total | 679,355 | 200,942 | (211,161) | (179,671) | 489,465 |

Liberty Surf Group SA

| | BALANCE | | WRITE-DOWNS | | BALANCE |
|-------------------------|-------------------|------------------|-------------------------|---------------------|-------------------|
| | 12.31.2000 | INCREASES | EXTRAORD. AMORT. | AMORTIZATION | 12.31.2001 |
| Liberty Surf SA | | 10,195 | | (2,984) | 7,211 |
| Tiscali Business | | 15,137 | (14,885) | (252) | |
| Intercall SA | | 23,312 | | (1,359) | 21,953 |
| Infonie Pro | | 12,397 | | (413) | 11,984 |
| None Networks SA | | 46,680 | (45,443) | (1,237) | |
| Praxitel SA | | 2,112 | (2,024) | (88) | |
| Liberty Surf Telecom SA | | 51,886 | (37,404) | (2,691) | 11,791 |
| X- Stream | | 80,373 | (74,193) | (6,180) | |
| AXS LTD | | 5,110 | (4,824) | (286) | |
| AXS SA | | | | | |
| AXS Inc | | 838 | (792) | (46) | |
| Liberty Surf Telecom BV | | 3,439 | (3,252) | (187) | |
| Respublica | | 10,273 | (10,273) | | |
| Objectif Net | | 34,615 | (33,615) | | 1,000 |
| Cent Pour Cent | | | | | |
| Hispavista | | 22,317 | (22,317) | | |
| CEIC | | 4,336 | (3,825) | (511) | |
| Film Non Stop | | 6,207 | (6,207) | | |
| Ovniweb | | 13,522 | (13,022) | | 500 |
| Chez.com | | 86,020 | (86,020) | | |
| Total | | 428,769 | (358,096) | (16,234) | 54,439 |

World Online Int. NV

| | BALANCE | | WRITE-DOWNS | | BALANCE |
|---------------------------------------|------------------|----------------|------------------|------------------|----------------|
| | 12.31.2000 | INCREASES | EXTRAORD. AMORT. | AMORTIZATION | 12.31.2001 |
| World Online Holding SA | 200 | | | (172) | 28 |
| The Internet Plaza BV | 259 | | | (259) | |
| Freemail BV | 144 | | | (144) | |
| Tiscali Denmark A/S | 2,224 | | | (2,224) | |
| World Online SA | 757 | | | (757) | |
| CZ COM sro | 290 | 1,177 | | (426) | 1,041 |
| World Online Merchandising LLC | 2,874 | | | (1,642) | 1,232 |
| Nacamar Group plc | 47,186 | 100 | (15,589) | (18,759) | 12,938 |
| Vodacom Ltd | 3,392 | | | (1,628) | 1,764 |
| Wol Telecom Ltd-UK | 35,900 | | (13,980) | (8,484) | 13,436 |
| World Online Italy Srl | 644 | | (378) | (266) | |
| Wol France SA | | 5,500 | (5,500) | | |
| SurfEU.com OY | | 3,638 | (3,638) | | |
| Vodacom | 16,515 | | | (13,250) | 3,265 |
| Word Internet Online SA | 220 | 7,543 | (7,209) | (554) | |
| CZ Com sro | | 67 | | (6) | 61 |
| Denmark | 36 | 3,684 | (2,849) | (554) | 317 |
| World Online Belgium | 2,263 | 11,554 | | (2,492) | 11,325 |
| World Online UK Holdings plc | 193,298 | 199,715 | (198,230) | (111,487) | 83,296 |
| SurfEU.com GmbH | | 103 | | (19) | 84 |
| E- Trade BV | 3,311 | 21,565 | (12,596) | (2,913) | 9,367 |
| Total | 309,513 | 254,646 | (259,969) | (166,036) | 138,154 |
| Tiscali Deutschland GmbH | | 6,476 | (3,350) | (100) | 3,026 |
| Tiscali Belgium Holding SA | 34,062 | | (34,062) | | |
| TOTAL CONSOLIDATION DIFFERENCE | 1,022,930 | 890,833 | (866,638) | (362,041) | 685,084 |

FINANCIAL STATEMENTS ANALYSIS

To provide a comprehensive overview of the Consolidated Financial Statements, the following tables contain a short analysis consisting of the reclassified Balance Sheet, the reclassified Profit and Loss Statement, a series of Balance Sheet ratios and the Consolidated Statement of changes in financial position. The Balance Sheet has been reclassified according to a criterion of increasing liquidity and shows total current assets and total current liabilities so as to allow an accurate valuation of overall financial position. The reclassified Profit and Loss Statement has been drawn up in scalar format, and shows aggregate values making up the operating margin, while respecting the principle cost disclosure by type. For ease of reference, Balance Sheet Ratios are calculated on the contents of the final consolidated financial statements of each of the two FYs under comparison. The consolidated statement of changes in financial position aims at highlighting in a comprehensive and structured manner the most significant changes in the accounts. This statement is organised according to financial flows, as recommended by the Accounting principles adopted by the Italian Association of Chartered Accountants - Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri.

FINANCIAL STATEMENT ANALYSIS – BALANCE SHEET

| ASSETS | 12.31.2001 | 12.31.2000 | CHANGE | % CHANGE |
|---------------------------------|-------------------|-------------------|------------------|-----------------|
| <i>CURRENT ASSETS</i> | | | | |
| Cash and banks | 384,881 | 1,379,232 | (994,351) | -72.09% |
| Receivables from customers | 341,755 | 182,394 | 159,361 | 87.37% |
| Inventories | 17,852 | 6,021 | 11,831 | 196.50% |
| Accrued income & def. charges | 44,644 | 50,077 | (5,433) | -10.85% |
| Other current assets | 165,752 | 59,507 | 106,245 | 178.54% |
| <i>Total current assets</i> | <i>954,884</i> | <i>1,677,231</i> | <i>(722,347)</i> | <i>-43.07%</i> |
| <i>NON-CURRENT ASSETS</i> | | | | |
| Technical fixed assets | 386,161 | 183,316 | 202,845 | 110.65% |
| Intangible assets | 870,700 | 1,112,098 | (241,398) | -21.71% |
| Investments and securities | 43,000 | 42,140 | 860 | 2.04% |
| Other fixed assets | 5,788 | 13,594 | (7,806) | -57.42% |
| <i>Total non-current assets</i> | <i>1,305,649</i> | <i>1,351,148</i> | <i>(45,499)</i> | <i>-3.37%</i> |
| TOTAL ASSETS | 2,260,533 | 3,028,379 | (767,846) | -25.36% |

| LIABILITIES & SHAREHOLDERS' EQUITY | 12.31.2001 | 12.31.2000 | CHANGE | % CHANGE |
|---|-------------------------|-------------------------|---------------------------|-----------------------|
| <i>CURRENT LIABILITIES</i> | | | | |
| Due to banks | 30,355 | 13,641 | 16,714 | 122.53% |
| Trade accounts payable | 352,114 | 213,278 | 138,836 | 65.10% |
| Other liabilities | 213,370 | 162,372 | 50,998 | 31.41% |
| Accrued liabilities & def. charges | 77,726 | 59,030 | 18,696 | 31.67% |
| Taxes payable | 31,136 | 53,456 | (22,320) | -41.75% |
| <i>Total current liabilities</i> | <i>704,701</i> | <i>501,777</i> | <i>202,924</i> | <i>40.44%</i> |
| <i>MEDIUM/LONG-TERM LIABILITIES</i> | | | | |
| Medium/long-term loans | 388,878 | 280,778 | 108,100 | 38.50% |
| Staff severance indemnity reserve | 2,591 | 1,164 | 1,427 | 122.59% |
| Reserve for deferred taxes | | 83 | (83) | -100.00% |
| Reserves for risks & future liabilities | 56,420 | 20,195 | 36,225 | 179.38% |
| <i>Total medium/long-term liabilities</i> | <i>447,889</i> | <i>302,220</i> | <i>145,669</i> | <i>48.20%</i> |
| <i>Total liabilities</i> | <i>1,152,590</i> | <i>803,997</i> | <i>348,593</i> | <i>43.36%</i> |
| <i>SHAREHOLDERS' EQUITY</i> | | | | |
| Share capital | 179,209 | 1,573 | 177,636 | 11292.82% |
| Reserves | 2,611,499 | 2,394,885 | 216,614 | 9.04% |
| Net profit | (1,664,429) | (181,386) | (1,483,043) | 817.62% |
| <i>Total shareholders' equity</i> | <i>1,126,279</i> | <i>2,215,072</i> | <i>(1,088,793)</i> | <i>-49.15%</i> |
| <i>Third parties' equity and reserve</i> | <i>(18,336)</i> | <i>9,310</i> | <i>(27,646)</i> | <i>-296.95%</i> |
| <i>Total shareholders' equity</i> | <i>1,107,943</i> | <i>2,224,382</i> | <i>(1,116,439)</i> | <i>-50.19%</i> |
| TOTAL | 2,260,533 | 3,028,379 | (767,846) | -25.36% |

FINANCIAL STATEMENT ANALYSIS - PROFIT AND LOSS ACCOUNT

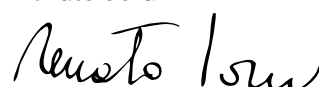
| PROFIT AND LOSS STATEMENTS | 12.31.2001 | % | 12.31.2000 | % | CHANGE | % CHANGE |
|---|--------------------|--------------|------------------|--------------|--------------------|----------------|
| Net sales | 615,116 | 100% | 169,730 | 100% | 445,386 | 262.41% |
| <i>Operating expenses</i> | | | | | | |
| Purchases | (42,591) | -7% | (8,698) | -5% | (33,893) | 389.66% |
| Services | (592,335) | -96% | (170,228) | -100% | (422,107) | 247.97% |
| Depreciation/amortization | (484,216) | -79% | (102,619) | -60% | (381,597) | 371.86% |
| Cost of labour | (134,122) | -22% | (27,831) | -16% | (106,291) | 381.92% |
| Increase (decrease) in inventories | (303) | 0% | 793 | 0% | (1,096) | -138.21% |
| Other operating expenses | (32,684) | -5% | (36,511) | -22% | 3,827 | -10.48% |
| Operating profit | (671,135) | -109% | (175,364) | -103% | (495,771) | 282.71% |
| Financial income | 98,217 | 16% | 12,325 | 7% | 85,892 | 696.89% |
| Financial charges | (84,385) | -14% | (19,486) | -11% | (64,899) | 333.05% |
| Other income | 40,596 | 7% | 5,230 | 3% | 35,366 | 676.21% |
| Other charges | (1,073,758) | -175% | (8,661) | -5% | (1,065,097) | 12297.62% |
| Profit before taxes | (1,690,465) | -275% | (185,956) | -110% | (1,504,509) | 809.07% |
| <i>Income taxes</i> | | | | | | |
| current | (645) | 0% | (439) | 0% | (206) | 46.92% |
| deferred | (446) | 0% | 222 | 0% | (668) | -300.90% |
| Result before third parties' share | (1,691,556) | -275% | (186,173) | -110% | (1,505,383) | 808.59% |
| Third parties' share | 27,127 | 4% | 4,787 | 3% | 22,340 | 466.68% |
| PROFIT (LOSS) FOR THE FY | (1,664,429) | -271% | (181,386) | -107% | (1,483,043) | 817.62% |

FINANCIAL STATEMENT (FLOWS)

| CASH FLOWS GENERATED FROM OPERATIONS | 12.31.2001 | 12.31.2000 |
|--|--------------------|--------------------|
| <i>Profit (Loss) for the FY</i> | <u>(1,664,429)</u> | <u>(181,387)</u> |
| <i>Adjustments for accounts not affecting cash flow</i> | | |
| Depreciation and amortization of non-current assets | 1,350,857 | 102,619 |
| Provision to staff severance indemnity reserve | 1,427 | 961 |
| Funds set aside (used) for deferred taxes | 446 | (222) |
| Capital gains (losses) for disposal of assets | | (447) |
| <i>Changes in current assets and liabilities</i> | <u>(311,699)</u> | <u>(78,476)</u> |
| Receivables from customers | (159,361) | (152,973) |
| Other receivables | (106,245) | (49,394) |
| Inventories | (11,831) | (5,054) |
| Accrued income and deferred charges | 5,433 | (45,693) |
| Trade accounts payable | 138,836 | 178,268 |
| Other liabilities | 50,998 | 160,350 |
| Accrued liabilities and deferred income | 18,696 | 54,109 |
| Reserve for taxes payable | (22,320) | 53,293 |
| | <u>1,266,936</u> | <u>295,817</u> |
| <i>Cash flows generated from operations</i> | <u>(397,493)</u> | <u>114,430</u> |
| CASH FLOWS FROM INVESTMENT ACTIVITY | | |
| Net increases in technical fixed assets | (284,796) | (177,713) |
| Net increases in intangible assets | (1,027,508) | (1,175,879) |
| (Increase) decrease in participations | (860) | (40,159) |
| | <u>(1,313,164)</u> | <u>(1,393,751)</u> |
| CASH FLOWS FROM FINANCING ACTIVITY | | |
| New loans | 101,260 | 271,075 |
| Reimbursement of loans | 6,840 | (1,314) |
| Other net equity changes | 564,983 | 2,251,383 |
| Reduction (increase) in other non-current assets | 7,806 | (9,431) |
| Increase (decrease) in other M/L-term liabilities | 8,050 | 25,817 |
| | <u>688,939</u> | <u>2,537,530</u> |
| <i>Differences due to the conversion of financial statements into foreign currencies</i> | 10,653 | 7,039 |
| INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | <u>(1,011,065)</u> | <u>1,265,248</u> |
| CASH AND CASH EQUIVALENTS - OPENING BALANCE | <u>1,365,591</u> | <u>100,343</u> |
| CASH AND CASH EQUIVALENTS - CLOSING BALANCE | <u>354,526</u> | <u>1,365,591</u> |

It is hereby certified that these Consolidated Financial Statements, consisting of the Balance Sheet, the Profit and Loss Statement and the Notes to the Financial Statements, provide a fair and accurate presentation of the Group's financial position and earnings for the period referenced herein.

