

Tiscali Group - Financial Report for the 3rd Quarter 2000

Consolidated Profit and Loss Statement (in thousands of Euro)	30/09/2000 (3 months)	30/09/2000 (9 months)	30/06/2000 (6 months)	30/09/1999 (3 months)
Revenues from sales and services rendered	45.217	110.697	65.480	8.764
Other revenues and income	7.515	10.655	3.140	52
Value of production	52.732	121.352	68.620	8.816
Costs for the purchase of raw materials and the supply of consumables and goods	(7.897)	(11.127)	(3.230)	(870)
Changes in raw material inventories	(279)	(839)	(560)	442
Service costs and other running expenses	(40.922)	(111.862)	(70.940)	(9.599)
Personnel costs	(8.856)	(17.546)	(8.690)	(1.014)
Other operating expenses	(8.686)	(9.196)	(510)	
Gross operating margin	(13.910)	(29.220)	(15.310)	(2.226)
Depreciation	(11.457)	(28.687)	(17.230)	(254)
Provisions (Credit devaluation and exchange risk fund)	(1.458)	(2.738)	(1.280)	(23)
Operating margin	(26.824)	(60.644)	(33.820)	(2.502)
Extraordinary income and charges	4.125	2.315	(1.810)	(4)
Financial income and charges	(7.679)	(8.359)	(680)	(197)
Gross result before tax	(30.379)	(66.689)	(36.310)	(2.703)
Third party dividends	951	1.961	1.010	
Group Result	(29.428)	(64.728)	(35.300)	(2.703)

In the third quarter of this financial year, consolidated revenues amount to a total of 52.7 million Euro, an increase of 498% in relation to the same period in 1999. This increase was caused both by an increase in business in Italy as well by the Group's expansion in terms of purchases made in the rest of Europe.

Internet revenues have also increased by 435% in relation to the third quarter in 1999. This increase was caused by a rise in the number of subscribers which at 30 September reached a total of 2.6 million, signifying an increase of 550% in relation to 30 September 1999 and of 13% in relation to 30 June 2000. This rise in subscribers is mirrored by a sharp increase in connection minutes to POP Tiscali. This upward trend is confirmed by the data for October which shows an increase in traffic in terms of minutes of approximately 10 % in relation to September. The number of subscribers at 30 September amounts to approximately 1.3 million, a rise of 18% in relation to 30 June 2000.

Voice revenues amounts to a total of 15 million Euro corresponding to an increase of 212% in relation to the third quarter in 1999.

The gross operating margin for the quarter amounts to (13.9) million Euro as compared to (2.2) million Euro for the same period in 1999.

The increase in operating losses corresponds to the upward trend in the volume of revenues and is caused by the increase in advertising expenses, which amount to a sum of 8.9 million Euro in the third quarter and by the continued development of new services.

In the first 9 months of the financial year, the Group recorded a revenue of 121.4 million euro with an increase of 614 % in relation to revenue at 30 September 1999. The net operating result which amounts to (60.6) million Euro was influenced by 17.4 million Euro being given over to the depreciation of *goodwill*. The incidence of internet area revenues amounted to approximately 45 %.

Revenues at 30 September were increased by the consolidation, as of the first of July, of the companies, Quinary SpA and Best Engineering Srl. Another company to be consolidated was Tiscali Finance S.A., a legal company from Luxemburg, through which the bonded loan for 250 million Euro was issued in July. As with the consolidation of 30 June, Nikoma Beteiligungs GmbH (Hamburg) and ATelecom Sa (Marseilles) were also consolidated, the first in May, the second in April, at the same time as they were purchased.

Consolidated Revenues for the 3rd quarter 2000

(in thousands of Euro)	30/09/2000 (3 months)	30/09/2000 (9 months)	30/06/2000 (6 months)	30/09/1999 (3 months)
Internet services	21.368	54.196	32.829	3.965
Voice services	14.971	47.622	32.651	4.799
Other sales revenue	8.878	8.878	-	-
Total sales revenue	45.217	110.696	65.480	8.764

Group net financial situation

(in thousands of Euro)	30/09/2000 (9 months)	30/06/2000 (6 months)	30/09/1999 (9 months)
Short-term payables to banks	(3.686)	(15.955)	(8.501)
Long-term payables to third parties	(250.000)	-	-
Liquid assets	195.988	24.825	1.244
Net financial situation	(57.698)	8.870	(7.257)

The net financial situation of the group as at 30 september shows a marked improvement in comparison to the close of the first half of the year on 30 June. The bonded loan issued through the Tiscali Finance S.A., in July is undoubtedly responsible for this positive trend. Liquid assets amount to approximately 196 million Euro, compared to short - term payables to banks of 3.7 million Euro and long - term bonded payables amounting to a total of 253.7 million Euro. The bonded loan lasts for 5 years and has a single repayment clause.

