First Half Results

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PREFACE

First half 2005 report was prepared by applying IFRS – International Financial Reporting Standards, according to art. 81 of Consob Rule No. 11971/1999, and the subsequent up dates and integrations, as well as by Consob decree No.14990 dated 14 April 2005.

Tiscali Group adopted IFRS principles starting from 2005 financial year. The financial statements and the other financial information (Interim reports) of previous years were prepared according to Italian GAAPs. As required by the current law, historical figures given for comparison purpose, were restated in accordance with IFRS international accounting principles.

Key Figures

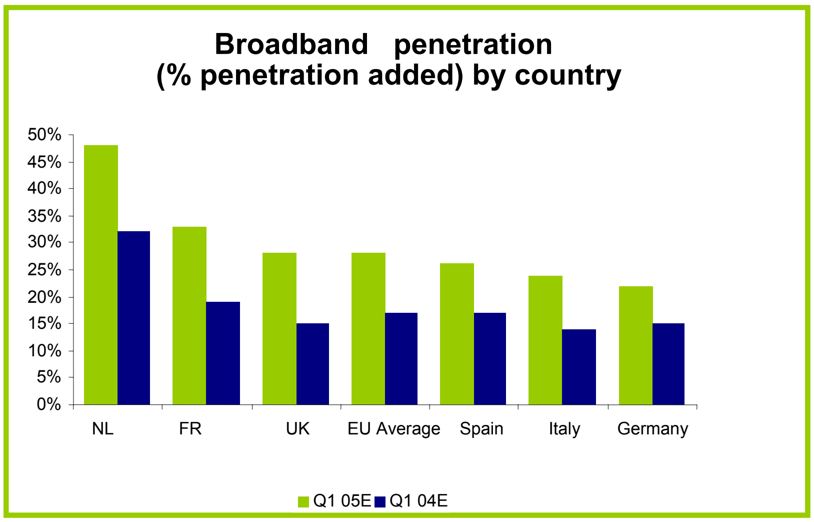
Income statement (EUR ml)	*30 June 2005*	*30 June 2004*
• Revenues	354	319
• Gross Operating Result	52	20
• Operating Result	(46)	(67)
• Gross Result	14	(124)
Balance sheet (EUR ml)	*30 June 2005*	*31 December 2004*
• Total Assets	1,295	1,468
• Net Financial Debt	259	421
• Shareholders Equity	340	318
• Capex in first half 2005	68	
Non Financial Figures (ml)	*30 June 2005*	
Access Users	4.8	
ADSL Users (broadband)	1.4	
ADSL Users (unbundling)	0.25	

Market Overview

Internet service offer: Western Europe

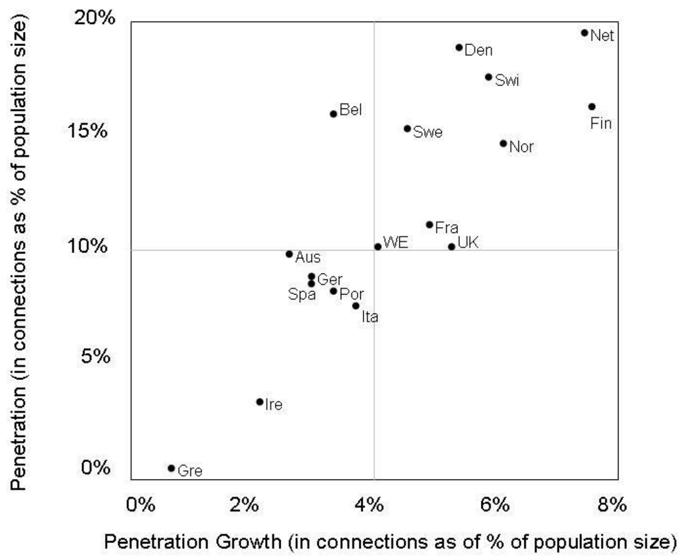
Broadband access services in Western Europe, has been characterized by a strong growth following the trend started in 2003, both on number of users and content and services expenses. In 2004, new subscribers were 16 million, reaching at year end around 40 million users. Wide availability, broad choice, affordable pricing and increasing end users awareness all contributed to the broadband growth.

It is forecasted that in Western Europe, broadband penetration, grew by 3 points in first quarter 2005 compared with 2.4 points in first quarter 2004. This took the overall penetration rate from 24.9% end 2004 to 27.9% end March 2005.



Source: Company data, NRA, Associacion de internautas, JP Morgan

According to IDC, by 2009 basic broadband access will represent a $ 37 billion opportunity in Western Europe, up from $ 16 billion in 2004. Furthermore, forecasts that broadband connections will exceed 92 million: DSL technology would reach 80% of total household's connections. In recent years, migration from dial-up to broadband services was more significant than forecasted.



Source: IDC, 2005

DLS which is the dominant technology in European broadband access networks has been increasing consistently over the past years. The share of DSL has grown from 75% at the end 2003 to 79% at year end 2004, with a decreasing diffusion of other technologies (such as Cable, MetroEthernet).

In the market environment illustrated above, fierce competition in all European markets will drive Internet broadband access prices. Sector analysis forecasts that even in the case of a further decrease of average broadband access prices, ARPU ('Average Revenue Per User') should increase due to the extended availability of services and content, driven by the higher bandwidth and quality of connections.