The Board of Directors
The Chairman
Renato Soru





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 **TISCALI**
The Internet Communication Company

PARENT COMPANY

**FINANCIAL STATEMENTS
as of December 31, 2001**

| BALANCE SHEET - ASSETS - (amounts in EUR) | | 12.31.2001 | 12.31.2000 | | |
|--|--|---|----------------------|--------------------|--------------------|
| A) | DUE FROM SHAREHOLDERS FOR CAPITAL CONTRIBUTIONS PAYABLE | | | | |
| - | Portion called up | | | | |
| - | Portion not called up | | | | |
| | Total due from shareholders for capital contributions payable | | | | |
| B) | NON-CURRENT ASSETS | | | | |
| I | Intangible assets | | | | |
| 1) | set-up and expansion costs | 9,589,474 | 12,232,915 | | |
| 2) | costs for research, development and advertising | 2,531 | 7,768 | | |
| 3) | industrial patents rights and intellectual property rights | 2,595,797 | 991,189 | | |
| 4) | concessions, licenses, trademarks and similar rights | 9,167,000 | 9,133,547 | | |
| 5) | goodwill | 240,201 | 320,268 | | |
| 6) | payments on account and intangible assets in course of acquisition | 16,522,395 | 2,177,643 | | |
| 7) | other | 7,687,523 | 4,666,131 | | |
| | Total | 45,804,921 | 29,529,461 | | |
| II | Fixed assets | | | | |
| 1) | land and buildings | | | | |
| 2) | plant and machinery | 9,632,760 | 2,182,269 | | |
| 3) | industrial and commercial equipment | 1,186,163 | 1,095,790 | | |
| 4) | other fixed assets | 2,899,643 | 2,323,151 | | |
| 5) | payments on account and fixed assets in course of acquisition | 1,994,660 | | | |
| | Total | 15,713,226 | 5,601,210 | | |
| III | Long-term investments | | | | |
| 1) | Participations in | | | | |
| a) | Group Companies | 2,099,698,160 | 2,256,712,638 | | |
| b) | affiliated Companies | 993,698 | 1,500,000 | | |
| d) | other Companies | 4,730,649 | 155,649 | | |
| 2) | Receivables | | | | |
| 3) | Other securities | | | | |
| 4) | Own shares | | | | |
| | Total | 2,105,422,507 | 2,258,368,287 | | |
| | Total non-current assets | 2,166,940,654 | 2,293,498,958 | | |
| C) | WORKING CAPITAL | | | | |
| I | Inventories | | | | |
| 1) | raw materials, supplies and consumables | 1,327,688 | 768,787 | | |
| 5) | advance payments | | 1,572,201 | | |
| | Total | 1,327,688 | 2,340,988 | | |
| II | Receivables | <i>Receivable beyond the following financial year</i> | | | |
| | | 12.31.2001 | 12.31.2000 | | |
| 1) | from customers | | 45,354,339 | 59,350,473 | |
| 2) | from Group Companies | 1,914,521 | 132,899,308 | 59,879,255 | |
| 3) | from affiliated Companies | | 658,600 | 48,610 | |
| 5) | from others | 234,249 | 219,708 | 22,605,667 | 12,370,849 |
| | Total | 2,148,770 | 219,708 | 201,517,914 | 131,649,187 |
| III | Investments other than non-current assets | | | | |
| 6) | other securities | | 8,536,315 | 9,250,673 | |
| | Total | | 8,536,315 | 9,250,673 | |
| IV | Cash and cash equivalents | | | | |
| 1) | banks and post office deposits | | 223,429 | 1,409,471 | |
| 2) | cheques | | | | |
| 3) | cash and other negotiable instruments | | 16,907 | 5,458 | |
| | Total | | 240,336 | 1,414,929 | |
| | Total working capital | | 211,622,253 | 144,655,777 | |
| D) | ACCRUED INCOME AND DEFERRED CHARGES | | | | |
| | Accrued income and deferred charges | | 8,228,729 | 5,922,628 | |
| | Total accrued income and deferred charges | | 8,228,729 | 5,922,628 | |
| | TOTAL ASSETS | 2,386,791,636 | 2,444,077,363 | | |

| BALANCE SHEET - LIABILITIES | | 12.31.2001 | 12.31.2000 |
|------------------------------------|---|--|----------------------|
| A) | SHAREHOLDERS' EQUITY | | |
| I | Share capital | 179,208,829 | 1,573,262 |
| II | Share premium reserve | 2,654,963,008 | 2,392,340,340 |
| III | Revaluation reserve | | |
| IV | Legal reserve | | |
| V | Reserve for treasury stock held | | |
| VI | Statutory reserves | | |
| VII | Other reserves | | |
| 1) | Reserve from rounding | 7 | |
| VIII | Retained earnings (losses carried forward) | | (5,536,691) |
| IX | Profit (loss) for the year | (1,041,208,375) | (101,001,800) |
| | Total shareholders' equity | 1,792,963,469 | 2,287,375,111 |
| B) | RESERVES FOR RISKS AND FUTURE LIABILITIES | | |
| 1) | reserve for retirement and similar obligations | | |
| 2) | taxation reserve | | |
| 3) | other | 23,001,873 | 12,489,903 |
| | Total reservers for risks and future liabilities | 23,001,873 | 12,489,903 |
| C) | STAFF SEVERANCE INDEMNITY RESERVE | 1,806,541 | 742,577 |
| D) | PAYABLES | <i>Due beyond the following financial year</i> | |
| | | <u>12.31.2001</u> | <u>12.31.2000</u> |
| 1) | bonds | | |
| 2) | convertible bonds | | |
| 3) | due to banks | | 14,590,001 |
| 4) | due to other backers | 129,712 | 1,746,661 |
| 5) | advances | | |
| 6) | trade accounts payable | | 64,411,673 |
| 7) | payables represented by negotiable instruments | | |
| 8) | due to Group Companies | | 475,789,532 |
| 9) | due to affiliated Companies | | 56,294 |
| 10) | due to Parent companie | | |
| 11) | taxes payable | | 854,831 |
| 12) | due to social security agencies | | 675,121 |
| 13) | other payables | | 949,800 |
| | Total payables | 129,712 | 559,073,913 |
| E) | ACCRUED LIABILITIES AND DEFERRED INCOME | | |
| | Accrued liabilities and defered income | 9,945,840 | 2,646,656 |
| | Premiums on loans | | |
| | Total accrued liabilities and deferred income | 9,945,840 | 2,646,656 |
| | TOTALE LIABILITIES | 2,386,791,636 | 2,444,077,363 |

| MEMORANDUM ACCOUNTS | | 12.31.2001 | 12.31.2000 |
|----------------------------|---|--------------------|--------------------|
| A) | GUARANTEES GIVEN | | |
| 1) | <i>to third parties</i> | | |
| a) | sureties | 250,000,000 | 250,715,803 |
| | <i>Total guarantees given</i> | 250,000,000 | 250,715,803 |
| B) | OTHER MEMORANDUM ACCOUNTS | | |
| - | lease payments coming due | 54,937,364 | 45,881,098 |
| - | warrants | 183,238 | 10,576,796 |
| - | commitments | 11,059,524 | 55,243,383 |
| | <i>Total other memorandum accounts</i> | 66,180,126 | 111,701,277 |
| C) | GUARANTEES RECEIVED | | |
| 1) | <i>from third parties and Group Companies</i> | | |
| a) | sureties | 7,227,298 | 6,130,859 |
| | <i>Total guarantees received</i> | 7,227,298 | 6,130,859 |
| | TOTAL MEMORANDUM ACCOUNTS | 323,407,424 | 368,547,939 |

| PROFIT AND LOSS STATEMENT | | 12.31.2001 | 12.31.2000 |
|----------------------------------|--|----------------------|----------------------|
| A) | (+) VALUE OF PRODUCTION | | |
| 1) | revenue from sales and services | 115,037,997 | 120,088,881 |
| 2) | changes in inventories of work in progress, semi-finished an finished products | | |
| 3) | changes in work in progress to order | | |
| 4) | increase in assets for work in progress/internal | 788,580 | |
| 5) | other revenues and income | | |
| - | <i>other revenues and income</i> | 1,960 | 891,629 |
| - | <i>working account contributions</i> | | |
| | Total | 115,828,537 | 120,980,510 |
| B) | (-) PRODUCTION COSTS | | |
| 6) | for raw materials, supplies, consumables and goods | (10,700,217) | (6,757,841) |
| 7) | for services | (91,828,676) | (117,195,159) |
| 8) | for use of third party assets | (15,839,764) | (9,733,898) |
| 9) | for personnel | | |
| a) | <i>salaries and wages</i> | (16,129,147) | (9,962,584) |
| b) | <i>social security charges</i> | (1,913,876) | (965,095) |
| c) | <i>staff severance pay</i> | (1,147,888) | (607,868) |
| e) | <i>other expenses</i> | (34,703) | (26,751) |
| 10) | depreciation, amortization and write-downs | | |
| a) | <i>amortization of intangible assets</i> | (8,521,116) | (5,892,446) |
| b) | <i>depreciation of fixed assets</i> | (2,305,141) | (965,678) |
| c) | <i>other write-downs/amortizations of non-current assets</i> | | |
| d) | <i>writedowns of receivables included in working capital and cash and cash equivalents</i> | (8,054,917) | (5,379,393) |
| 11) | changes in inventory of raw materials, supplies and consumables | 558,901 | (199,028) |
| 12) | risk provisions | (14,371,467) | (12,489,845) |
| 13) | other provisions | | |
| 14) | other operating expenses | (1,591,769) | (739,038) |
| | Total | (171,879,780) | (170,914,624) |
| (A - B) | DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION | (56,051,243) | (49,934,114) |
| C) | FINANCIAL INCOME AND CHARGES | | |
| 15) | (+) income from participations | | |
| a) | in subsidiaries | 8,555,623 | |
| b) | in affiliated Companies | | |
| c) | in other Companies | | |
| 16) | (+) other financial income | | |
| a) | from receivables registered under non-current assets | | |
| - | from third parties | | |
| - | from subsidiary Companies | | 1,106,805 |
| - | from affiliated Companies | | |
| - | from Parent Companies | | |
| b) | from securities registered under non-current assets other than participations | | |
| c) | from securities registered in the working capital other than participations | 465,457 | |
| d) | earnings other than the above | | |
| - | from third parties | 524,858 | 1,378,155 |
| - | from subsidiary Companies | 1,863 | |
| - | from affiliated Companies | | |
| - | from Parent Companies | | |
| 17) | (-) interest and other financial charges | | |
| a) | due to third parties | (1,241,149) | (981,832) |
| b) | due to subsidiary Companies | (14,527,660) | (2,612,947) |
| c) | due to affiliated Companies | | |
| d) | due to Parent Companies | | |
| | Total | (6,221,008) | (1,109,819) |

| PROFIT AND LOSS STATEMENT (continued) | | 12.31.2001 | 12.31.2000 |
|--|--|------------------------|----------------------|
| D) | VALUATION ADJUSTMENTS TO FINANCIAL ASSETS | | |
| 18) | <i>(+) revaluations</i> | | |
| a) | of participations | | |
| b) | of long-term investments other than participations | | |
| c) | of securities in the working capital other than participations | | |
| 19) | <i>(-) write-downs</i> | | |
| a) | of participations | | (46,117,820) |
| b) | of long-term investments other than participations | | |
| c) | of securities in the working capital other than participations | | |
| | Total adjustments | | (46,117,820) |
| E) | EXTRAORDINARY INCOME AND CHARGES | | |
| 20) | <i>(+) extraordinary income</i> | | |
| a) | income | 5,747,005 | 299,780 |
| b) | capital gains from disposals of non-current assets | 2,849,430 | 1,938,423 |
| 21) | <i>(-) extraordinary charges</i> | | |
| a) | charges | (987,513,574) | (2,062,214) |
| b) | capital losses from disposals of non-current assets | (18,985) | (9,000) |
| c) | taxes pertaining to previous periods | | (4,007,036) |
| | Total extraordinary income and charges | (978,936,124) | (3,840,047) |
| | Profit (loss) before taxes | (1,041,208,375) | (101,001,800) |
| 22) | <i>(-) income taxes for the FY</i> | | |
| a) | current | | |
| | <i>Total income taxes</i> | | |
| 23) | NET PROFIT (LOSS) FOR THE YEAR | (1,041,208,375) | (101,001,800) |

For the Board of Directors
The Chairman

Renato Soru





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The European Internet Company

PARENT COMPANY

NOTES TO THE FINANCIAL STATEMENTS
as of December 31, 2001

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

1) CRITERIA USED IN THE PREPARATION OF STATEMENTS

The Financial Statements have been prepared in accordance with Article 2423 and the subsequent of the Italian Civil Code, and consist of the Balance Sheet, the Profit and Loss Statement and the Notes in relation thereto. The format of the statements conforms to the standard set out in Article 2427 of the Italian Civil Code, which, pursuant to and for the effects of Article 2423, constitutes an integral part of these financial statements. The financial statements contain comparative data for the year ending December 31, 2000, given that such data are consistent with those of the period referenced herein. Moreover, pursuant to D.Lgs. 127/1991, the consolidated balance sheet has been prepared and presented together with the balance sheet of Tiscali SpA for the financial year.

In order to provide a better overview of Company operations and financial position, the following documents are supplied as supplemental information to these statements:

- Reclassified Balance Sheet;
- Reclassified Profit and Loss Account;
- Statement of Changes in Financial Position.

2) VALUATION

a) General criteria

The criteria used in the preparation of the Financial Statements conform to those stipulated by aforementioned current regulations on this subject. Such criteria have been integrated and interpreted by the accounting principles issued by the body of Italian Chartered Accountants (Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri). The criteria used in the FY are in line with those employed for the previous FY's Financial Statements, in particular as regards valuation and continuity in applying the same principles. Valuation of balance sheet items was performed based on general criteria of prudence and competency, in view of continuation of activity. For the purposes of accounting entries, the economic substance of transactions prevails over their legal form. With regards to investments, they are posted at the time of payment of the same. Profits are included only if accruing within FY closing date, while risks and losses are taken into account also if they became known at a later date. Miscellaneous items included in individual line items have been valued separately.

Assets for durable use have been classified as non-current assets.

b) Valuation adjustments and recoveries of value

The values of fixed and intangible assets whose useful life is limited over time are written down respectively through depreciation and amortization charges. The same fixed and intangible assets and the other assets are written down each time a durable loss of value has been noted; the original value is re-established insofar as

the reasons for the previous loss of value are considered no longer current. The analytical methods for the charging of depreciation and amortization are explained separately hereunder in these notes.

c) Revaluations

To date, no revaluations have been performed.

d) Exceptions

No exceptions to the valuation criteria provided by legislation regarding financial statements have been made either in these financial statements or in the financial statements of the previous period.

The most significant principles and criteria are summarized as follows:

e) Intangible assets

Start-up and expansion costs, are entered in the designated line item in the assets side and are amortized for a period not exceeding 5 years starting from the financial year in which said costs were incurred.

Research, development and advertising costs are as a rule debited to the Profit and Loss Account of the FY in which they were incurred. Exception is made for expenditure for the development of new products, whose R&D and advertising costs are posted in the appropriate line item among Assets and amortized over a 5-year period starting from the FY in which they were incurred, in consideration of the long-term profitability of said costs.

Licenses, trademarks, patent rights and similar are recorded at their acquisition cost and amortized systematically in accordance with the period of use as established by the contract. At all events, the amortization period will not exceed 5 years from the financial year in which they were incurred.

Licenses, trademarks and patent rights are recorded at their acquisition cost and amortized in accordance with the period of use as established by the contract. At all events, the amortization period will not exceed 5 years from the financial year in which it was incurred.

Goodwill is posted within the limits of the costs incurred and amortized over five 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.

f) 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 consistent with the possibility of residual use.

The posting in the balance sheet of capital equipment leasing operations performed in the financial year under consideration reflects the interpretation of current legislation, i.e. the posting of leasing fees is made based on the reference period for each payment.

Ordinary maintenance expenses are wholly debited to the profit and loss statement. Maintenance expenses of an incremental nature are attributed to the asset to which they refer and are depreciated based on the possibility of residual use of said asset.

Following is a summary of depreciation rates, which remain unchanged with respect to 2000:

| | |
|--|-----|
| Plants and machinery | |
| - general plant and machinery | 20% |
| - minor plant and machinery | 12% |
| - specific plant and machinery | 20% |
| - other plant and machinery | 20% |
| Industrial and trade equipment | |
| - network and other specific equipment | 20% |
| - other industrial and trade equipment | 20% |
| - other equipment | 25% |
| Other goods | |
| - office furniture | 12% |
| - IT and electric office automation | 20% |
| - motor vehicles | 25% |
| - other goods | 20% |

During the year in which an asset is purchased, the depreciation charges are reduced by 50 percent. This accounting approach is adopted to provide a reasonable approximation of the time distribution of asset purchases during the year.

g) Long-term investments

– INVESTMENTS IN SUBSIDIARY AND AFFILIATED COMPANIES

Investments in subsidiary and affiliated Companies, which are non-current financial assets, are valued according to the cost method, taking into account that they are recent purchases and set-ups. Cost is decreased when there is a durable loss of value.

Non-current financial assets consisting of receivables are valued at their presumed realisable value.

h) Inventories

– RAW MATERIALS, WORK IN PROGRESS AND FINISHED PRODUCTS

Inventories, mainly consisting of goods for re-sale, are valued at the lower value between their purchase cost, calculated by means of the weighted mean method,

and their estimated market value.

i) Receivables

Receivables are listed at their estimated realizable value. This value is obtained by direct devaluation of the receivables carried out. Receivables also include amounts pertaining to invoices still to be issued for services rendered in Financial Year 2001.

k) Investments other than non-current assets

Securities are valued at their purchase price, or, if lower, at their realisable value calculated on the basis of stock market trends in the case of listed securities.

l) Accruals and deferrals

Accruals and deferrals are calculated in accordance with the matching principle.

m) Reserves for risks and future liabilities

Risk funds are allocated and shown as liabilities in the Balance Sheet, with the aim of covering potential Company liabilities, which are forecast as likely to take place on the basis of a realistic estimate of their definition.

n) Income taxes

In the financial year in question, the Company incurred no tax liability, since it generated no taxable income.

o) Staff severance indemnity reserve

The provision corresponds to all amounts due to employees under current laws.

p) Liabilities

Liabilities are posted at their nominal value.

q) Risks, commitments, guarantees

Commitments and guarantees are shown in the memorandum accounts at their contractual value.