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Consolidated Profit and Loss Statement (in millions of ITL)	30/09/2000 (3 months)	30/09/2000 (9 months)	30/06/2000 (6 months)	30/09/1999 (3 months)
Revenues from sales and services rendered	87.550	214.340	126.790	8.764
Other revenues and income	14.544	20.630	6.086	52
Value of production	102.094	234.970	132.876	8.816
Costs for the purchase of raw materials and the supply of consumables and goods	(15.284)	(21.546)	(6.262)	(870)
Changes in raw material inventories	(536)	(1.625)	(1.089)	442
Service costs and other running expenses	(79.250)	(216.596)	(137.346)	(9.599)
Personnel costs	(17.146)	(33.975)	(16.829)	(1.014)
Other operating expenses	(16.812)	(17.806)	(994)	0
Gross operating margin	(26.934)	(56.578)	(29.644)	(2.226)
Depreciation	(22.181)	(55.545)	(33.364)	(254)
Provisions (Credit devaluation and exchange risk fund)	(2.826)	(5.301)	(2.475)	(23)
Operating margin	(51.941)	(117.424)	(65.483)	(2.502)
Extraordinary income and charges	7.991	4.482	(3.509)	(4)
Financial income and charges	(14.860)	(16.185)	(1.325)	(197)
Gross result before tax	(58.810)	(129.127)	(70.317)	(2.703)
Third party dividends	1.850	3.796	1.946	-
Group Result	(56.960)	(125.331)	(68.371)	(2.703)

Consolidated Revenues for the 3rd quarter 2000

(in millions of ITL)	30/09/2000 (3 months)	30/09/2000 (9 months)	30/06/2000 (6 months)	30/09/2000 (3 months)
Internet service	41.372	104.940	63.568	3.965
Voice services	28.988	92.210	63.222	4.799
Other sales revenue	17.190	17.190	-	-
Total sales revenue	87.550	214.340	126.790	8.764

Group net financial situation as of 30 September 2000

(in millions of ITL)	30/09/2000 (9 months)	30/06/2000 (6 months)	30/09/1999 (9 months)
Short-term payables to banks	(7.136)	(30.893)	(16.461)
Long-term payables to third parties	(484.068)	-	-
Liquid assets	379.485	48.067	2.409
	(111.719)	17.174	(14.052)

Tiscali S.p.A. - Financial Report for the 3rd Quarter 2000

Profit and Loss Statement (in thousands of Euro)	30/09/2000	30/09/2000	30/09/1999	30/09/1999
	(3 months)	(9 months)	(3 months)	(9 months)
Revenues from sales and services rendered	24.723	74.870	8.764	16.865
Other revenues and income	7.372	9.905	52	145
Value of production	32.095	84.775	8.816	17.010
Costs for the purchase of raw materials and the supply of consumables and goods	(2.014)	(5.248)	(870)	(1.066)
Changes in raw material inventories	97	(465)	442	376
Service costs and other running expenses	(35.507)	(90.125)	(9.599)	(17.161)
Personnel costs	(3.075)	(7.462)	(1.014)	(1.995)
Other operating expenses	(164)	(466)	0	0
Gross operating margin	(8.568)	(18.991)	(2.226)	(2.837)
Depreciation	(1.807)	(4.790)	(254)	(760)
Provisions (Credit devaluation and exchange risk fund)	(719)	(1.752)	(23)	(68)
Operating margin	(11.094)	(25.533)	(2.503)	(3.665)
Extraordinary income and charges	1.072	(316)	(4)	(12)
Financial income and charges	(1.159)	(130)	(197)	(227)
Gross result before tax	(11.182)	(25.979)	(2.704)	(3.904)

Sales revenue

(in thousands of Euro)	30/09/2000 (3 months)	30/09/2000 (9 months)	30/09/1999 (3 months)	30/09/1999 (9 months)
Internet services	13.455	37.219	3.965	6.401
Voice services	11.144	37.454	4.799	10.463
Other sales revenue	125	197	-	-
Total sales revenue	24.723	74.870	8.764	16.865

Net financial situation

(in thousands of Euro)	30/09/2000 (9 months)	30/09/1999 (9 months)
Short-term payables to banks	(547)	(8.501)
Liquid assets	54.164	1.244
	53.617	(7.257)

Tiscali S.p.A. - Financial Report for the 3rd Quarter 2000

Profit and Loss Statement (in thousands of ITL)	30/09/2000 (3 months)	30/09/2000 (9 months)	30/09/1999 (3 months)	30/09/1999 (9 months)
Revenues from sales and services rendered	47.871	144.968	16.969	32.655
Other revenues and income	14.273	19.179	101	280
Value of production	62.144	164.147	17.070	32.935
Costs for the purchase of raw materials and the supply of consumables and goods	(3.899)	(10.161)	(1.684)	(2.065)
Changes in raw material inventories	188	(901)	855	728
Service costs and other running expenses	(68.751)	(174.507)	(18.587)	(33.229)
Personnel costs	(5.954)	(14.448)	(1.964)	(3.862)
Other operating expenses	(318)	(903)	-	-
Gross operating margin	(16.590)	(36.773)	(4.310)	(5.493)
Depreciation	(3.498)	(9.274)	(491)	(1.472)
Provisions (Credit devaluation and exchange risk fund)	(1.393)	(3.393)	(44)	(131)
Operating margin	(21.481)	(49.440)	(4.845)	(7.096)
Extraordinary income and charges	2.075	(612)	(8)	(24)
Financial income and charges	(2.245)	(251)	(381)	(439)
Gross result before tax	(21.651)	(50.303)	(5.234)	(7.559)

Sales revenue

(in millions of ITL)	30/09/2000 (3 months)	30/09/2000 (9 months)	30/09/1999 (3 months)	30/09/1999 (9 months)
Internet services	26.052	72.066	7.677	12.395
Voice services	21.577	72.521	9.292	20.260
Other sales revenue	242	381	-	-
Total sales revenue	47.871	144.968	16.969	32.655

Net financial situation

(in millions of ITL)	30/09/2000 (9 months)	30/09/1999 (9 months)
Short-term payables to banks	(1.058)	(16.461)
Liquid assets	104.877	2.409
	103.819	(14.052)