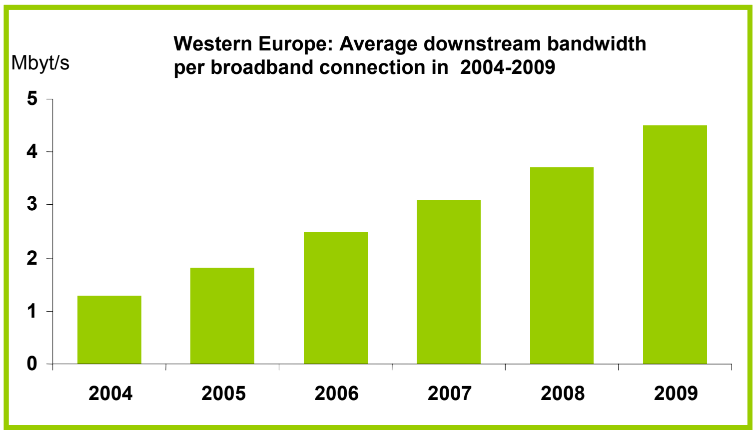
Market share

Mainly due to the increasing development of the owned ULL (*local loop unbundling*) networks, other alternative operators (OLOs), of whom Tiscali, are gaining higher market share than the *incumbents*. According to the latest market researches, competing DSL operators raised their share to 37.3% in first quarter 2005 from 32.8% in first quarter 2004.

Broadband and development of new products and services

Increasing speed, growing competition and the market evolution towards video content enhanced the development of broadband services and offer. Providers have to continuously increase downstream speed of their product, often without extra charges for the customer, in order to retain/increase their market share.

IDC expects the average per broadband connection will growth from 1.2 Mbps in 2004 to more than 4 Mbps in 2009.



Source: IDC, 2005

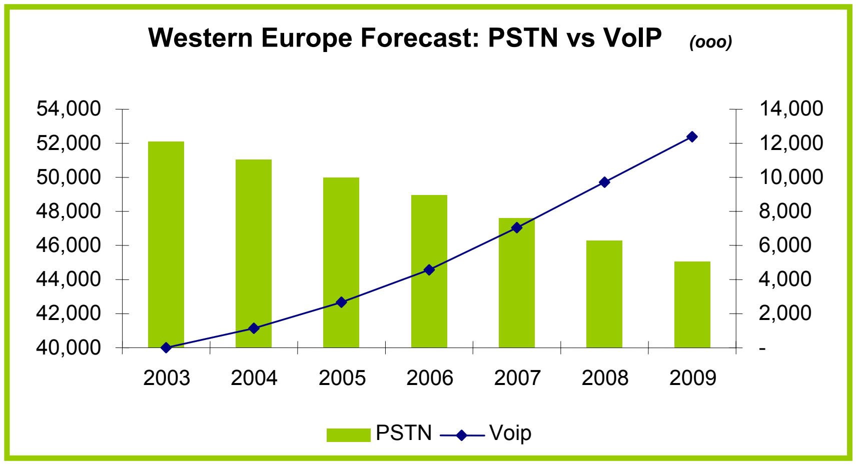
To fit market expectations and increase average revenue per user, several operators have focused the offer on *bundled* services (access, voice, services and content) widening access network bandwidth in order to support DSL technology of services correlated. For that reason, many operators in Europe, among those Tiscali, are currently 'up-dating' their networks with ADSL2+ technology, standard increasing downstream speed from 10Mbps of a basic ADSL connection, to 25Mbps.

In the medium term, VDSL2 technology should replace the ADSL2+ providing further bandwidth available.

VoIP – Double Play

VoIP (Voice over Internet Protocol), allows to users to make calls through broadband connections using a basic phone with a modem (IP phone) or PC.

Since the beginning of 2005, VoIP technology offer through Double Play services (Voice and data on internet protocol), is dramatically affecting fixed telephony market. In fact, the usage of broadband technology supporting VoIP is currently experiencing a huge development.
The exponential growth of such services promise good perspectives that most of voice calls will be done thought IP network in the coming years.
According to several market research 60% of households in Western Europe will adopt VoIP to access to *bundled offers*, of internet access, content and services.



Source: Gartner, April 2005

IPTV – Triple Play

An higher bandwidth available and the recent technological evolution, will allow a wider product offering to the customers, with particular reference to the opportunity to download video content through the already existing broadband line, given by a unique offer, in only one package ('*Triple-Play'),* 'IPTV (Internet Protocol Television). Video content, however, are becoming one of the main areas of activity in broadband market. Technological development in terms of quality, bandwidth and format, currently allows broadband providers to offer video services to their own customers through IP connection, both by *"broadcast"* and *"video on demand"*, enjoying it not only on PC, but also on TV screen; In order to guarantee success, providers will need to diversify "*bundled*" services from video services already available on the market, through "ad hoc" content offer, with several and/or higher quality.

IPTV potential market is meaningful, in spite technology still in a grab phase. In order to be successful, IPTV *Triple-Play* providers can realistically hope to gain an advantage, by differentiating their services for easy to use approach, by price and features.

Market overview : recent evolution by geographic area

Italy
First half 2005, registered a further widening of broadband market, in a competitive environment still characterized by a substantial price steadiness, but with a widen and innovative offer, not only in terms of bandwidth but also in terms of new content and price offering.