The guarantees issued are in the form of surety bonds issued in favor of third parties in execution of contract terms.

Commitments refer to obligations resulting from stipulated agreements which have not as been yet executed, and from leasing and operating lease charges to be posted in future financial years.

r) Revenue recognition

Revenues from the sale of services are entered on the basis of traffic actually recorded as of the closure of the financial year. Financial revenues are recorded on the basis of the matching principle.

s) Recording of amounts in foreign currencies

Receivables and payables in extra-EUR-zone currencies are adjusted to the exchange rates valid at the end of the financial year, by including a specifically designated exchange-rate risk fund in the Balance Sheet. Profits and losses deriving from exchange rate fluctuations are listed as receivables or payables in the Profit and Loss Account.

ANALYSIS OF BALANCE SHEET ITEMS

(amounts in EUR/000)

ASSETS

B) NON-CURRENT ASSETS

I - INTANGIBLE ASSETS

The historic cost of the intangible assets at the beginning and at the end of the period is detailed hereunder:

| | 12.31.2001 | | NET | 12.31.2000 | | NET |
|---|---------------|-----------------|---------------|---------------|----------------|---------------|
| | COST | (AMORT.) | BOOK VALUE | COST | (AMORT.) | BOOK VALUE |
| Start-up and expansion costs | 19,993 | (10,404) | 9,589 | 18,664 | (6,431) | 12,233 |
| R&D and advertising costs | 26 | (24) | 3 | 26 | (18) | 8 |
| Industrial patent and intellectual property rights | 3,446 | (850) | 2,596 | 1,160 | (168) | 991 |
| Concessions, licenses, trademarks | 12,430 | (3,263) | 9,167 | 10,475 | (1,342) | 9,133 |
| Goodwill | 400 | (160) | 240 | 400 | (80) | 320 |
| Payments on account and assets in course of acquis. | 16,523 | | 16,522 | 2,178 | | 2,178 |
| Other | 10,267 | (2,580) | 7,688 | 5,387 | (720) | 4,666 |
| Total | 63,085 | (17,280) | 45,805 | 38,289 | (8,761) | 29,529 |

Following is a summary of the changes which occurred in the accounts over the period under consideration:

| | BALANCE | | REVALUATIONS | OTHER | | BALANCE |
|--|---------------|---------------|----------------|---------|----------------|---------------|
| | 12.31.2000 | INCREASES | (WRITE-DOWNS) | CHANGES | (AMORT.) | 12.31.2001 |
| Start-up and expansion costs | 12,233 | 1,385 | (55) | | (3,974) | 9,589 |
| Research, development, advert. costs | 8 | | | | (5) | 3 |
| Industrial patent and intellectual property rights | 991 | 766 | (40) | 1,560 | (681) | 2,596 |
| Concessions, licenses, trademarks | 9,133 | 2,771 | (2,853) | 2,037 | (1,921) | 9,167 |
| Goodwill | 320 | | | | (80) | 240 |
| Payments on acc. and assets in course of acquis. | 2,178 | 19,873 | (1,281) | (4,248) | | 16,522 |
| Other | 4,666 | 4,230 | | 651 | (1,860) | 7,688 |
| Total | 29,529 | 29,025 | (4,229) | | (8,521) | 45,805 |

The line item "Start-up and expansion costs" includes:

| | 12.31.2001 | 12.31.2000 | BALANCE |
|-------------------------------------|--------------|---------------|----------------|
| <i>Start-up and expansion costs</i> | | | |
| Company incorporation costs | | 1 | (1) |
| Capital increase expenses | 5,203 | 5,579 | (376) |
| Start-up costs | 3,989 | 6,653 | (2,664) |
| Other | 397 | | 397 |
| Total | 9,589 | 12,233 | (2,643) |

Line item "Start-up and expansion costs" - which mainly accrued in 1999, includes the costs for starting network implementation activities (installation and switchboard activation) as well as the "Tiscali Freenet" launching campaign.

The increase during the FY of EUR 1.4mn is the result of the costs borne in relation to the growth of Company capital connected with the indirect acquisition of the English Company Springboard Internet Services Ltd.

Decrements are due to the normal process of amortization.

The line item "Industrial patent rights and utilization of intellectual property rights" includes mainly the applicational software acquired for an unlimited period and personalized for the exclusive use of the Company. The increment occurring during this period derives mainly from the development of existing software packages and the purchase of software for use in the development of new portal services.

The variation in the asset item "Concessions, licences, trademarks, other" consists mainly of the purchase of software licences and associated costs. In particular, investments refer to management software for access systems and the management of network services, mainly for the management of the banners, for the management of the "voice over IP" service and for the search engine.

The line item "Payments on account and intangible assets in course of acquisition" covers mainly, for the amount of about EUR 11mn, costs associated with licenses and the development of software and other services acquired in the framework of the unification project of the technological and management platform of the services provided by the Group, still under way; for this reason amortization has been suspended. As regards this project, capitalization has been effected of costs covering internal personnel working on project implementation in the amount of EUR 0.8mn, by means of posting of an equal amount in line item A4 of the profit & loss account. This investment affects the whole Group.

Another important project which has involved the Company during the FY, classified under the heading of assets in course of acquisition, is the Mobile Internet (about EUR 1.7mn) covering the offer of an Internet connecting service via mobile phone. Activation is planned for the first half of 2002.

Decrements ("Other changes") of about EUR 4mn refer to the allocation of projects concluded and posted under amortization during the FY (EUR 1.6mn in the line item "Patent rights and intellectual property rights", 2mn in line item "Concessions, licences, trade marks and similar" and 0.6mn under other assets).

The line item "Others" refers mainly to investments made for the adaptation of technical sites and operational and administrative offices. In particular, increments during the FY regard the extension of the technical sites and the set up of a new operational center in Cagliari, in rental form. This line item also includes for about EUR 0.6mn the residual amount (excluding the portion paid under the heading of goodwill to be found in the appropriate line item) of the assets regarding the "Voltrade" branch Company.

The column "Revaluations/Write-downs" includes the devaluation of intangible assets, mainly software, considered obsolete in view of rapid technological developments in this field.

II - FIXED ASSETS

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

| COST | BALANCE | | REVALUATIONS | OTHER | | BALANCE |
|--|--------------|---------------|--------------|--------------|-------------|---------------|
| | 12.31.2000 | INCREASES | | CHANGES | (DISPOSALS) | |
| <i>Plants and machinery</i> | | | | | | |
| - general plant and machinery | | 273 | | 939 | | 1,212 |
| - specific plant and machinery | 799 | 8,465 | | (799) | | 8,465 |
| - other plant and machinery | 1,968 | 87 | | (110) | | 1,945 |
| <i>Total</i> | <i>2,767</i> | <i>8,825</i> | | <i>30</i> | | <i>11,622</i> |
| <i>Industrial and trade equipment</i> | | | | | | |
| - network equipment and other specific equipment | 656 | 293 | | (656) | | 293 |
| - other equipment | 485 | 141 | | 1,010 | | 1,636 |
| - miscellaneous minor items | 478 | | | (478) | | |
| <i>Total</i> | <i>1,619</i> | <i>434</i> | | <i>(124)</i> | | <i>1,929</i> |
| <i>Other goods</i> | | | | | | |
| - office furniture | | 362 | | 908 | | 1,270 |
| - IT and electric office automation | | 620 | | 1,645 | | 2,265 |
| - other goods | 2,628 | 181 | | (2,459) | | 350 |
| <i>Total</i> | <i>2,628</i> | <i>1,163</i> | | <i>94</i> | | <i>3,885</i> |
| <i>Payments on account and assets in course of acquisition</i> | | | | | | |
| - assets in course of acquisition | | 1,995 | | | | 1,995 |
| <i>Total</i> | | <i>1,995</i> | | | | <i>1,995</i> |
| Total | 7,014 | 12,417 | | | | 19,431 |

Fixed assets mainly consist of technical equipment for the creation of internal networks and equipment for site setup, servers, personal computers, and call centre equipment. Increments in essence derive from the purchase of server equipment on which the information management systems of Group Companies are presently installed (about EUR 3.6mn) and equipment for the management of the telephone systems (EUR 0.6mn) and other services on Internet.

"Fixed assets in course of acquisition" include equipment for telephone switchboards purchased from a Group Company awaiting insertion in the production process.

The column "Other changes" shows the transfer of accounting entries carried out in 2001,

with the aim of obtaining an improved, more appropriate classification of accounting entries compared to the statements as at December 31, 2000.

Changes during the financial year, as regards depreciation of fixed assets are as follows:

| DEPRECIATION | BALANCE 12.31.2000 | DEPRECIATION | WRITE DOWNS | OTHER CHANGES | (DISPOSALS) | BALANCE 12.31.2001 |
|--|-------------------------------|---------------------|------------------------|--------------------------|--------------------|-------------------------------|
| <i>Plants and machinery</i> | | | | | | |
| - general plant and machinery | | 149 | | 131 | | 280 |
| - specific plant and machinery | 185 | 847 | | (185) | | 847 |
| - other plant and machinery | 400 | 380 | | 84 | | 865 |
| <i>Total</i> | 585 | 1,376 | | 30 | | 1,991 |
| <i>Industrial and trade equipment</i> | | | | | | |
| - network equipment and other specific equipment | 523 | 288 | | (523) | | 287 |
| - other equipment | | 1 | | 454 | | 455 |
| - miscellaneous minor items | | 54 | | (54) | | |
| <i>Total</i> | 523 | 343 | | (123) | | 742 |
| <i>Other goods</i> | | | | | | |
| - office furniture | | 131 | | 85 | | 216 |
| - IT and electric office automation | | 391 | | 274 | | 665 |
| - other goods | 305 | 64 | | (266) | | 103 |
| - payments on acc. and assets in course of acquis. | | | | | | |
| <i>Total</i> | 305 | 586 | | 93 | | 984 |
| Total | 1,413 | 2,305 | | | | 3,717 |

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

| NET BOOK VALUE | BALANCE 12.31.2000 | INCREASES | REVALUATIONS AND OTHER | (DEPRECIATION WRITE-DOWNS) (DISPOSALS) | BALANCE 12.31.2001 |
|--|-----------------------|---------------|---------------------------|---|-----------------------|
| <i>Plants and machinery</i> | | | | | |
| - general plant and machinery | | 273 | 808 | (149) | 932 |
| - specific plant and machinery | 614 | 8,465 | (614) | (847) | 7,618 |
| - other plant and machinery | 1,568 | 87 | (194) | (380) | 1,081 |
| <i>Total</i> | 2,182 | 8,825 | | (1,376) | 9,632 |
| <i>Industrial and commercial equipment</i> | | | | | |
| - network equipment and other specific equipment | 133 | 293 | (133) | (288) | 5 |
| - other equipment | 485 | 141 | 556 | (1) | 1,181 |
| - miscellaneous and minor equipment | 478 | | (424) | (54) | |
| <i>Total</i> | 1,096 | 434 | (1) | (343) | 1,186 |
| <i>Other</i> | | | | | |
| - office furniture | | 362 | 822 | (131) | 1,054 |
| - IT and electric office automation | | 620 | 1,371 | (391) | 1,600 |
| - other goods | 2,323 | 181 | (2,192) | (64) | 247 |
| - payments on acc. and assets in course of acquis. | | | | | |
| <i>Total</i> | 2,323 | 1,163 | 1 | (586) | 2,900 |
| <i>payments on account and assets in course of acquisition</i> | | | | | |
| - assets in course of acquisition | | 1,995 | | | 1,995 |
| <i>Total</i> | | 1,995 | | | 1,995 |
| Total | 5,601 | 12,417 | | (2,305) | 15,713 |

III - LONG-TERM INVESTMENTS

1) PARTICIPATIONS

As of December 31, 2001, this account included participations in subsidiary Companies amounting to approximately EUR 2,099.7mn, participations in affiliated Companies equal to EUR 0.9mn and participations in other Companies amounting to EUR 4.7mn.

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, paragraph 5 of the Italian Civil Code.

| COMPOSITION OF PARTICIPATIONS | | | | | | |
|--|------------------|------------------|------------------|------------------|-----------------|------------------|
| SUBSIDIARIES | 12.31.2001 | | | 12.31.2000 | | |
| | COST | REVAL. (DEVAL.) | B/S VALUE | COST | REVAL. (DEVAL.) | B/S VALUE |
| Best Engineering SpA | 5,643 | (4,353) | 1,290 | 5,643 | | 5,643 |
| CD Telekomunikace sro | 22,641 | (8,834) | 13,807 | 20,372 | | 20,372 |
| Energy Byte SpA | 523 | | 523 | 523 | | 523 |
| Excite Italia BV | 27,000 | | 27,000 | | | |
| Gilla SpA | 1,250 | (1,250) | | | | |
| Guglielmo GmbH | 14,704 | (10,511) | 4,193 | | | |
| Ideare SpA | 6,745 | (3,747) | 2,998 | 6,745 | | 6,745 |
| Informedia Srl | 535 | (277) | 258 | 558 | (101) | 457 |
| Liberty Surf Group SA | 599,812 | (80,883) | 518,929 | | | |
| Motorcity SpA | 500 | | 500 | 500 | | 500 |
| Nets SA | 17,720 | (3,105) | 14,615 | 17,720 | | 17,720 |
| Quinary SpA | 24,292 | (18,378) | 5,914 | 23,559 | | 23,559 |
| STS Srl | 3,228 | | 3,228 | 3,228 | | 3,228 |
| SurfEU.com Ltd <i>being wound up</i> | 26,784 | (18,219) | 8,565 | | | |
| Tiscali Belgium Holding SA <i>being wound up</i> | 57 | (57) | | 57 | | 57 |
| Tiscali Datacomm AG (<i>ex Datacomm AG</i>) | 63,682 | (35,300) | 28,382 | 63,682 | (3,861) | 59,821 |
| Tiscali Finance SA | 125 | | 125 | 125 | | 125 |
| Tiscali Reseaux SA (<i>ex Tiscali France SA</i>) | 154,597 | (149,597) | 5,000 | 121,366 | (25,494) | 95,872 |
| Tiscali Deutschland GmbH (<i>ex Nikoma</i>) | 283,475 | (230,309) | 53,166 | 283,475 | (16,662) | 266,813 |
| Tiscali Telecomunicaciones SA | 2,452 | (2,327) | 125 | 2,100 | | 2,100 |
| World Online International NV | 1,809,694 | (400,660) | 1,409,034 | 1,752,051 | | 1,752,051 |
| Andaledda SpA | 88 | | 88 | 88 | | 88 |
| Tiscali Czech Republic sro | 39 | | 39 | 39 | | 39 |
| Connect Software Inc | 1,027 | | 1,027 | 1,000 | | 1,000 |
| Tiscali Armament Sarl | 892 | | 892 | | | |
| Total | 3,067,505 | (967,807) | 2,099,698 | 2,302,831 | (46,118) | 2,256,713 |

| AFFILIATED COMPANIES | 12.31.2001 | | | 12.31.2000 | | |
|----------------------|------------|-----------------|------------|--------------|-----------------|--------------|
| | COST | REVAL. (DEVAL.) | B/S VALUE | COST | REVAL. (DEVAL.) | B/S VALUE |
| Ariete Telemedia Srl | 744 | | 744 | | | |
| Gilla SpA | | | | 1,250 | | 1,250 |
| FreeTravel SpA | 250 | | 250 | 250 | | 250 |
| Total | 994 | | 994 | 1,500 | | 1,500 |

| OTHER COMPANIES | 12.31.2001 | | | 12.31.2000 | | |
|----------------------------|--------------|-----------------|--------------|------------|-----------------|------------|
| | COST | REVAL. (DEVAL.) | B/S VALUE | COST | REVAL. (DEVAL.) | B/S VALUE |
| Crs4 | 126 | | 126 | 126 | | 126 |
| Consorzio Green Management | 5 | | 5 | 5 | | 5 |
| Mix Srl | 1 | | 1 | 1 | | 1 |
| Stud Soc. Consortile | 15 | | 15 | 15 | | 15 |
| Nets Broadband SpA | 34 | | 34 | 9 | | 9 |
| Netchemya SpA | 4,550 | | 4,550 | | | |
| Total | 4,731 | | 4,731 | 156 | | 156 |

CHANGES DURING FY 2001

The changes in the composition of participations during FY 2001 are listed in the table below.

| SUBSIDIARIES | BALANCE | | | | BALANCE | |
|--|------------------|----------------|----------------|------------------|---------------|------------------|
| | 12.31.2000 | INCREASES | (DISPOSALS) | REVAL. (DEVAL.) | OTHER CHANGES | 12.31.2001 |
| AddCom AG | | 2,529 | (2,529) | | | |
| Best Engineering SpA | 5,643 | | | (4,353) | | 1,290 |
| CD Telekomunikace sro | 20,372 | 2,269 | | (8,834) | | 13,807 |
| Energy Byte SpA | 523 | | | | | 523 |
| Excite Italia BV | | 27,000 | | | | 27,000 |
| Gilla SpA | | 1,250 | | (1,250) | | |
| Guglielmo GmbH | | 14,703 | | (10,510) | | 4,193 |
| Ideare SpA | 6,745 | | | (3,747) | | 2,998 |
| Informedia Srl | 457 | | (23) | (176) | | 258 |
| Liberty Surf Group SA | | 599,812 | | (80,883) | | 518,929 |
| Motorcity SpA | 500 | | | | | 500 |
| Nets SA | 17,720 | | | (3,105) | | 14,615 |
| Quinary SpA | 23,559 | 733 | | (18,378) | | 5,914 |
| STS Srl | 3,228 | | | | | 3,228 |
| SurfEU.com Ltd <i>being wound up</i> | | 26,784 | | | (18,219) | 8,565 |
| Tiscali Belgium Holding SA <i>being wound up</i> | 57 | | | | (57) | |
| Tiscali Datacomm AG (<i>ex Datacomm AG</i>) | 59,821 | | | | (31,439) | 28,382 |
| Tiscali Finance SA | 125 | | | | | 125 |
| Tiscali Reseaux SA (<i>ex Tiscali France SA</i>) | 95,872 | 33,232 | | | (124,104) | 5,000 |
| Tiscali Deutschland GmbH (<i>ex Nikoma</i>) | 266,813 | | | | (213,647) | 53,166 |
| Tiscali Telecomunicaciones SA | 2,100 | 352 | | | (2,327) | 125 |
| World Online International NV | 1,752,051 | 57,643 | | | (400,660) | 1,409,034 |
| Andaledda SpA | 88 | | | | | 88 |
| Tiscali Czech Republic sro | 39 | | | | | 39 |
| Connect Software Inc | 1,000 | 27 | | | | 1,027 |
| Tiscali Armament Sarl | | 892 | | | | 892 |
| Total | 2,256,713 | 767,226 | (2,552) | (921,689) | | 2,099,698 |

During FY 2001, the Tiscali Group's corporate reorganisation plan was launched, so as to streamline the structure and fully exploit potential economies of scale.

This reorganisation was implemented on the basis of precise guidelines, defined for each country, providing for concentration of the business activities carried out in each country into a single legal entity. Exceptions to this general rule are due to the simultaneous presence in a given country of different business activities (B2B, B2C, Telecom) or to the need to preserve a domain name.

After completion of the restructuring process (planned for the end of 2002), Tiscali Spa will directly own the Italian Companies, the German sub-holding, Liberty Surf Group, World Online International NV and other Companies of a financial nature. World Online International NV will control all remaining shareholdings in foreign Companies, with the exception of the French Companies, which will be grouped under Liberty Surf Group SA.

Shareholdings display an overall change as compared to December 31, 2000 consisting of a total increase of EUR 767mn, accruing from take-overs, and a total decrease of EUR 924mn of which about EUR 922mn as a consequence of write-downs. Said write-downs were carried out in order to align the cost of participations to current values, established according to the following criteria:

- for take-overs carried out by means of the issue of new shares, the original cost was adjusted to the average quotation of Tiscali stock in January 2002;
- for Companies which, in the framework of the reorganisation process were transferred, valuation was carried out, especially for ISPs, by multiplying the number of active subscribers by current market value assigned to each subscriber;
- for other operations which may not be valued by means of the above described criteria, (e.g. telecommunications Companies), current value was established on a case by case basis.

We also wish to highlight the fact that for the valuation of the Companies held in Germany and the UK, experts' assessments of the total business managed by the Tiscali Group in those areas were taken as reference.

These valuation criteria were applied also to determine the transfer price of participations within the Group, which became necessary as part of the above described reorganisation process, in order to run said operations at updated market value.

The most significant transactions carried out during FY 2001 are briefly described below:

AddCom AG

In December 2000, Tiscali bought the whole of the share capital of Addcom AG, one of the leading German Internet Service Provider. In March 2001, this transaction was concluded through the issue of 1,532,887 new Tiscali shares. In the framework of Group reorganisation, the Company was transferred to the German subsidiary Tiscali GmbH for about EUR 5.4mn, generating capital gains of about EUR 2.9mn. In December 2001, the Company was merged into the purchasing Company.

Best Engineering SpA

The Company, acquired in July 2000, partly through the issue of new Tiscali shares, was written down by about EUR 4.3mn in order to align its book value to the Tiscali stock average quotation in January 2002, substantially lower than quotation at the time of acquisition.

CD Telekomunikace sro

In July 2001, Tiscali SpA, which already held 80% of this Company's stock, purchased the remaining 20% by means of the issue of 1,043,333 new Tiscali shares. The write-down carried out, for about EUR 8.8mn reflects the alignment of book value to the average quotation of Tiscali stock as at January 2002.

Excite Italia BV

In February 2001 Tiscali concluded a strategic partnership agreement with Excite@Home. Under this agreement, Tiscali purchased 70% of Excite Italia BV, a Dutch Company with operational headquarters in Italy and one of the main Italian portals. Total investment was EUR 27mn, of which 23.4mn by way of an increase of Excite Italia's share capital. In March 2002, Tiscali stipulated an agreement for the purchase of the remaining 30% of Excite Italia BV's share capital, held by Excite@Home. The value of the operation is EUR 2,985,000 to be paid in newly issued Tiscali shares.

Guglielmo GmbH

On April 11, 2001, Tiscali SpA and Viag Interkom signed a transfer and purchase agreement over the whole share capital of the German Company Guglielmo GmbH, owner of the ISP Planet Interkom. Under this agreement, Viag Interkom transferred to Tiscali 81.5% of Guglielmo GmbH stock, against the issue of new Tiscali shares and transferred the remaining 18.5% of Guglielmo GmbH stock to Tiscali for EUR 10.5mn. In the early months of 2002 the Company was transferred to the German subsidiary Tiscali GmbH for about EUR 4mn. Consequently, the participation book value was written down by about EUR 10.5mn, in order to align it to the above stated value, which was established by multiplying the number of active subscribers by a market value assigned to each subscriber.

Ideare SpA

This Company, taken over in February 2000 by means of the issue of Tiscali shares, was written down by about EUR 3.7mn in order to align its book value to the average quotation of Tiscali stock as at January 2002, substantially lower than quotation at acquisition date.

Liberty Surf Group SA

The Take-over of Liberty Surf Group SA, one of the leading Companies in the French Media and Internet industries was finalised in March 2001 by means of an agreement with Europ@web, a Company of the Arnault Group, and Eijsvogel, each of which held an equal share of 72.9% of Liberty Surf share capital.

Under the terms of the agreement, Europ@web and Eijsvogel transferred to Tiscali 23,353,988 Liberty Surf shares each in return for 24,354,874 newly issued Tiscali shares, and each sold 10,008,852 Liberty Surf shares to Tiscali against a total payment of EUR 142,125,698.40 in cash.

Tiscali, has also launched a public purchase and exchange offer on the remaining circulating Liberty Surf shares, guaranteeing the same economic terms as for controlling shareholders. The offer, which opened on March 22, 2001 and closed on April 27, 2001, allowed Tiscali to increase its shareholding in Liberty Surf to 94.5%. On conclusion of this transaction, on June 18, 2001, Tiscali shares were listed in the Nouveau Marché of the Paris Stock Exchange.

At the close of FY 2001, this shareholding was written down by about EUR 80.8mn in order to align its value to the average quotation of Tiscali stock as at January 2002, which was substantially lower than quotation at acquisition date.

Nets SA

This Company, which was taken over in December 1999, in part by means of the issue of new Tiscali shares, was written down by about EUR 3mn in order to align its book value to the average quotation of Tiscali stock as at January 2002, which was substantially lower than quotation at acquisition date.

Quinary SpA

The increase in value during FY 2001, of EUR 733,000, is due to the underwriting of an increase in capital approved by the extraordinary shareholders' meeting of this subsidiary in June 2001.

The write-down carried out, of about EUR 18mn, was made to align its book value to the average quotation of Tiscali stock as at January 2002, which was substantially lower than the quotation at acquisition date.

SurfEU.com Ltd (being wound up)

On April 23, 2001, Tiscali acquired SurfEU.com Ltd, a holding of the SurfEU Group, ISP and portal with a leading position in Germany by means of a transfer and purchase contract of said Company's whole share capital. Under the terms of this agreement, 80% of SurfEU.com Ltd share capital has been transferred to Tiscali, against 4,814,749 new Tiscali shares. The remaining 20% was acquired by means of a cash payment of about EUR 26mn. In the framework of the corporate restructuring process, SurfEU.com Ltd subsidiaries in Germany, Sweden, Austria, Switzerland and Finland were transferred to other Companies of the Tiscali Group operating in said countries. In December 2001, SurfEU.com Ltd's Board of Directors issued an extraordinary dividend of EUR 8.5mn consisting mainly of receivables accruing from the above mentioned transfers and approved the Company's winding up.

The write-down, of about EUR 18mn, was made in order to align the book value to the total transfer values of SurfEU.com Ltd subsidiaries.

Tiscali Belgium Holding SA (being wound up)

The reorganisation of the Group was implemented on the basis of precise guidelines, defined for each country, providing for concentration of the business activities carried out in each country into a single legal entity. During this reorganisation, Tiscali Belgium SA indirectly controlled by Tiscali SpA through Tiscali Belgium Holding SA, transferred its operations to World Online NV (renamed Tiscali SA/NV) against payment of about EUR 6.7mn. The Board of Directors then approved its winding up. Subsequently, winding up of Tiscali Belgium Holding SA was also declared in December 2001. Therefore, the participation was entirely written down.

Tiscali Datacomm AG

This Company, taken over in 2000 by means of the issue of new shares, was written down for about EUR 31mn in order to align its value to the average quotation of Tiscali stock as at January 2002, which was substantially lower than quotation at acquisition date.

Tiscali Reseaux SA (formerly Tiscali France SA)

The increase of EUR 33mn in the value of Tiscali France SA participation is linked to the waiver, by the Parent Company, of part of its credit towards the same subsidiary in order to recapitalise it.

In March 2002, the Company Tiscali France, which incorporated through a merger its three subsidiaries A Telecom Enterprise SA, was transferred to Libertysurf Group. Thus the shareholding was written down by EUR 124mn in order to align its value to the transfer value of EUR 5mn.

During 2001, Tiscali France SA was renamed "Tiscali Reseaux SA".

Tiscali Deutschland GmbH (formerly Nikoma GmbH)

This Company, taken over in 2000 by means of the issue of new shares, was written down for about EUR 214mn in order to align its value to the average quotation of Tiscali stock as at January 2002, which was substantially lower than quotation at acquisition date.

World Online International NV

The increase, of EUR 57.6mn, is linked to the acceptance of late subscriptions of the public exchange offer launched in November 2000 and covering the whole of World Online shares.

Tiscali, which as at December 31, 2000 held 96.5% of World Online stock, at the end of the exchange period held about 99.5%.

The shareholding was written down by EUR 401mn in order to align its value to the average quotation of Tiscali stock as at January 2002, which was substantially lower than quotation at acquisition date.

| AFFILIATED COMPANIES | BALANCE | | | | BALANCE | |
|----------------------|--------------|------------|-------------|-----------------|----------------|------------|
| | 12.31.2000 | INCREASES | (DISPOSALS) | REVAL. (DEVAL.) | OTHER CHANGES | 12.31.2001 |
| Ariete Telemedia Srl | | 744 | | | | 744 |
| Gilla SpA | 1,250 | | | | (1,250) | |
| FreeTravel SpA | 250 | | | | | 250 |
| Total | 1,500 | 744 | | | (1,250) | 994 |

The increase over December 31, 2000 pertains to the take-over, in February 2001, of 40% of the stock of Ariete Telemedia Srl, which produces Internet contents in the medical field. The remaining 60% is held by the EDM media Group. This partnership will allow Tiscali to strengthen its presence in the Internet content sector, and to exploit its IT resources and penetration in the Web market to offer customers an integrated system of contents and services on the cutting edge of the market.

In November 2001, Tiscali SpA took over from Soner Info Communication Ltd (entirely held by Sonera Corporation) 12,500 Gilla SpA shares, making up 50% of the latter's capital. Consequently, this Company, held at 50% as at December 31, 2000, has been reclassified under participations in subsidiaries.

| OTHER COMPANIES | BALANCE | | | | BALANCE | |
|----------------------------|------------|--------------|-------------|-----------------|---------------|--------------|
| | 12.31.2000 | INCREASES | (DISPOSALS) | REVAL. (DEVAL.) | OTHER CHANGES | 12.31.2001 |
| Crs4 | 126 | | | | | 126 |
| Consorzio Green Management | 5 | | | | | 5 |
| Mix Srl | 1 | | | | | 1 |
| Stud Soc. Consortile | 15 | | | | | 15 |
| Nets Broadband SpA | 9 | 25 | | | | 34 |
| Netchemya SpA | | 4,550 | | | | 4,550 |
| Total | 156 | 4,575 | | | | 4,731 |

As regards Nets Broadband, we wish to point out that said Company is 10% held by Tiscali SpA and 90% by Nets SA, which in turn is 100% held by Tiscali SpA. Thus, indirect control brings total shareholding to 100%.

On October 10, 2001, Tiscali SpA took over 20% of Netchemya SpA, consisting of 4,550,000 shares of nominal value of EUR 1.00 each. Said Company operates in the setup and management of broadband telecommunications networks.