For the first time, we acknowledge an erosion in the market share of the incumbent (Telecom Italia - TI), together with a decrease in TI ADSL services new adds, in favour of OLOs growth. Tiscali Group broadband market share is about 6%, increasing from 5% at year end 2004.

UK
In first half the UK registered a strong acceleration of broadband services growth, mainly in favour of other alternative operators, such as Tiscali. British Telecom, market share remain unchanged at around 24%, while cable operators market shares decrease.

First half registered a significant increase in competition, which resulted in a decrease of prices. Furthermore, due to local Authorities (OFCOM) positive policy, DSL services will continue their growth. Recent measures will enable the adoption of ULL model by alternative operators, in a market landscape where Tiscali already has about 10% broadband market share. Within new adds, Tiscali UK gained second rank after British Telecom.

The Netherlands
Dutch market has the higher broadband penetration in Europe (about 50% at the end first quarter 2005). Despite this, growth expectations are still very high, confirming The Netherlands as one of the most appealing broadband markets in Europe.

In first half, the incumbent, KPN, strengthened its market share, essentially to the detriment of cable operators, but without any impact on OLOs market shares. In the first half DSL technology rise dynamically, resulting in a further positive growth perspective both in *wholesale* and *ULL model*. Even in a competitive market, prices were quite steady. Tiscali's broadband market share stood at '8%, almost constant.

Germany
Germany is a country with a high potential for growth. Despite the drop in prices, German market is still the one with the lowest broadband penetration rate in Western Europe. At the end of first quarter 2005, according to some market researches broadband penetration was around 21%. The incumbent (Deutsche Telekom), still has the higher portion of broadband market, with over 55%. Its market share is anyway decreasing in favour of OLOs. Tiscali's market share is less than 5%. During the first six months started a more fierce competition, marked by a strong price drop.

Regulatory background

European regulation: recent development

In the first half 2005 transposition process of the new EU regulatory framework for the electronic communications sector[1] was completed by every member states with the only exception of Greece.

The European Commission identified many important problems at national level in the adoption of the European Law. The commission started infraction procedures against the18 member States.

Concerning countries in which Tiscali Group operates, Commission observation regarding Italy are: Definition of the criteria for cost based interconnection formula; Germany, some restrictions of Regulatory Authorities to deal with remedies, Universal service duty and privacy; In the Netherlands, the lack of duty to negotiate interconnection.

Furthermore, it is useful to remind that the implementation of the new regulatory framework is based on two steps: Regulatory National Authorities have to analyse the markets identified by Commission[2] and, in the case of dominant market operators, to define suitable measures necessary to enhance competition.

Concerning **VoIP (Voice over IP)**, will be crucial National Regulatory Authorities position regarding the inclusion of such services in the market of traditional voice. In fact, if such services will be recognise different from traditional voice, the incumbents wont be considered as dominant players excluding the possibility of a fair regulation.

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[1] Directive of 7 March 2002: "Framenwork" 2001/21 ; "Access" 2002/19 ; "Authorisations" 2002/20; "Universal service" 2002/22; Electronic Communication Privacy Framework" 2002/58 of 12 July 2002.

[2] "Recommendation 11 February 2003, on relevant product and service market within the electronic communication sector susceptible to ex-ante regulation in accordance with directive 2002/21/CE", GUCE L 114, 8 May 2003

TISCALI SHARES

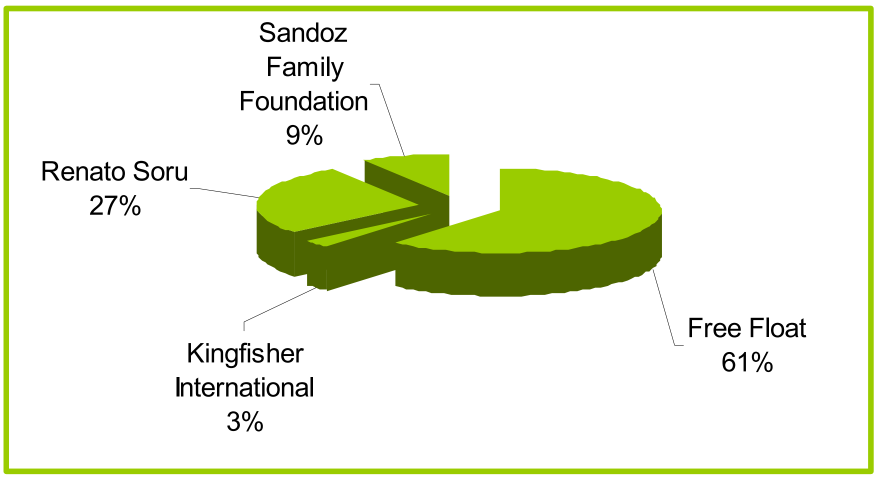
Tiscali stock is listed on both the Italian Stock Exchange and on the Euronext in Paris. As 30 June 2005, the company had a market capitalization of around EUR 935.1 million.

The number of shares comprising the share capital increased from 393,238,142 at 31 December 2004 to 396,738,142 at 30 June 2005.

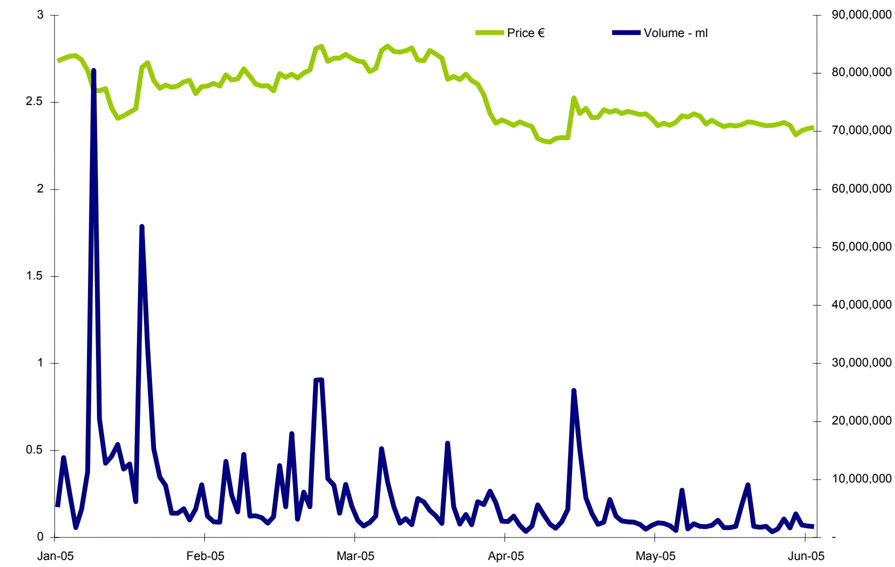
The table below lists the capital increases carried out during the year.

DATE	DESCRIPTION	NO. SHARES ISSUED	SHARE CAPITAL
22.06.05	Capital increase subscribed by Neue Medien Ulm Holding GmbH	3,500,000	396,738,142

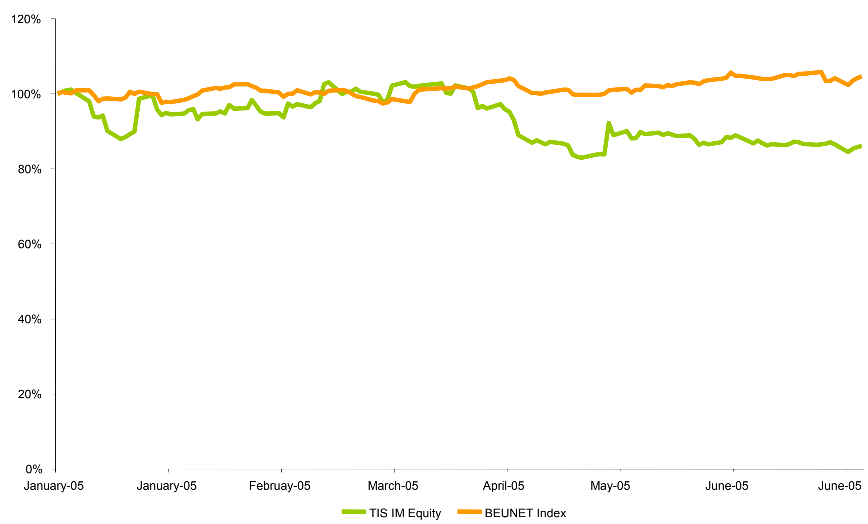
The chart below illustrates Tiscali's shareholder base at 30 June 2005:



In stock market terms, Tiscali stock trend continued to be affected by rumors on the market during the first-half year, however in line with the negative trend of high-tech stocks. The average price during the period was around EUR 2.551, the lowest, EUR 2.271 was registered the 29 April whereas the highest EUR 2.823, the 21 March.



During the first six months, Tiscali stock underperformed the Bloomberg Internet Index, following however its negative trend.



Source: Bloomberg

Trading volumes stood at a daily average of around 7,103,801 shares, in line with the previous year's average. The daily average value of trades was EUR 18.5 million. Total value of trades for the half year was EUR 2.3 billion.

Average daily trades of Tiscali shares on its two markets.
Number of shares

Date	Italian Stock Exchange		Euronext Paris		Total	
	No of shares	in %	No of shares	in %	No of shares	in %
January-05	16,590,441	99.81%	32,095	0.19%	16,622,535	100%
February-05	6,304,920	99.69%	19,670	0.31%	6,324,589	100%
March-05	7,988,921	99.74%	20,590	0.26%	8,009,510	100%
April-05	4,436,070	99.71%	12,972	0.29%	4,449,041	100%
May-05	4,831,894	99.82%	8,717	0.18%	4,840,611	100%
June-05	2,537,520	99.83%	4,220	0.17%	2,541,740	100%
Daily average	**7,114,961**	**99.77%**	**16,377**	**0.23%**	**7,131,338**	**100.00%**

Source: Bloomberg

REPORT ON OPERATIONS

First half report

Preface

During financial year 2004, Tiscali's Board of Directors implemented a business plan aimed at focusing the activities of the Group in the markets offering the higher potential for value creation.

The sale of the French subsidiary "Liberty Surf", finalised during first half 2005, is a significant achievement and followed a number of disposals of non-core assets in minor countries.
In fact, the disposal of French subsidiary allowed Tiscali to free financial resources to invest in the markets offering potential for value creation and to reimburse the bonds maturing in July 2005.