ADDITIONAL INFORMATION

Investments in Group Companies

| COMPANY NAME | HEAD OFFICE | SHARE CAPITAL | SHAREHOLDERS' EQUITY | PROFIT (LOSS) | % HELD | CARRYING VALUE |
|--|-------------------|---------------|----------------------|---------------|-----------|------------------|
| Best Engineering SpA | Turin | 775 | 728 | (87) | 60.00% | 1,290 |
| CD Telekomunikace sro | Prague | 19 | (106) | 541 | 100.00% | 13,807 |
| Energy Byte SpA | Milan | 950 | 132 | (370) | 55.00% | 523 |
| Excite Italia BV | Amsterdam | 75 | 14,752 | (2,418) | 70.00% | 27,000 |
| Gilla SpA | Cagliari | 2,500 | (166) | (1,954) | 100.00% | |
| Guglielmo GmbH | Cologne | 60,000 | 61,336 | 1,336 | 100.00% | 4,193 |
| Ideare SpA | Pisa | 516 | 3,071 | 255 | 60.00% | 2,998 |
| Informedia Srl | Rome | 52 | (99) | (176) | 95% (***) | 258 |
| Liberty Surf Group SA | Paris | 75,280 | 249,257 | (363,013) | 94.50% | 518,929 |
| Motorcity SpA | Cagliari | 100 | 206 | (3) | 60.00% | 500 |
| Nets SA | Paris | (*) 11.284 | (*) (4.526) | (*) (11.705) | 100.00% | 14,615 |
| Quinary SpA | Milan | 1,281 | 1,372 | (51) | 70.00% | 5,914 |
| STS Srl | Rome | 100 | 813 | 250 | 50.00% | 3,228 |
| SurfEU.com Ltd <i>being wound up</i> | Bermuda | 3,918 | 12,448 | 8,530 | 100.00% | 8,565 |
| Tiscali Belgium Holding SA <i>being wound up</i> | Brussels | 62 | (46,989) | (47,051) | 92.00% | |
| Tiscali Datacomm AG <i>(ex Datacomm AG)</i> | Basel | 16,934 | 7,908 | (5,159) | 80.00% | 28,382 |
| Tiscali Finance SA | Brussels | 125 | (8,734) | (6,147) | 100.00% | 125 |
| Tiscali Reseaux SA <i>(ex Tiscali France SA)</i> | Marseilles | 923 | (5) | 9,561 | 100.00% | 5,000 |
| Tiscali Deutschland GmbH <i>(ex Nikoma)</i> | Hamburg | (*) 631 | (*) (36.181) | (*) (33.813) | 100.00% | 53,166 |
| Tiscali Telecomunicaciones SA | Madrid | 2,100 | (883) | (2,322) | 99.99% | 125 |
| World Online International NV | Maarsen (NL) | (*) 119.404 | (*) 1.056.172 | (*) (436.512) | 99.49% | 1,409,034 |
| Andaledda SpA | Cagliari | 103 | 91 | (5) | 85.00% | 88 |
| Tiscali Czech Republic sro | Prague | 31 | (405) | (80) | 100.00% | 39 |
| Connect Software Inc | S.Francisco (USA) | (* *) 54 | (* *) (26) | (* *) (52) | 100.00% | 1,027 |
| Tiscali Armament Sarl | Paris | (* *) 8 | (* *) (89) | (* *) (96) | 100.00% | 892 |
| Total | | | | | | 2,099,698 |

(*) Data pertaining to sub-consolidated Companies

(**) Data referring to the updated accounting situation, since the FY Financial statements have not been approved as yet

(***) The remaining 5% is held by Andaledda Spa

In the framework of the overall Group reorganisation under way, which has entailed the reassessment of participation book values in order to adapt them to changed market conditions, as detailed above, we believe that residual value of long-term investments, even if exceeding the reference equity quota, provides a fair picture of the sector's development potential.

With regards to Company STS Srl a situation of control is determined in practical terms, since the President and CEO, as well as being majority shareholder of Tiscali SpA, holds a further 10% of the same Company.

Affiliated Companies

| COMPANY NAME | HEAD OFFICE | SHARE CAPITAL | SHAREHOLDERS' EQUITY | PROFIT (LOSS) | % HELD | CARRYING VALUE |
|----------------------|-------------|---------------|----------------------|---------------|--------|----------------|
| Ariete Telemedia Srl | Milan | (*) 52 | (*) 114 | (*) 48 | 40% | 744 |
| FreeTravel SpA | Milan | (*) 500 | (*) 365 | (*) (135) | 50% | 250 |
| Total | | | | | | 994 |

(*) Data referring to 12.31.2000

C) CURRENT ASSETS

I - INVENTORIES - RAW MATERIALS, SUPPLIES AND CONSUMABLES

Inventories consist largely of goods for sale and consumables.

Following is a schedule of changes in the inventory:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---|--------------|------------|------------|
| Telephone cards and various consumables | 244 | 213 | 31 |
| Goods for resale | 1,084 | 556 | 528 |
| Total | 1,328 | 769 | 559 |

Goods for resale mainly consist of satellite equipment for the new "Tiscali Sat" service (about EUR 0.8mn) and accessory equipment for the use of the Net Phone service.

II - RECEIVABLES

Receivables are broken down as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--------------------------|---------------|---------------|-----------------|
| EC customers | 59,032 | 65,042 | (6,010) |
| Non EC customers | | | |
| Less: bad debt provision | (13,678) | (5,691) | (7,987) |
| Total | 45,354 | 59,350 | (13,996) |

Receivables from customers arise from the sale of telephone and Internet services mainly consisting of the invoicing of reverse interconnection traffic and advertising revenues.

The decrease shown is due to the overall decrease in turnover, especially phone service revenues.

Credit recovery action was more incisive than in past FYs.

In order to align the value of receivables with that of the presumed market value, the bad debt provision has been set at approximately EUR 13.7mn.

ANALYSIS OF RECEIVABLES BASED ON MATURITY

The schedule hereunder displays, for each balance item pertaining to receivable, the amounts divided by the periods in which they fall due.

| WORKING CAPITAL | 12.31.2001 | | | 12.31.2000 | | |
|---------------------------|------------------------|--------------|-------------------|------------------------|--------------|-------------------|
| | RECEIVABLES COMING DUE | | | RECEIVABLES COMING DUE | | |
| | Within 1 year | 1 to 5 years | Beyond 5 years | Within 1 year | 1 to 5 years | Beyond 5 years |
| <i>Receivables</i> | | | | | | |
| From customers | 45,354 | | | 59,350 | | |
| From subsidiaries | 130,985 | 1,915 | | 59,879 | | |
| From affiliated Companies | 659 | | | 49 | | |
| From others | 22,371 | 234 | | 12,151 | 220 | |
| Total | 199,369 | 2,149 | | 131,429 | 220 | |

RECEIVABLES FROM GROUP COMPANIES

Receivables from Group Companies are detailed as follows:

| GROUP COMPANIES | FINANCIAL RECEIVABLES | | TRADE RECEIVABLES | | TOTAL |
|---|-----------------------|---------------|-------------------|---------------|----------------|
| | < 1 year | > 1 year | < 1 year | > 1 year | |
| Tiscali International BV | 80,000 | | 3,949 | | 83,949 |
| Liberty Surf Group SA | | | 77 | | 77 |
| Tiscali Reseaux SA (ex Tiscali France SA) | 9,021 | | 1,345 | | 10,366 |
| Tiscali Deutschland GmbH (ex Nikoma) | | 1,915 | 3,428 | | 5,343 |
| Nets SA | 40 | | 39 | | 79 |
| Tiscali Datacomm AG | | | 1,658 | | 1,658 |
| Tiscali Finance SA | | | 128 | | 128 |
| CD Telekomunikace sro | | 10,027 | 4,605 | 14,616 | 29,248 |
| Excite Italia BV | | | 7 | | 7 |
| STS Srl | | | 12 | | 12 |
| Quinary SpA | | | 112 | | 112 |
| Informedia SpA | 98 | | 238 | | 336 |
| Tiscali Telecomunicaciones SA | | | 1,178 | | 1,178 |
| Motorcity SpA | 225 | | 3 | | 228 |
| Ideare SpA | | | 35 | | 35 |
| Energy Byte SpA | 139 | | 5 | | 144 |
| Total | 89,523 | 11,942 | 16,819 | 14,616 | 132,900 |

Receivables from affiliated Companies posted as long-term receivables refer to trade and financial receivables which the Parent Company intends converting into increments of participation values. In particular, this covers the sum of about EUR 24.6mn owing from CD Telekomunikace sro.

Trade receivables originated from the reversing of costs borne by Tiscali SpA, referring to affiliated Companies and covering substantially holding services and advertising costs.

Receivables from Tiscali International BV originated from the acquisition of Springboard

Internet Services Ltd as specified hereinafter in more detail in the comments on changes in Company capital. These receivables do not generate interest since, seen against the background of Group re-organisation, they are destined to form part of an increase in the Group Company's capital.

ANALYSIS OF OTHER RECEIVABLES

Other receivables are broken down as follows:

| | TRADE | |
|---|-----------------------|-----------------------|
| | BALANCE 12.31.2001 | BALANCE 12.31.2000 |
| Receivable within one year | | |
| Withholding taxes | 433 | 389 |
| Receivables from the Treasury for contributions under Law 388, Art. 8 | 6,209 | |
| Receivables from employees | 4 | 9 |
| Receivables from others | 26 | 25 |
| VAT receivable | 15,586 | 11,669 |
| Other receivables | 113 | 59 |
| | 22,371 | 12,151 |
| Receivable after one year | | |
| Deposits | 234 | 220 |
| | 234 | 220 |
| Total | 22,605 | 12,371 |

Receivables from the Treasury include EUR 6.2mn on contributions for investments carried out during the FY, accruing from the subsidies granted under Art. 8 of Law 388. A matching line item was posted in the liabilities, among deferrals, since it is planned to include this benefit in the profit and loss account in relation to its use.

III - INVESTMENTS OTHER THAN NON-CURRENT ASSETS

Details of cost and changes in the FY pertaining to investments other than non-current assets are detailed below.

OTHER SECURITIES

| | 12.31.2001 | | | 12.31.2000 | | |
|---------------------------|------------|-----------------|-----------|------------|-----------------|-----------|
| | COST | REVAL. (DEVAL.) | B/S VALUE | COST | REVAL. (DEVAL.) | B/S VALUE |
| Italian bonded securities | 8,536 | | 8,536 | 9,251 | | 9,251 |

These securities, purchased during the previous FY to invest a temporary excess of liquid assets, are used in conjunction with short-term financing operations (swap) at lower rates than the coupon falling due.

CASH AND CASH EQUIVALENTS

As at December 31, 2001 cash and cash equivalents are broken down as follows:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---------------------------------------|------------|--------------|----------------|
| Bank and postal deposits | 223 | 1,409 | (1,186) |
| Cash and other negotiable instruments | 17 | 5 | 11 |
| Total | 240 | 1,415 | (1,175) |

D) ACCRUED INCOME AND DEFERRED CHARGES

Following is a summary of accrued income and deferred charges:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---------------------------------|--------------|--------------|--------------|
| <i>Accrued income</i> | | | |
| Accrued interest | 2 | | 2 |
| <i>Total accrued interest</i> | 2 | | 2 |
| <i>Deferred charges</i> | | | |
| Insurance premiums | 63 | 48 | 15 |
| Financial lease rental payments | 2,503 | 2,429 | 74 |
| Rentals | 440 | 22 | 418 |
| Pre-paid expenses | 201 | 3,052 | (2,852) |
| Other deferred charges | 5,020 | 372 | 4,648 |
| <i>Total deferred charge</i> | 8,227 | 5,923 | 2,304 |
| Totale | 8,229 | 5,923 | 2,306 |

This line item covers leasing fees (EUR 1.7mn) and quotas of maxi-rentals (EUR 0.8mn) for deferral to future periods; pre-paid maintenance charges for EUR 0.7mn, bank commissions and ministerial contributions of annual applicability which span more than one FY.

Among the other "Deferred Charges" we have moreover posted about EUR 3mn covering advertising costs for the launching of the Tiscali 10.0 campaign carried out at the end of the FY, whose benefits, it is felt, will be seen during the subsequent FY.

The line item "Pre-paid expenses" included, during the previous FY, costs for pre-paid rental of direct numerical circuits (DNC), deferred to the following year; this year, such costs have been posted directly in the subsequent FY.

LIABILITIES

A) SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The schedule below provides a summary of changes in the shareholders' equity accounts for the period.

| | BALANCE | ALLOCATION | | OTHER | BALANCE | BALANCE |
|--------------------------------|-------------------|--------------------|------------------|----------------|---------------------|-------------------|
| | 12.31.2000 | OF EARNINGS | DIVIDENDS | CHANGES | SHEET RESULT | 12.31.2001 |
| Share capital | 1,573 | | | 177,636 | | 179,209 |
| Share premium reserve | 2,392,340 | | | 262,624 | | 2,654,963 |
| Other reserves | | | | | | |
| Retained earnings (losses) | (5,536) | (101,002) | | 106,538 | | |
| Net profit (loss) for the year | (101,002) | 101,002 | | | (1,041,208) | (1,041,208) |
| Total | 2,287,375 | | | 546,798 | (1,041,208) | 1,792,964 |

As of December 31, 2000 the Company's share capital was EUR 179,208,829 consisting of 358,417,658 ordinary shares with nominal value of EUR 0.50 each.

On July 16, 2001, the Company's general meeting, in extraordinary session, voted a non-onerous increase in Company capital through the utilisation of the "Share premium reserve" in the amount of EUR 188,303,556, with immediate effect for the portion regarding capital underwritten and paid up as at that date (i.e. for EUR 169,650,443). The remaining portion (EUR 18,653,113) is subject to capital increase resolutions still under way. For this purpose, an unavailable reserve has been set up and posted under the same line item.

At the same time, the meeting voted for the conversion of Company capital into EUR currency. During said extraordinary general meeting a motion was passed for covering losses referred to FYs 1999 and 2000 in the amount of EUR 106,538,495 by means of utilisation of the "Share premium reserve" in the amount of EUR 106,538,495.

Other increases in Company capital and share premium reserve which occurred during the FY under consideration came about as a result of take-over operations by means of share transfers. During the course of the FY, a total of 53,791,576 shares was issued, of which 38,216,038 at the nominal value preceding the increase in value of the shares (ITL 10) for a nominal value of EUR 197,370, subsequently aligned by means of the non-onerous increase in Company capital already underwritten, and 15,575,508 at the new value, for a nominal amount of EUR 7,787,754.

At the same time, the "Share premium reserve" showed an increase of EUR 546,518,919.

Changes in share capital are listed below with specification of the transaction to which they refer.

| | ISSUE DATE | No. OF SHARES ISSUED | INCREASE OF SHARE CAPITAL | SHARE PREMIUM RESERVE |
|---|------------|-------------------------|------------------------------|--------------------------|
| Acquisition World Online - subscription of Public offering | 03-01-2001 | 3,124,693 | 16,138 | 39,845,783 |
| Acquisition Addcomm AG | 29-03-2001 | 1,532,887 | 7,917 | 1,524,970 |
| Acquisition Liberty Surf - 71% | 16-03-2001 | 24,354,874 | 125,782 | 301,460,622 |
| Acquisition World Online - subscription of Public offering | 29-01-2001 | 1,062,732 | 5,489 | 13,546,123 |
| Acquisition Liberty Surf - Public offering | 18-06-2001 | 8,103,707 | 41,852 | 100,306,352 |
| Acquisition Connect Software | 06-04-2001 | 37,175 | 192 | 999,816 |
| Use of share premium reserve for free increase and EUR conversion of share capital | | | 169,650,443 | (169,650,443) |
| Acquisition 20% CD Telekomunikace | 18-07-2001 | 1,043,333 | 521,667 | 2,263,898 |
| Acquisition 81,5% Guglielmo GmbH (Planet Interkom) | 01-08-2001 | 4,141,758 | 2,070,879 | 3,726,836 |
| Acquisition SurfEU | 19-07-2001 | 4,814,749 | 2,407,374 | 298,393 |
| Acquisition Springboard Internet Services Ltd - receivables from BT Holding UBM BV | 23-07-2001 | 5,367,668 | 2,683,834 | 79,971,536 |
| Acquisition Liberty Surf | 09-08-2001 | 208,000 | 104,000 | 2,574,590 |
| Use of share premium reserve to cover losses | | | | (106,538,495) |
| Use of unavailable reserve for increase of EUR share capital | | | | (7,707,313) |
| Total | | | 177,635,567 | 262,622,668 |

SHARE CAPITAL COMPOSITION

(No. of shares in thousands)

| <i>Nominal value of each share</i> | <i>EUR</i> | <i>0,50</i> | | | |
|------------------------------------|--------------------|-------------------|-------------------|--------------------|--|
| Category | 12.31.2000 | INCREASE | (DECREASE) | 12.31.2001 | |
| Ordinary shares | 304,626,082 | 53,791,576 | | 358,417,658 | |
| Total | 304,626,082 | 53,791,576 | | 358,417,658 | |

B) RESERVES FOR RISKS AND FUTURE LIABILITIES

Reserves for risks and future liabilities are detailed below:

| | BALANCE | | | OTHER | BALANCE |
|---|-------------------|-------------------|----------------------|------------------|-------------------|
| | 12.31.2000 | PROVISIONS | (UTILIZATION) | MOVEMENTS | 12.31.2001 |
| Provision for exchange fluctuation losses | | 129 | | | 129 |
| Reserves for risks and future liabilities | 12,490 | 15,243 | (4,859) | | 22,873 |
| Total | 12,490 | 15,372 | (4,859) | | 23,002 |

Increase in the line item "Reserve for risks & future liabilities" is due, for EUR 14.2mn to the cautionary allocation to cover losses borne during the FY by the directly owned Group Companies and the consequent commitment to re-balancing taken on by the Company, for EUR 1mn to cover the compensation paid by the Sonera Company at the time of transfer of its stake in the Gilla SpA Company of which Tiscali already owned 50%. This amount was paid under the heading of participation in future liabilities, to cover any losses.

During this FY, the reserve for risks and future payables was utilised in the amount of EUR 1.9mn to meet premium operations described in the Notes to the Financial Statements of December 31, 2000. On the other hand, the sum of EUR 3mn, set aside for the same reason, was eliminated, generating a positive extraordinary line item, because the risk situation it was budgeted to meet did not occur.

C) STAFF SEVERANCE INDEMNITY RESERVE

The table below displays the changes which occurred during the financial year.

| | BALANCE 12.31.2000 | PROVISIONS | (UTILIZATION) | OTHER CHANGES | BALANCE 12.31.2001 |
|---------------------|-----------------------|--------------|---------------|------------------|-----------------------|
| Blue-collar workers | 5 | 7 | | | 12 |
| Office workers | 651 | 964 | (64) | | 1,551 |
| Executives | 87 | 177 | (20) | | 244 |
| Total | 743 | 1,148 | (84) | | 1,807 |

This reserve consists of the actual amount payable by the Company to its employees as at the dates shown net of advance payments made. The utilizations are indemnities paid to employees who resigned during the FY.

D) LIABILITIES

ANALYSIS OF PAYABLES BY DUE DATE

| | 12.31.2001 | 12.31.2000 within 1 year | CHANGE |
|-------------------------------------|----------------|-----------------------------|----------------|
| Due to banks | 14,590 | 11,129 | 3,461 |
| Other short-term financing | 1,617 | 6 | 1,611 |
| Trade accounts payable | 64,412 | 68,925 | (4,513) |
| Due to Group Companies | 475,790 | 57,927 | 417,863 |
| Due to affiliated Companies | 56 | 1,050 | (994) |
| Taxes payable | 855 | 414 | 441 |
| Due to social security institutions | 675 | 336 | 339 |
| Other payables | 950 | 1,036 | (86) |
| Total | 558,945 | 140,824 | 418,121 |

The line item "Other short-term financing" consists of dues to the French Company France Finance SA against financing for the purchase of equipment, repayable in 18 months. The amount falling due beyond the 12 months following closing of the FY is EUR 129,712.

INTERCOMPANY PAYABLES

Taxes payable due to Group Companies are detailed as follows:

| GROUP COMPANIES | FINANCIAL PAYABLES | | TRADE PAYABLES | | TOTAL |
|-------------------------------|--------------------|----------|----------------|----------|----------------|
| | < 1 year | > 1 year | < 1 year | > 1 year | |
| Tiscali International BV | 278,288 | | 19,263 | | 297,551 |
| Liberty Surf Group SA | | | 249 | | 249 |
| Nets SA | 25 | | | | 25 |
| Tiscali Datacomm AG | 3 | | 3 | | 6 |
| Tiscali Finance SA | 162,494 | | | | 162,494 |
| Excite Italia BV | 12,936 | | 278 | | 13,214 |
| Quinary SpA | 293 | | 37 | | 330 |
| Best Engineering SpA | | | 44 | | 44 |
| Informedia SpA | | | 77 | | 77 |
| Tiscali Telecomunicaciones SA | | | 255 | | 255 |
| Motorcity SpA | 42 | | 552 | | 594 |
| Ideare SpA | | | 886 | | 886 |
| Energy Byte SpA | | | 64 | | 64 |
| Total | 454,081 | | 21,708 | | 475,789 |

Financial payables to Group Companies consist mainly of financing obtained by the subsidiaries which had liquid assets to carry out take-overs, and partly accrued from corporate restructuring operations.

In particular, payables to Tiscali International accrued entirely during FY 2001, and produce floating rate interest calculated monthly. Payables to Tiscali Finance increased by EUR 108.5mn in the FY in addition to interest payable, and partly generate fixed-rate interest calculated at expiry of the contract. Payables to Excite Italia BV also accrued entirely during FY 2001: they produce floating rate interest calculated at contract expiry.

ANALYSIS OF TAXES PAYABLE

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--|------------|------------|------------|
| Payables to the Treasury for advance withholding taxes | 814 | 414 | 400 |
| Other taxes | 41 | | 41 |
| Totale | 855 | 414 | 441 |

Taxes and duties payable to the Treasury consist mainly of advance withholdings on personal income taxes (IRPEF).

ANALYSIS OF OTHER PAYABLES

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---|------------|--------------|-------------|
| Payables to personnel in lieu of holidays | 706 | 5 | 701 |
| Other payables | 245 | 1,031 | (786) |
| Total | 950 | 1,036 | (85) |

The line item "Payables to personnel" mainly consists of payables to personnel for holidays owing and not taken as at FY closing date. In the previous FY this payable was classified among accrued liabilities.

Line item "Other payables" has decreased considerably because in the previous FY it included payables to the former shareholders of "Connect Software", which were paid through assignment of newly issued own shares, which were issued after increase of share capital approved by the extraordinary shareholders' meeting of March 12, 2001.

This item includes a provision for directors' remuneration of about EUR 100,000.

E) ACCRUED LIABILITIES AND DEFERRED INCOME

Following is a summary of accrued liabilities and deferred income:

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--|--------------|--------------|--------------|
| <i>Accrued liabilities</i> | | | |
| Accrued holiday bonus | 535 | 1,036 | (501) |
| Other | 63 | | 63 |
| <i>Total accrued liabilities</i> | <i>598</i> | <i>1,036</i> | <i>(438)</i> |
| <i>Deferred income</i> | | | |
| Pre-paid Internet services | 533 | 568 | (35) |
| Pre-paid voice services | 2,368 | 1,043 | 1,325 |
| Deferred income for contributions under Law 388, Art.8 | 6,209 | | 6,209 |
| Other | 238 | | 238 |
| <i>Total deferred income</i> | <i>9,348</i> | <i>1,611</i> | <i>7,737</i> |
| Total | 9,946 | 2,647 | 7,299 |

This line item includes provision for holiday bonus accruing in the amount of about EUR 0.5mn, revenues for Internet services (domains) pertaining to FY 2002 and residual receivables from the sale of pre-paid phone cards.

Deferred income for contributions pertains to the deferment to future FYs of EUR 6.2mn of contributions on investments made during FY 2001, since the contribution will be posted in the profit and loss account as it becomes available.

MEMORANDUM ACCOUNTS

| | 12.31.2001 | 12.31.2000 | CHANGE |
|----------------------------------|-------------------|-------------------|-----------------|
| GUARANTEES GIVEN | | | |
| Sureties | 250,000 | 250,716 | (716) |
| <i>Total</i> | 250,000 | 250,716 | (716) |
| OTHER MEMORANDUM ACCOUNTS | | | |
| Leasing payments coming due | 54,937 | 45,881 | 9,056 |
| Warrants | 183 | 10,577 | (10,394) |
| Commitments | 11,060 | 55,243 | (44,183) |
| <i>Total</i> | 66,180 | 111,701 | (45,521) |
| GUARANTEES RECEIVED | | | |
| Sureties | 7,227 | 6,131 | 1,096 |
| <i>Total</i> | 7,227 | 6,131 | 1,096 |
| Total | 323,407 | 368,548 | (45,140) |

The reduction in memorandum accounts is mainly due to the writing off of the commitment for the issue of securities against the acquisition of World Online and Addcomm which effectively took place in 2001.

On the other hand, new guarantees were given for the benefit of Società Autostrade with reference to the transmission capacity supply agreement for EUR 5mn, by means of a surety of the Banca di Sassari, and for the benefit of Isfor covering the operating training programme borne by the Region of Sardinia by means of a surety of CARIPLO, for EUR 0.7mn.

PROFIT AND LOSS STATEMENT

A) VALUE OF PRODUCTION

ANALYSIS OF THE VALUE OF PRODUCTION

This account decreased by EUR 5mn as compared to the previous year, and includes the following items:

| BREAKDOWN OF REVENUES BY CATEGORY OF BUSINESS | 12.31.2001 | 12.31.2000 | CHANGE |
|--|-------------------|-------------------|----------------|
| Access | 60,851 | 48,151 | 12,700 |
| Voice services | 18,815 | 44,584 | (25,769) |
| Portal | 15,616 | 6,446 | 9,170 |
| Business services | 3,916 | 3,480 | 436 |
| Other services | 15,840 | 17,428 | (1,588) |
| Total | 115,038 | 120,089 | (5,051) |

Overall, revenues showed a decrement of 4.3% with respect to the previous FY. This is due to the reduction in revenues from voice services (-57.7%) which was not offset by the admittedly noteworthy increases in earnings from access (+26.4%) and on-line advertising (+58%).

The increase in access revenues is particularly significant since it occurred in the presence of a drop in reverse interconnectivity tariffs. Minutes of Internet traffic increased from 5,8bn in 2000 to 8,6bn in 2001. A positive effect was generated by the increase in revenues from ADSL, a service which came into being during the early part of the FY.

B2B ("business to business") revenues were generated in the main from housing and hosting services.

The decrease in voice services revenues was the result of the combined effect of the reduction of the tariff mix and the reduction in traffic volume, both affected by the strong competition of the principal national and regional operators.

Moreover, it should be noted that all earnings are generated in the EU area with the only exception of the affiliate CD Telekomunikace sro (Czech Republic) about which more information will be provided in the section dealing with infra-group activity. In total, a sum of EUR 15.5mn was produced from dealings with Group Companies, as it is shown in more detail hereinafter.

INTERCOMPANY SALES AND SERVICES

Revenues accruing from sales and services to Group Companies are detailed hereunder :

ANALYSIS OF INTERCOMPANY SALES AND SERVICES

| COMPANY | 12.31.2001 |
|--|---------------|
| Tiscali International BV | 2,756 |
| Liberty Surf Group SA | 77 |
| Tiscali Reseaux SA (<i>ex Tiscali France SA</i>) | 356 |
| Tiscali Deutschland GmbH (<i>ex Nikoma</i>) | 367 |
| Nets SA | 39 |
| Tiscali Datacomm AG | 432 |
| Tiscali Finance SA | 101 |
| CD Telekomunikace sro | 8,358 |
| Excite Italia BV | 1,794 |
| STS Srl | 14 |
| Quinary SpA | 146 |
| Best Engineering SpA | 5 |
| Informedia SpA | 165 |
| Tiscali Telecomunicaciones SA | 873 |
| Motorcity SpA | 7 |
| Ideare SpA | 31 |
| Energy Byte SpA | 1 |
| Total | 15,522 |

Receivables from CD Telekomunikace, as already stated, include the back-invoicing of cables and services for the cabling of the Czech Republic; receivables from Tiscali Telecomunicaciones, Excite Italia and Informedia are receivables for advertising, receivables from Tiscali International are due to the back-invoicing of costs borne by the Parent Company on behalf of participated Companies.

INCREASE IN ASSETS FOR WORK IN PROGRESS/INTERNAL

| DESCRIPTION | 12.31.2001 | 12.31.2000 | CHANGE |
|----------------|------------|------------|------------|
| Retributions | 645 | | 645 |
| Other expenses | 144 | | 144 |
| Total | 789 | | 789 |

OTHER INCOME

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--------------|------------|------------|--------|
| Other income | 2 | 892 | (890) |

The line item "Other receivables and income" in the year 2000 included mainly, for about EUR 0.9mn, earnings accruing from the provision of general and administrative services to Group Companies as well as earnings on the differences in exchange rates, re-posted this year in the financial earnings line item.

B) COSTS OF PRODUCTION

PURCHASE OF RAW MATERIALS, SUPPLIES AND CONSUMABLES

| DESCRIPTION | 12.31.2001 | 12.31.2000 | CHANGE |
|---|---------------|--------------|--------------|
| Purchase of sales goods | 1,511 | 260 | 1,251 |
| Purchase of consumable materials | 468 | 676 | (208) |
| Purchase of advertising and promotion materials | 379 | 496 | (116) |
| Other purchases | 8,342 | 5,326 | 3,016 |
| Total | 10,700 | 6,758 | 3,942 |

The increase of costs for the purchase of goods is explained mainly by the purchase of equipment for the provision of satellite connection services.

The line item other purchases includes costs of fibre optic cable made for the development of the cabling project which started in April 2000 in the Czech Republic. Costs borne have been back-invoiced to the controlled Company CD Telekomunikace sro.

ANALYSIS OF EXPENSES FOR THE PROVISION OF SERVICES

| DESCRIPTION | 12.31.2001 | 12.31.2000 | CHANGE |
|------------------------------------|---------------|----------------|-----------------|
| Leased lines | 26,157 | 28,670 | (2,513) |
| Purchase of traffic | 14,352 | 30,917 | (16,565) |
| Advertising and promotion expenses | 15,264 | 34,545 | (19,281) |
| Maintenance costs | 5,881 | 3,928 | 1,954 |
| Advisory services | 6,503 | 2,086 | 4,417 |
| Costs of sales | 867 | 2,912 | (2,045) |
| Utilities | 1,223 | 458 | 765 |
| Bank and postal charges | 331 | 391 | (60) |
| Travel and transport fees | 151 | 2,236 | (2,085) |
| Other services | 21,099 | 11,052 | 10,047 |
| Total | 91,828 | 117,195 | (25,367) |

Costs for services showed overall a decrease of approximately 27% compared to the previous FY.

In detail, the most significant line items consist of:

Leased lines costs: the sum of EUR 26mn refers to rental of the national and international circuits used for the functioning of the data and phone network and, to a lesser extent, to rental of interconnection kits. Costs show a decrease with respect to the preceding FY of approximately 8.7% although there was greater connectivity capacity and an increase in data traffic of 47%.

Costs for traffic purchase: these amount to EUR 14.3mn and are generated by voice services and also include variable interconnection costs. The decrement reflects the reduction in traffic volumes as pointed out in the comments on FY revenues.

Advertising and promotion costs are approximately EUR 15.3mn (showing a decrement of 54% with respect to the previous FY). The significant reduction in this type of expenditure is due to the Group strategy adopted for the FY in question in which stringent measures were taken to cut expenditure.

Maintenance costs: these equal EUR 5.8mn and reflect the cost of contracts for the maintenance of exchanges, routers, servers and other network equipment (approximately EUR 2.9mn), software (approximately EUR 2.8mn) and other plant and office equipment. Increase is due in the main to increased investments.

Other services: these refer for about EUR 3.2mn to costs borne for the purchase of content, for EUR 7.6mn to costs borne on behalf of other Group Companies and back-invoiced to them, for approximately EUR 4.2mn for travel and per diem expenses. Overall, the significant growth with respect to the previous FY is due to the difference in operating policy of Tiscali SpA aiming not only at the development of operational activity in Italy but also of Holding activities.

INTERCOMPANY PRODUCTION COSTS

The following costs were incurred with respect to Group Companies:

| COMPANY | 12.31.2001 |
|-------------------------------|--------------|
| Tiscali International BV | 3,417 |
| Liberty Surf Group SA | 249 |
| Excite Italia BV | 2,023 |
| Quinary SpA | 37 |
| Best Engineering SpA | 52 |
| Informedia SpA | 24 |
| Tiscali Telecomunicaciones SA | 255 |
| Motorcity SpA | 2,902 |
| Ideare SpA | 454 |
| Energy Byte SpA | 238 |
| Total | 9,651 |

Costs invoiced by Tiscali International BV refer in the main to the reversal of expenditure for services and personnel working in the offices of the Parent Company.

The costs of Energy Byte, Excite Italia, Tiscali Telecomunicaciones and part (approximately EUR 0.3mn) of costs invoiced by Motorcity are advertising costs.

The remaining costs invoiced by Motorcity (approximately EUR 1.4mn) cover the unification and updating of portals throughout Europe.

COSTS FOR USE OF THIRD PARTY ASSETS

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--------------------------------------|---------------|--------------|--------------|
| Financial and operating leasing fees | 13,987 | 8,585 | 5,402 |
| Rentals | 1,525 | 1,149 | 376 |
| Other | 328 | | 328 |
| Total | 15,840 | 9,734 | 6,106 |

The increase compared to the previous FY is explained by investment activity which took place during the FY by recourse to leasing.