Tiscali's investment strategy is linked to the Group's choice to develop broadband Internet service offer throughout its own network infrastructure in *unbundling*. The development of ULL proprietary network provides a wide range of products and services, with a positive effect on the ARPU (Average Revenue per User) and on the profitability of the broadband internet offer.

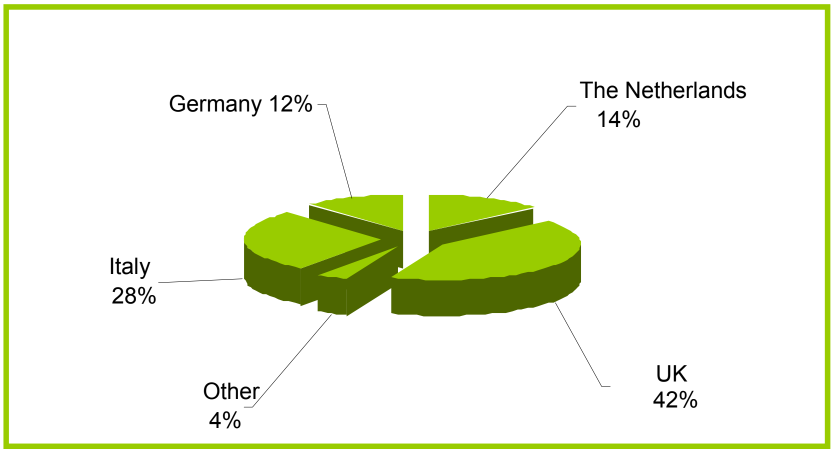
Results and performance of Tiscali Group

Tiscali Group's financial results and historical figures given for comparison purposes in this section of the first half report were prepared in accordance with IAS/IFRS international accounting principles and are shown on a homogeneous basis for the Group's perimeter, including Italy, UK, Germany, The Netherlands, Czech Republic and TiNet IP.

INCOME STATEMENT - *EUR thousands*	**30 June 2005**	**30 June 2004**
Revenues	353,651	318,830
Other operating income	3,986	2,729
Purchases of material and external services	244,922	230,619
Personnel costs	54,253	54,570
Other operating costs	6,051	16,153
Gross operating result	**52,411**	**20,217**
Restructuring costs, other provisions & write downs	30,458	26,072
Depreciations and Amortizations	68,388	61,029
Operating result	**(46,435)**	**(66,884)**
Share of the profit or losses of associates with the equity method	**(696)**	**207**
Net financial income (charges)	**(19,018)**	**(20,925)**
Profit (Loss) before tax	**(66,149)**	**(87,602)**
Taxation	45,053	(479)
Profit (Loss) from continued operations	**(111,202)**	**(87,123)**
Profit (Loss) from discontinued operations	125,741	(36,681)
NET Profit (Loss)	**14,539**	**(123,804)**

Revenues in first half amounted to around EUR 353.7 million showing a growth of 11% compared to first half 2004 (around EUR 318.8 million). UK and Italian subsidiaries provided the major contribution to Group's revenues, with a total weight of 70%.

Revenues by country



Italian operations revenues amounted to EUR 100 million, mainly generated by Tiscali Italia S.r.l., with a growth of 6% on first half 2004. As of 30 June 2005, ADSL customers were 224,000, of which around 50,000 *unbundled*. We underline the successful launch (end of May 2005) of the ADSL service providing 1.2 Mb/s *bundled* with VoIP at EUR 19.95. The launch of that product was possible thanks to the development of the ULL network, reaching at the end of June, 25% (30% at end July) ADSL addressable market.

Group's revenues main contribution in first half came from the **UK** subsidiary, with EUR 148 million, performing a strong growth, 26% compared to first half 2004. First half 2005 registered a significant and steady increase of ADSL users, reaching 636,000 subscribers at the end of June 2005.

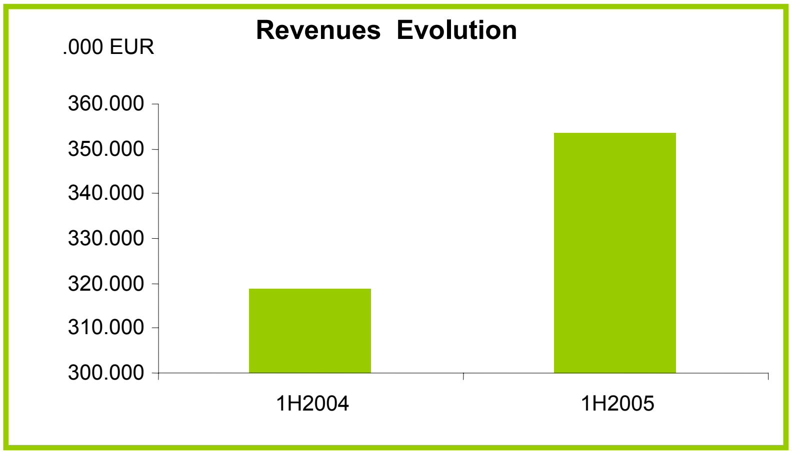
The **Dutch** subsidiary closed first half 2005 with revenues at EUR 50 million, 14% growth compared to first half 2004, even though, it is a more mature market. ADSL users reached 273,000 units, of which 200,000 were *unbundled*.

German operations revenues stood at EUR 43 million, slightly down, around EUR 6 million, compared to first half 2004. The decrease was mainly due by the cancellation of low marginality products, in particular in business services. ADSL users were quite stable at 230,000 units. German market peculiarities, allowing offering ADSL services only in the wholesale model, contribute to lower marketing investments to enhance broadband customers. We expect to start investments to develop ULL network, at the end of second half 2005.

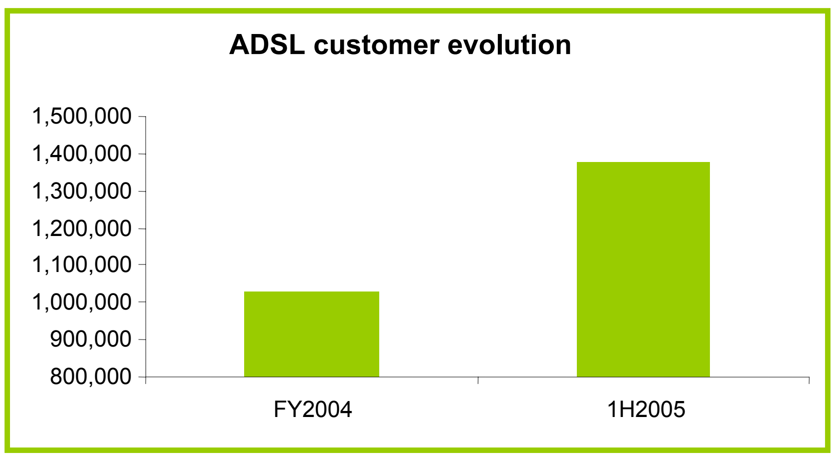
Revenues by business line

ACCESS

In first half 2005, revenues performance was mainly driven by the growth of access business line, reaching 74% of Group total revenues. It is important to underline the change in the mix of access revenues business line. In fact, compared to first half 2004, ADSL revenues (broadband) had a meaningful higher weight (around 56% of the total access revenues) compared to 'dial-up' services (narrowband), growing from 39% on total access revenues registered in first half 2004. ADSL net adds in first half amounted to 330,000, taking total ADSL subscribers at 30 June 2005 to around 1.38 million (+34% compared to 31 December 2004), of which over 250,000 were *unbundled*. Commercial offers focused on the diffusion of D*ouble Play services* (data and voice/VoIP), support, in such landscape, ADSL users migration from w*holesale* to *unbundling*.



In first half **dial-up** ('narrowband') revenues amounted to EUR 116.1 million, slightly down (16%) compared to EUR 137.5 million of first half 2004. This fall, physiological and intrinsic to the market, can be explained by the migration of dial-up users to ADSL services. In particular, the effect of such migration generated a reduction of the weight of dial-up revenues on total access revenues, moving from around 61% at June 2004 to around 44% at end June 2005. Active dial-up customers amounted to 3.4 million, slightly down compared to the figure registered at end December 2004. Dial-up customer base is still one of the key strength of Tiscali, mainly due to the fact that a significant number of them, chooses to increase its Internet access bandwidth moving to an ADSL offer.



VOICE

In first half 2005, **voice** revenues amounted to EUR 44 million (12% on total revenues), down (9%) compared to EUR 48.2 million (15% on total revenues) at 30 June 2004. This decrease is mainly due to the re-focus of the offerings moving from CPS to VoIP services, which guarantee an higher marginality. The slow down of voice revenues was partially off set by the introduction in the UK of "*bundled*" (data + voice) carrier pre–selection (CPS) services.

BUSINESS SERVICES

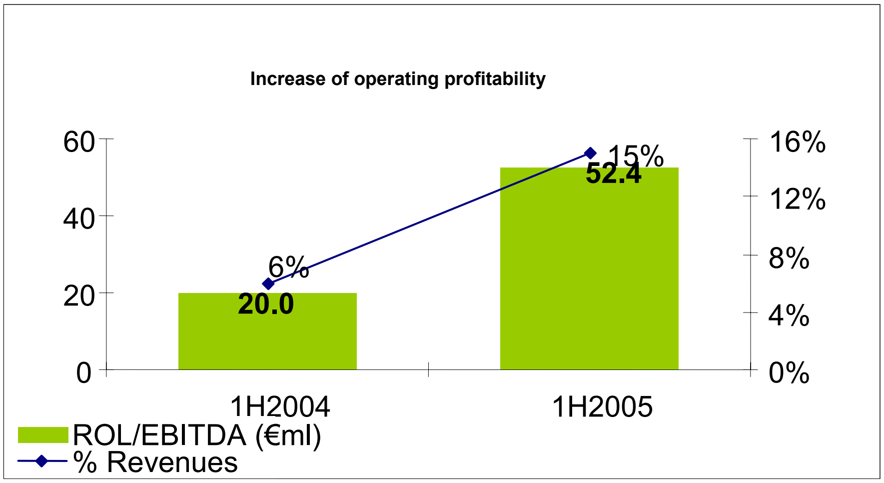
In first half 2005, **business services** revenues amounted to EUR 28.5 million (8% of total revenues) up 6% compared to EUR 26.9 million (8% of total revenues) as of June 2004. The increase in revenues was mainly due to organic growth, supported by a new commercial focus. We highlight that business service revenues include only services such as VPNs, housing, hosting, domain names and leased lines while Internet access revenues (both dial-up and ADSL) generated by **business** users have been reclassified in access revenues.