PERSONNEL COSTS

| | 12.31.2001 | 12.31.2000 | CHANGE |
|---------------------------|---------------|---------------|--------------|
| Wages and salaries | 16,129 | 9,962 | 6,167 |
| Social contributions | 1,914 | 965 | 949 |
| Staff severance indemnity | 1,148 | 608 | 540 |
| Other costs | 35 | 27 | 8 |
| Total | 19,226 | 11,562 | 7,664 |

The increase reflects the important growth of personnel which passed from 601 staff members on December 31, 2000 to 731 on December 31, 2001, also because holding activities are performed within the Parent Company.

OTHER OPERATING EXPENSES

| | 12.31.2001 | 12.31.2000 | CHANGE |
|--|--------------|------------|------------|
| Government concessions and telecommunications licenses | 461 | 236 | 225 |
| Taxes other than income tax | 54 | 95 | (41) |
| Magazines and newspaper subscriptions | 24 | 60 | (36) |
| Other non-extraordinary contingent liabilities | 986 | | 986 |
| Losses on receivables not covered by the risk fund | 1 | | 1 |
| Other minor charges | 66 | 348 | (282) |
| Total | 1,592 | 739 | 853 |

C) FINANCIAL INCOME AND CHARGES

ANALYSIS OF INTERGROUP FINANCIAL INCOME

The following financial income accrued from the Group Companies.

From Group Companies:

| COMPANY | 12.31.2001 | | |
|--------------------------------------|------------|--------------|--------------|
| | INTEREST | OTHER | TOTAL |
| SurfEU.com Ltd <i>being wound up</i> | | 8,530 | 8,530 |
| STS Srl | | 25 | 25 |
| Energy Byte SpA | 2 | | 2 |
| Total | 2 | 8,555 | 8,557 |

The line item "Other" income from participations includes extraordinary dividends received from the Company SurfEU.com Ltd, which are to be viewed as part of the overall Group restructuring plan.

ANALYSIS OF OTHER FINANCIAL INCOME

| | 31-12-2001 | 31-12-2000 | CHANGE |
|---|------------|--------------|--------------|
| <i>From securities listed under current assets which do not constitute participations</i> | | | |
| Interest from other securities | 465 | 212 | 253 |
| Income from dealings | | 347 | (347) |
| <i>Total</i> | 465 | 559 | (93) |
| <i>Income other than the above from third parties</i> | | | |
| Bank interest receivable | 165 | 767 | (603) |
| Interest receivable on other short-term credit | 6 | | 6 |
| Income from positive exchange fluctuations | 354 | | 354 |
| Other financial income | | 52 | (52) |
| <i>Total</i> | 525 | 819 | (294) |
| TOTAL | 990 | 1.378 | (388) |

Financial income accruing from "Securities in the working capital other than participations" refers to interest accruing on CARIPLO bonds.

Income from positive exchange fluctuations was classified in the previous FY under "Other revenues" in the amount of EUR 0.05mn.

INTEREST AND FINANCIAL CHARGES

| | 12.31.2001 | 12.31.2000 | CHANGE |
|----------------------------------|------------|------------|--------|
| <i>From associated Companies</i> | | | |
| Interest | 14,528 | 2,613 | 11,915 |

Interest payable accrued on financing received from Tiscali Finance SA in the amount of EUR 5.3mn, from Tiscali International BV for EUR 8.8mn and from Excite Italia BV for EUR 0.04mn.

INTERCOMPANY FINANCIAL CHARGES

Intercompany financial charges are detailed below:

| COMPANY | INTEREST 12.31.2001 |
|--------------------------|------------------------|
| Tiscali International BV | 8,850 |
| Tiscali Finance SA | 5,306 |
| Excite Italia BV | 372 |
| Total | 14,528 |

ANALYSIS OF OTHER FINANCIAL INCOME

| | 12.31.2001 | 12.31.2000 | INTEREST |
|-------------------------------------|--------------|------------|------------|
| <i>Financial charges on</i> | | | |
| Amounts due to banks for overdrafts | 676 | 281 | 395 |
| Other short-term financing | 41 | 68 | (27) |
| Trade accounts payable | | 132 | (132) |
| Other payables | 48 | | 48 |
| Negative exchange fluctuations | 120 | 459 | (339) |
| Other charges | 355 | 42 | 313 |
| Total | 1,241 | 983 | 259 |

This line item consists mainly of expenditure to cover interest matured on bank overdrafts. We wish to point out that bank commissions and costs have been re-posted under the heading "Costs for services". The line item "Other financial charges" includes interest owing on sale and repurchase agreement operations.

D) VALUATION ADJUSTMENT OF FINANCIAL ASSETS

Re-valuations, recoveries of value and devaluations of participations and other investments are shown and commented on in the section covering long-term investments, above.

E) EXTRAORDINARY INCOME AND CHARGES

COMPOSITION OF EXTRAORDINARY INCOME

| DESCRIPTION | 12.31.2001 | 12.31.2000 | CHANGE |
|--|--------------|--------------|--------------|
| Extraordinary gains | | | |
| Contingent assets and non-existent liabilities | 5,747 | 300 | 5,447 |
| Total | 5,747 | 300 | 5,447 |
| Gains on sales of fixed assets | | | |
| Gains on sales of investments | 2,849 | 1,938 | 911 |
| Total | 2,849 | 1,938 | 911 |

Contingent assets derive for EUR 3mn from closure of the above-mentioned risk funds; for EUR 1.2mn from the upgrading of a promotional operation (Procter & Gamble) pertaining to 2000, for EUR 1mn from repricing adjustments of Telecom Italia invoices and from other minor sources of income not ascertained in previous FYs.

Capital gains from the disposal of participations and other investments are shown and commented upon above in the section covering long-term investments.

COMPOSITION OF EXTRAORDINARY CHARGES

| DESCRIPTION | 12.31.2001 | 12.31.2000 | CHANGE |
|--|----------------|--------------|----------------|
| Extraordinary losses | | | |
| Contingent liabilities and non-existent assets | 15,657 | 2,041 | 13,616 |
| Other extraordinary charges | 50,167 | 21 | 50,146 |
| Devaluations of participations | 921,689 | | 921,689 |
| Total | 987,514 | 2,062 | 985,451 |

The line item "Contingent liabilities" includes compensation paid to third parties in the amount of EUR 3mn and devaluation of obsolete assets in the amount of EUR 4.2mn.

The line item "Other extraordinary charges" includes, for EUR 47.6mn extraordinary devaluation of receivables from Tiscali Belgium Holding SA and the taking on of payables of Tiscali Telecomunicaciones SA and, for about EUR 2mn, other payables which have arisen from the overall Group restructuring plan mentioned above, which for the two operations specified above required the intervention of the Parent Company. In particular, Tiscali Belgium Holding has been wound up.

OTHER INFORMATION

As required by current regulations, the tables below disclose the composition of the work force by job category.

AVERAGE NUMBER OF EMPLOYEES

| | AVERAGE | | AVERAGE | |
|---------------------|------------|------------|------------|------------|
| | 2001 | 12.31.2001 | 2000 | 12.31.2000 |
| Blue collar workers | 7 | 7 | 4 | 6 |
| Office workers | 641 | 670 | 395 | 572 |
| Middle management | 24 | 28 | 22 | 14 |
| Executives | 23 | 26 | 14 | 9 |
| Total | 695 | 731 | 435 | 601 |

REMUNERATION PAID TO DIRECTORS AND AUDITORS

Pursuant to article 78 of the regulations implementing D.Lgs. 58/1998 issued by CONSOB with deliberation 11971/1999, the tables below show the remuneration paid to directors as well as the number of shares held by each.

| (amounts in EUR) | | | | | | |
|------------------------------------|--|-----------------------------|----------|--------------------------|---------------------------------|-----------------------|
| NAME | POSITION | DURATION OF POSITION | REMUNER. | NON MONETARY BENEFITS | BONUSES AND OTHER INCENTIVES | OTHER COMPENSATION |
| Board of Directors | | | | | | |
| Soru Renato | Chairman and CEO (1) | adoption 2001 Balance Sheet | | | | |
| Piol Elserino | Director (2) | adoption 2001 Balance Sheet | | | | |
| Decina Maurizio | Director (2) | adoption 2001 Balance Sheet | | | | |
| Hauser Hermann | Director (2) | adoption 2001 Balance Sheet | | | | |
| Bernabè Franco | Director (3) | adoption 2001 Balance Sheet | | | | |
| Duffy Simon Patrick | Director (4) | adoption 2001 Balance Sheet | | | | |
| Kinsella James Michael | Director (4) | adoption 2001 Balance Sheet | | | | |
| Bischoff Victor | Director (4) | adoption 2001 Balance Sheet | | | | |
| Board of Statutory Auditors | | | | | | |
| Zini Andrea | Director (5) | 3 years | 54,549 | | | 1,265 |
| Casu Rita | Permanent auditor (6) | 3 years | 40,188 | | | 13,059 |
| Maccioni Piero | Permanent auditor (7) | 3 years | 42,543 | | | 8,990 |
| Biondo Giuseppe | Substitute auditors (7) | 3 years | | | | 5,911 |
| Bianchi Livio | Substitute auditors (7) | 3 years | | | | 1,265 |
| (1) | Chairman since June 30, 1999 and CEO since July 21, 1999 until revoked | | | | | |
| (2) | Appointed on June 30, 1999 | | | | | |
| (3) | Appointed on June 30, 2000 | | | | | |
| (4) | Appointed on March 12, 2001 | | | | | |
| (5) | Appointed on April 17, 2000 - Chairman since April 17, 2000 | | | | | |
| (6) | Appointed on April 17, 2000 - Chairman until April 17, 2000 | | | | | |
| (7) | Appointed on April 17, 2000 | | | | | |

Column "Other remuneration" includes remuneration for activities carried out for subsidiaries and affiliated Companies (about 25,500 EUR) and reimbursement of expenses.

FINANCIAL STATEMENT ANALYSIS

To provide a comprehensive overview of the Parent Company's Financial Statements, the following tables contain a short analysis consisting of the reclassified Balance Sheet, the Reclassified Profit and Loss Statement, a series of Balance Sheet ratios and the Statement of changes in Financial Position.

BALANCE SHEET ANALYSIS

| ASSETS | 12.31.2001 | % | 12.31.2000 | % | CHANGE | % CHANGE |
|---------------------------------|-------------------|----------------|-------------------|----------------|------------------|-----------------|
| <i>CURRENT ASSETS</i> | | | | | | |
| Cash and banks | 240 | | 1,415 | | (1,175) | -83.01% |
| Receivables | 199,369 | | 131,429 | | 67,940 | 51.69% |
| Inventory | 1,328 | | 2,341 | | (1,013) | -43.29% |
| Prepayments and accrued income | 8,229 | | 5,923 | | 2,306 | 38.94% |
| Other current assets | 8,536 | | 9,251 | | (715) | -7.73% |
| <i>Total current assets</i> | <i>217,702</i> | <i>9.12%</i> | <i>150,359</i> | <i>6.15%</i> | <i>67,343</i> | <i>44.79%</i> |
| <i>NON-CURRENT ASSETS</i> | | | | | | |
| Fixed assets | 15,713 | | 5,601 | | 10,112 | 180.53% |
| Intangible assets | 45,805 | | 29,529 | | 16,275 | 55.12% |
| Investments and securities | 2,105,423 | | 2,258,368 | | (152,946) | -6.77% |
| Other non current assets | 2,149 | | 220 | | 1,929 | 878.01% |
| <i>Total non-current assets</i> | <i>2,169,089</i> | <i>90.88%</i> | <i>2,293,719</i> | <i>93.85%</i> | <i>(124,629)</i> | <i>-5.43%</i> |
| TOTAL ASSETS | 2,386,791 | 100.00% | 2,444,078 | 100.00% | (57,287) | -2.34% |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 12.31.2001 | % | 12.31.2000 | % | CHANGE | CHANGE % |
|---|-------------------|----------------|-------------------|----------------|------------------|-----------------|
| <i>CURRENT LIABILITIES</i> | | | | | | |
| Overdrafts | 14,590 | | 11,129 | | 3,461 | 31.10% |
| Trade creditors | 64,412 | | 68,925 | | (4,514) | -6.55% |
| Other creditors | 479,088 | | 60,355 | | 418,733 | 693.79% |
| Accrued liab. and deferred income | 9,946 | | 2,647 | | 7,299 | 275.79% |
| Taxation creditors | 855 | | 414 | | 441 | 106.57% |
| Total current liabilities | 568,890 | 23.83% | 143,470 | 5.87% | 425,420 | 296.52% |
| <i>MIDDLE/LONG TERM LIABILITIES</i> | | | | | | |
| Loans | 130 | | | | 130 | |
| Staff severance indemnity | 1,807 | | 743 | | 1,064 | 143.28% |
| Reserves for risks and charges | 23,002 | | 12,490 | | 10,512 | 84.16% |
| Total middle/long term liabilities | 24,938 | 1.04% | 13,232 | 0.54% | 11,706 | 88.46% |
| Total liabilities | 593,828 | 24.88% | 156,702 | 6.41% | 437,126 | 278.95% |
| <i>SHAREHOLDERS' EQUITY</i> | | | | | | |
| Share capital | 179,209 | | 1,573 | | 177,636 | 11290.91% |
| Reserves | 2,654,963 | | 2,386,804 | | 268,159 | 11.24% |
| Net profit (loss) for the year | (1,041,208) | | (101,002) | | (940,207) | 930.88% |
| Total shareholders' equity | 1,792,963 | 75.12% | 2,287,375 | 93.59% | (494,412) | -21.61% |
| TOTAL | 2,386,791 | 100.00% | 2,444,078 | 100.00% | (57,287) | -2.34% |

ANALYSIS OF PROFIT AND LOSS ACCOUNT

| PROFIT AND LOSS ACCOUNT | 12.31.2001 | % | 12.31.2000 | % | CHANGE | % CHANGE |
|------------------------------------|--------------------|-----------------|------------------|----------------|------------------|----------------|
| Net sales | 115,038 | 100.00% | 120,089 | 100.00% | (5,051) | -4.21% |
| <i>Operating costs</i> | | | | | | |
| Purchases | (10,700) | -9.30% | (6,758) | -5.63% | (3,942) | 58.34% |
| Services rendered | (91,829) | -79.82% | (117,195) | -97.59% | 25,366 | -21.64% |
| Amortization/depreciations | (10,826) | -9.41% | (6,858) | -5.71% | (3,968) | 57.86% |
| Labour costs | (18,437) | -16.03% | (11,562) | -9.63% | (6,875) | 59.46% |
| Increase (decrease) in inventories | 559 | 0.49% | (199) | -0.17% | 758 | -380.82% |
| Other running costs | (39,858) | -34.65% | (28,342) | -23.60% | (11,516) | 40.63% |
| Operating result | (56,053) | -48.73% | (50,826) | -42.32% | (5,227) | 10.29% |
| Financial income | 9,548 | 8.30% | 2,485 | 2.07% | 7,063 | 284.22% |
| Financial charges | (15,769) | -13.71% | (3,595) | -2.99% | (12,174) | 338.66% |
| Miscellaneous income | 8,598 | 7.47% | 3,130 | 2.61% | 5,469 | 174.72% |
| Miscellaneous charges | (987,533) | -858.44% | (52,196) | -43.46% | (935,336) | 1791.97% |
| Result before taxes | (1,041,208) | -905.10% | (101,002) | -84.11% | (940,207) | 930.88% |
| <i>Income tax</i> | | | | | | |
| Current | | | | | | |
| Deferred | | | | | | |
| PROFIT (LOSS) FOR THE FY | (1,041,208) | -905.10% | (101,002) | -84.11% | (940,207) | 930.88% |

FINANCIAL STATEMENTS (FLOWS)

| CASH FLOWS GENERATED FROM OPERATIONS | 12.31.2001 | 12.31.2000 |
|---|--------------------|--------------------|
| <i>Net loss for the financial year</i> | <u>(1,041,208)</u> | <u>(101,002)</u> |
| <i>Adjustments for accounts not affecting cash flow</i> | | |
| Depreciation and amortization | 15,055 | 6,858 |
| Provision to staff severance indemnity reserve | 1,148 | 608 |
| Staff severance indemnities paid during the period | (84) | (68) |
| Provision (use) of reserve for risks and future liabilities | 10,511 | 12,480 |
| | <u>(1,014,579)</u> | <u>(81,124)</u> |
| <i>Changes in current assets and liabilities</i> | | |
| Amounts due from customers | (67,941) | (101,036) |
| Other receivables | 715 | (9,251) |
| Inventories | 1,013 | (1,373) |
| Accrued income and deferred charges | (2,306) | 360 |
| Trade accounts payable | (4,514) | 34,792 |
| Other liabilities | 418,732 | 55,293 |
| Accrued liabilities and deferred income | 7,299 | (2,214) |
| Reserve for taxes payable | 441 | 257 |
| | <u>380,070</u> | <u>(3,294)</u> |
| <i>Cash flows generated from operations</i> | <u>(661,138)</u> | <u>(104,296)</u> |
| CASH FLOWS FROM INVESTMENT ACTIVITY | | |
| Net book value of assets sold | | 6 |
| Purchase of fixed assets | (12,417) | (3,622) |
| Increases in intangible assets | (29,025) | (18,101) |
| Reduction (increase) in other non-current assets | 152,946 | (2,248,953) |
| | <u>111,504</u> | <u>(2,270,670)</u> |
| CASH FLOWS FROM FINANCING ACTIVITY | | |
| New loans | 130 | |
| Reimbursement of loans | | |
| Capital increases | 546,798 | 2,250,448 |
| Dividends paid | | |
| Reduction (increase) in other non-current assets | (1,929) | 13,928 |
| | <u>544,998</u> | <u>2,264,376</u> |
| INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | <u>(4,635)</u> | <u>(110,590)</u> |
| CASH AND CASH EQUIVALENTS – OPENING BALANCE | <u>(9,714)</u> | <u>100,070</u> |
| CASH AND CASH EQUIVALENTS – CLOSING BALANCE | <u>(14,350)</u> | <u>(9,714)</u> |

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE GENERAL MEETING OF SHAREHOLDERS
PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/98 AND ARTICLE 2429,
PARAGRAPH 3, OF THE CODE OF CIVIL PROCEDURE**

To the Shareholders of TISCALI S.p.A.