MEDIA AND VAS – VALUE ADDED SERVICES

As of June 2005, media and VAS revenues, amounted to EUR 14.6 million (4% of total revenues) up 2% compared to EUR 14.4 million (5% of total revenues) as of 30 June 2004. The increase was interely due to organic growth. Nevertheless, to date, revenues have mainly been generated by advertising, Groups' strategy, is focusing on value- added services (VAS) and on content.

Gross Operating Result

Gross Operating Result, before amortisation, depreciation, provision and write downs came at around EUR 52.4 million, more than doubled versus EUR 20.1 million at 30 June 2004, a rise from 6% as a percentage of revenues to 15% in the first six months of 2005.



Such operating results have been achieved, in addition to the revenues dynamics illustrated in the previous paragraph, also by cost downsizing and by the efficiencies performed.
The trend shown by variable costs linked to the significant increase of ADSL ULL customers within access segment determined the improvement already at Gross Margin level (*Figure non reported in the P&L statement, as not included in the IAS/IFRS standards, but given as additional information)* which increased, as a percentage of revenues, from 48% on 1H04 to 54% on the same period of 2005.

The increase is due to the significant number of ADSL - ULL users in access business.

In first half, **Marketing costs** totaled EUR 64.9 million (18% of revenues), compared to EUR 41.3 million (13% of revenues) as of June 2004. The increase is largely related to advertising for broadband services, with a greater focus on the UK market, main driver of the Group's growth in the semester.

Personnel costs were essentially stable at EUR 54.3 million, versus EUR 54.7 million in 1H04 (falling from 17% to 15% of revenues), the number of the employees at June 30, 2005 was 1,846.

Other operating costs fell from EUR 23.6 million (7% of revenues) in 1H04 to EUR 20.8 million (6% of revenues) as of June 2005, thanks to further rationalization.

Operating Result

The Group reported an **operating loss (EBIT)** of EUR 46.4 million, after amortisation, depreciation, provision and write downs, a marked improvement (+31%) on the loss of EUR 67.0 million, posted at 30 June 2004. The performance was the result of the significant improvement in gross operating profitability.
We underline that consolidated operating result was affected by headquarter (‘corporate’) costs.

In the first six months 2005, the amortization of tangible and the depreciation of intangible assets amounted to EUR 68.4 million compared to EUR 61.0 million registered in 1H2004. The increase is due to the considerable investments made to roll out the ULL network.

Provision and write downs (together with other restructuring costs), were EUR 30.5 million compared to EUR 26.1 million in 1H2004.

Operating result by geographic area

Details of operating result by geographic area, in first half, allow analyzing performances of Group’s operating subsidiaries in different geographic areas.

Gross operating result for **Italy**, before amortisation, depreciation, provision and write downs, stood at EUR 15.5 million (EUR 2.4 million as of 30 June 2004) while operating result was negative at EUR 3.4 million, compared to a negative figure of EUR 14.5 million in first half 2004. Revenues growth brought meaningful savings on costs side, allowing improving, as expressed by reported figures, the operating result before financial charges, substantially balanced.

UK, gross operating result, amounted to EUR 22.1 million (EUR 11.9 million as of 30 June 2004), while operating result, after amortisation, depreciation, provision and write downs, was negative at EUR 3.7 million (EUR -11.8 million as of 30 June 2004). The subsidiary was able to achieve a meaningful performance, nevertheless higher marketing expenditures registered in first half 2005, supporting the growth of ADSL customers and revenues obtained during the period.

Dutch subsidiary performed a gross operating result of EUR 12.2 million and an operating result negative of EUR 5.8 million. This result was affected, by higher marketing costs that allowed, taking into account the volume of the business achieved, to increase significantly the results of first half 2004 (gross operating result EUR 9.2 million and an operating result negative for EUR 2.9 million).

Revenues slow down in **Germany**, due to the cancellation of the products with lower marginality, in particular those in business services, together with the continuous decrease in operating costs, allowed to reach a meaningful increase in gross operating result and in operating result. Such results, EUR 5.7 million and EUR -2.3 million respectively, were significantly better compared to the gross operating result for EUR 1.9 million and the loss in operating result after amortization, depreciation for EUR 16.7 million of the same period of 2004.

Profit before taxation

The Group (considering continued operations) made a **pre-tax result (EBT)** of EUR -66.1 million compared with a loss of EUR 87.6 million in 1H04. If we include the net profit coming from the disposal of assets (discontinued operations), EUR 125.7 million, mainly due to the capital gain generated by the sale of the French subsidiary Liberty Surf Group SA (EUR 144 million), including Group's subsidiaries net results and after disposal charges, **pre-tax profit** of the Group would be EUR 60 million.

Net Profit

The half-year ending 30 June 2005 closed, for the first time in Tiscali's history, with a **net profit** of EUR 14.5 million, compared to a net loss of EUR 123.8 million as of June 2004.