- During the financial year ending December 31, 2001, we performed monitoring and control actions pursuant to current legislation, in accordance with the code of regulations of the Board of Statutory Auditors as recommended by the National Associations of Auditors and Accountants.
- In particular, acting also on the basis of guidelines provided by CONSOB in their communication of April 6, 2001, we wish to report the following:
 - We have carried out checks on due observance of legal requirements and of the Company Statute.
 - We have obtained from Directors all necessary information covering activity performed and the most significant operations of economic, financial or patrimonial impact performed by the Company – also through its subsidiaries – and we are able to state with reasonable certainty that the actions deliberated and implemented are in conformity with current legislation, with the Company Statute and general criteria of economic good practice and thus that they are not of manifest risk, imprudence, in potential conflict of interest or in contrast with the motions passed by the Shareholders' General Meeting or such as to compromise the integrity of the Company's assets.
 - We have investigated and checked, within the limits of our responsibilities, the suitability of the Company's organisational structure and respect of the principles of correct administration, by means of the gathering of information from the Company officer responsible for organisational functions and meetings with the auditing company with the aim of a reciprocal exchange of relevant information. In reference to the suitability of the instructions given by the Parent Company to its subsidiaries pursuant to Article 114, paragraph 2 of Legislative Decree 58/98, we wish to report that the Company is implementing an internal procedure – as yet informal - for the handling of confidential information and for the dissemination of *price sensitive* information. Directors confirmed that, in the near future, these procedures will be formalised.
 - We have assessed and checked the suitability of the internal control system and the administration and accounting system, including the reliability of the latter in reporting in a correct manner operating events, through information obtained from the company officials responsible for the respective functions, the examination of company documents and the analysis of the results of the work performed by the auditing company. We note that the Company, in the month of March 2002, appointed the person responsible for the *internal auditing* function.
 - We have held meetings with representatives of the auditing company, pursuant to Article 150 paragraph 2 of Legislative Decree 58/98, and we received no data or significant information such as to require highlighting in this report from them.
 - The control activity illustrated above was also performed by means of individual intervention at 20 Auditors' meetings and at all 10 of the Board of Directors' meetings, pursuant to Article 149, paragraph 2 of Legislative Decree 58/98.
 - As more fully described by the Directors in their Report on Operating Performance, in the framework of Group re-organisation and restructuring some important operations took place in the activities of Tiscali SpA, operations which – in view of the significant amounts involved and the nature of counterparts – might be assimilated to those defined by CONSOB as "atypical and/or unusual". Hereunder are listed the most significant of these operations, which have been also described in the Report on Operating Performance:

- ◆ Tiscali Belgium SA ceded its branch company to World Online Belgium NV (renamed Tiscali SA/NV) for Euro 6.7 million, and was then wound up by its single shareholder, Tiscali Belgium Holding SA. The latter, in turn has been wound up and definitively shut down. In the framework of this operation, the Parent Company implemented an extraordinary write-down of about Euro 46 million corresponding to outstanding receivables from Tiscali Belgium Holding SA, previously transferred by Tiscali Finance SA to Tiscali SpA;
 - ◆ Tiscali Reseaux SA (formerly Tiscali France SA), 100% controlled by Tiscali SpA, incorporated, by means of a merger, its affiliate A Telecom Enterprise SA, a company which had emerged from the preceding merger of its three subsidiaries (Taxiphone SA, Trastel SA and MCI SA). Tiscali Reseaux SA, recapitalised during the year 2001 by means of waiver of receivables for about Euro 33 million by the Parent Company, was ceded during the first half of 2002 to Liberty Surf Telecom SA for the sum of Euro 5 million. In order to align the book value of the participation to the purchase price, Tiscali SpA has effected a write-down in the amount of Euro 124 million.
- As regards deals with related parties, we wish to remark solely on the assignment of consultancy for the organisational set up of the Company, awarded to “Franco Bernabei & C. SpA”. This consultancy involves a fee of approximately Euro 250,000 and we feel that it fully meets the interests of Tiscali SpA.
- From discussions with the auditing company, Deloitte & Touche SpA, it has emerged that their reports – covering the Company’s Financial Statements and the Consolidated Financial Statements - are undergoing preparation and will not highlight any exceptions and/or requests for additional information.
- During the year 2001, a complaint was filed pursuant to Article 2408 of the Civil Code by a shareholder complaining of failure to forward company documentation covering the Financial Statements and minutes of ordinary and extraordinary General Meetings, as well as an alleged lack of company documentation, which had been indicated as being available in the prospectus dealing with the listing of shares on the ‘Nuovo Mercato’. In this respect, we wish to state that none of the appropriate official bodies has ever raised exceptions of this nature.
- The Company applies the Voluntary Self-regulatory Code of the Committee for *Corporate Governance* of listed companies. In this respect, readers are referred to the contents of the specific Directors’ Report to the Shareholders’ General Meeting. In particular, the Company has set up a Remuneration Committee and a Committee for Internal Control: to this end, we report that formalisation of the appointment of the officer responsible for internal control is in progress.
- During the year 2001, Tiscali SpA awarded to Deloitte & Touche SpA – and to subjects associated to said company – several commissions other than auditing of the FY and Consolidated Financial Statements, the cost of which (excluding expenses and VAT) are shown hereunder (in Euro x 000):

| | |
|--|--------------|
| Auditing for <i>due diligence</i> | 336 |
| Opinions on compliance with Article 2441 Civil Code | 170 |
| Other tasks (including fees for auditing performed by the other European offices of Deloitte & Touche) | 557 |
| Total | 1,063 |

- During the FY under examination, the Board of Statutory Auditors issued no opinion pursuant to the law. On the other hand, the Auditing Company issued the following opinions:

| Date | Opinion |
|-------------|--|
| 27 Jan 2001 | Report on the contents of the appraisal report, pursuant to Article 2343 Civil Code, covering the transfer to Tiscali SpA share capital of participations in World On Line N.V. |
| 24 Feb 2001 | Report on the issue price of shares for the increase of company capital excluding the right of option pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (increase in company capital for institutional and professional investors). |
| 24 Feb 2001 | Report on the issue price of shares for the increase of company capital excluding option rights pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (Liberty Surf Group SA). |
| 24 Feb 2001 | Report on the issue price of shares for increase of company capital excluding option rights pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (Connect Software Inc.). |
| 24 Feb 2001 | Report on the issue price of shares for increase of company capital excluding option rights pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (stock option plan for the benefit of Tiscali directors and collaborators). |
| 24 Feb 2001 | Report on issue price of shares for increase of company capital excluding option rights pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (AddCom A.G.). |
| 7 Mar 2001 | Addendum to report of 24 Feb 2001 on the issue price of shares for increase of company capital excluding option rights pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (Liberty Surf Group SA). |
| 15 Mar 2001 | Report on the verification of valuations pursuant to Article 2343, paragraph 3, Civil Code (Liberty Surf Group SA). |
| 20 Mar 2001 | Report on the verification of valuations pursuant to Article 2343, paragraph 3, Civil Code (AddCom A.G.). |
| 20 Mar 2001 | Report on the verification of valuations pursuant to Article 2343, paragraph 3, Civil Code (Connect Software Inc.). |
| 29 Jun 2001 | Report on the issue price of shares for increase of company capital excluding right of option pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (C.D. TelekomuniKace S.r.o.). |
| 29 Jun 2001 | Report on the issue price of shares for increase of company capital excluding right of option pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (Purchase of AddCom AG – assignment of shares to Florian Ebner and Neue Mediengesellschaft Ulm GmbH). |
| 29 Jun 2001 | Report on the issue price of shares for increase of company capital excluding right of option pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (Guglielmo GmbH, for the benefit of Viag Interkom GmbH & C.). |

| Date | Opinion |
|-------------|--|
| 29 Jun 2001 | Report on the issue price of shares for increase of company capital excluding right of option pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 [Springboard Internet Services Ltd (purchased by World Online Holdings plc, controlled by Tiscali SpA), for the benefit of BT Holding Limited and Business Media International B.V.]. |
| 29 Jun 2001 | Report on the issue price of shares for increase of company capital excluding right of option pursuant to Article 2441 Civil Code and 158 Legislative Decree 58/98 (SurfEU.com Ltd, Bermuda). |
| 18 Jul 2001 | Report on verification of valuations pursuant to Article 2343, paragraph 3, Civil Code (C.D. TelekomuniKace S.r.o.). |
| 18 Jul 2001 | Report on verification of valuations pursuant to Article 2343, paragraph 3, Civil Code (Guglielmo GmbH). |
| 18 Jul 2001 | Report on verification of valuations pursuant to Article 2343, paragraph 3, Civil Code (Springboard Internet Services Ltd). |
| 18 Jul 2001 | Report on verification of valuations pursuant to Article 2343, paragraph 3, Civil Code, (SurfEU.com Ltd, Bermuda). |

During the monitoring and control activity performed on the basis of information obtained from the auditing company, we found no significant omissions and/or items for criticism and/or irregularities or any facts of a significant nature such as to require reporting to the appropriate control agencies or mention in this report.

Finally, we wish to remark on the fact that with the approval of these Financial Statements, the commission conferred on the auditing company Deloitte & Touche SpA and the administrative body expires; you will therefore be required to reach a decision covering these points. As regards the mandate to be conferred for auditing of the FY and Consolidated Financial Statements, we refer you to our opinion drawn up pursuant to the contents of Article 159 paragraph 1 of Legislative Decree 58/98.

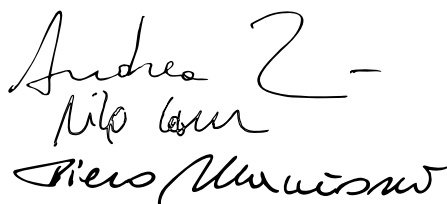
Cagliari, 13 April 2002

THE BOARD OF STATUTORY AUDITORS

DR. ANDREA ZINI

DR. RITA CASU

DR. PIERO MACCIONI



“Opinion of the Board of Statutory Auditors as regards conferral of the mandate for the auditing of the Financial Statements to the Auditing Company, pursuant to Article 159 paragraph 1 of Legislative Decree 58/98”

The Board of Statutory Auditors of Tiscali SpA

Preamble

Whereas:

- the Board of Directors of the Company has passed a motion to propose to the Shareholders' Meeting that the task of auditing the FY and Consolidated Financial Statements be conferred for the three-year period 2002 – 2004, on the Deloitte & Touche SpA Company, duly registered in the professional register pursuant to Article 161 of Legislative Decree 58/98;
- to this end, a General Meeting of Shareholders has been convened to pass the required motion pursuant to Article 159 of Legislative Decree 58/98;

having evaluated the contents of

Article 159 paragraph 1 Legislative Decree 58/98 and Article 79 of the Regulations issued by CONSOB pursuant to its deliberation number 11520 of 1 Jul 1998

having examined

the proposal submitted by the auditing company Deloitte & Touche SpA dated 25 March 2002;

having taken due note of the fact that

- said proposal contains the auditing plan for the FY and Consolidated Financial Statements for the three-year period 2002 – 2004 in order to express judgement pursuant to Article 156 of Legislative Decree 58/98 and that said plan is felt to be adequate and complete;
- said proposal contains a breakdown of procedures to be adopted for the performance of the verifications foreseen in Article 155 paragraph 1 sub paragraphs a) and b) of Legislative Decree 58/1998 and that said procedures are deemed adequate;
- the auditing company in question fully meets the requirements of independence set out by law and that, at the present time, there are no situations of incompatibility;
- the auditing company under consideration is fully equipped, both from an organisational and technical point of view, for the performance of a task of this size and complexity;
- the fee requested appears fair in relation to the operating volumes of Tiscali SpA;
- Deloitte & Touche SpA has acquired a certain degree of familiarity with Tiscali SpA and the Group since it has performed auditing duties over the last three years;

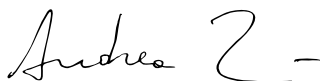
expresses

favourable opinion pursuant to Article 159 paragraph 1 of Legislative Decree 58/98 as to the conferring of the commission for auditing FY and Consolidated Financial Statements relative to the three-year period 2002 – 2004 to the auditing company Deloitte & Touche SpA, on the basis of the proposal submitted by said company on 25 March 2002.

Cagliari, 12 April 2002

THE BOARD OF STATUTORY AUDITORS

DR. ANDREA ZINI



DR. RITA CASU



DR. PIERO MACCIONI



**AUDITOR'S REPORT IN ACCORDANCE WITH
ARTICLE 156 OF LEGISLATIVE DECREE OF FEBRUARY 24, 1998, N. 58**

**To the Shareholders
of Tiscali S.p.A.**

We have audited the consolidated financial statements of Tiscali S.p.A. as of December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.


We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Stock Exchange Commission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, presented for comparison in accordance with legal requirements, reference should be made to the auditor's report issued by us on April 11, 2001.

In our opinion, the consolidated financial statements present fairly the financial position of the Group as of December 31, 2001, and the results of its operations for the year then ended, and comply with the principles which regulate the preparation of consolidated financial statements in Italy.

This report has been translated into the English language solely for the convenience of international readers.

DELOITTE & TOUCHE S.p.A.


Antonio Cocco
Partner

Cagliari, April 13, 2002

**AUDITOR'S REPORT IN ACCORDANCE WITH
ARTICLE 156 OF LEGISLATIVE DECREE OF FEBRUARY 24, 1998, N. 58**

**To the Shareholders
of Tiscali S.p.A.**

We have audited the financial statements of Tiscali S.p.A. as of December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Stock Exchange Commission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion of the financial statements of the prior year, presented for comparison in accordance with legal requirements, reference should be made to the auditor's report issued by us on April 11, 2001.

In our opinion, the financial statements present fairly the financial position of the Company as of December 31, 2001, and the results of its operations for the year then ended, and comply with the principles which regulate the preparation of financial statements in Italy.

This report has been translated into the English language solely for the convenience of international readers.

DELOITTE & TOUCHE S.p.A.


Antonio Cocco
Partner

Cagliari, April 13, 2002



The European Internet Company

Registered Headquarter

Viale Trento, 39 - 09123 Cagliari
VAT No. 02375280928
Share Capital fully paid up - EUR 179,208,829
REA 191784
Registered No. CA150434/97

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