Net result of the period included taxes for EUR 45 million related to the profit resulting from the contribution of the Italian businesses activities from holding company into Tiscali Italia S.r.l. Such tax charges, however, do not correspond to a tax disbursement, but only to a partial use of the tax assets already accounted for, in previous years. The posting of the eventual additional deferred taxes will be assessed at closing of full year accounts for 2005.

Financial position

At the end of the first six months 2005, the Tiscali Group's cash resources totalled EUR 246 million, while net debt stood at EUR 259 million, an improvement of EUR 162 million compared to EUR 421 million at 31 December 2004. These figures reflected the situation before the maturity of the EUR 250 million bonds repaid in July 2005.

The Group's financial position is shown in the table below.

		December 2004	June 2005
Cash		**83**	**246**
Other financial assets	**(a)**	**54**	**46**
Total cash and cash equivalents		**137**	**292**
Bonds due in 2005		250	238
Bonds due in 2006	(b)	210	215
Total bonds		**460**	**453**
Long-term loans		36	45
Other short-term financial liabilities		25	16
Total payables to banks		**60**	**61**
Financial Leasing		38	37
Gross debt	***(c)***	**558**	**551**
Net debt		**421**	**259**

(a) The figure includes exclusively escrows and tax credits (VAT)
(b) The figure as of 30 June 2005 includes interest accrued at end June 2005
(c) Excludes shareholders loans (EUR 28.2 million at June 30, 2005)

Operating cash flow, excluding sales of non-strategic assets, was negative for around EUR 65 million in the first half of 2005 mainly due to investments. During 2Q2005, even with significant investments and marketing expenditures, there was a strong decrease in cash burn to around EUR 20 million compared with EUR 45 million in 1Q2005.

Investments (Capital expenditures)

Capex totalled EUR 67.5 million (19% of revenues) and were mainly related to the extension of the Group's unbundled network and to connection and activation of new customers. This compares to investment of EUR 36 million in 1H04.

Thanks to further upgrading, Tiscali's network now has improved coverage. In Italy, at the end of the first six months 2005, Tiscali's unbundled network had over 310 active collocations (COLOs), covering around 25% of the addressable DSL market (30% end of July). In the Netherlands, more than 230 COLOs allows the Group to cover over 60% of the addressable DSL market. In second half of 2005, investments in unbundling in the UK commenced, leveraging the improvement of the market regulatory outlook, while in Germany, Tiscali will begin testing unbundling by the end of 2005.

Significant events first half year

Significant events that took place during the first half year 2005 are mainly related to the disposal of non core countries, following the restructuring plan approved in the second half of 2004.

Disposal of non strategic assets

South Africa
On 17 January 2005, the South African competition authority approved the sale of the subsidiary Tiscali Pty Limited to MBWEB Holdings (Pty) announced on August 20th 2004, for a total amount of around Euro 40 million. On January 12th the South African competition authority approved also the disposal of the South African mobile business to Vodacom Service Provider Company Ltd, announced on October 19th 2004, for a total amount of around Euro 5.3 million. These were completed during first half year, realizing a total profit of EUR 17 million.

Denmark
On 1st February 2005, Tiscali Group sold its Danish subsidiary Tiscali Denmark A/S to Tele2 A/S a subsidiary of Tele2 AB for a total consideration of EUR 20.7 million. This amount was received on completion of the sale and generated a profit of EUR 5 million.

Excite
On 20 May 2005, Tiscali sold Excite Italia BV to Ask Jeeves Inc. for a total cash consideration of EUR 6.1 millions paid on completion of the sale and corresponding to the book value of the asset. The divesture of Excite Italia BV, which owns the Excite brand in key European countries, ratifies Tiscali's focus of its portal activities under the Tiscali brand and represents another step of the announced strategy of disposing of non-core assets.

Liberty Surf
On 5 April 2005, Tiscali and Telecom Italia signed an agreement, finalized in June pursuant to the approval of the French Stock Exchange Authority, for the purchase by Telecom Italia of Tiscali's 95% stake in Liberty Surf S.A. The price agreed by the parties for the stake held by Tiscali was approximately EUR 248.2 million, of which around 90% was received at the closing, realizing a profit of EUR 144 million.

Spin-off (Conferimento) of Italian operating activities

Tiscali SpA transferred of all its businesses operating activities in Italy to Tiscali Italia Srl, with effect from 1 January 2005. On the same date, all head office functions and services carried out on behalf of the group were transferred to Tiscali Service Srl, which will manage the information technology, media development activities and new products for the entire Tiscali Group. Both companies are wholly owned and directly controlled by Tiscali SpA.

These transactions aimed at rationalising Tiscali Group's structure and businesses and optimising performance. In addition, the formal separation of corporate functions from the Italian operating activities will provide a clearer representation of the business and financial situation of the different functions.
The transaction generated a profit of EUR 160 million, corresponding to a net book value of the assets transferred, valued on the basis of an independent report prepared as provided for by Art.2465 (Italian Civil Code), of EUR 217.2 million, of which EUR 185.9 millions related to the activities transferred in Tiscali Italia S.r.l., including goodwill.
We remind that such profit was eliminated in the consolidated financial statements of the Group.

Agreement with Neue Medien Ulm Holding

On 24 May 2005, it was defined the capital increase subscribed by Neue Medien Ulm Holding GmbH, resolved by the Extraordinary Shareholders Meeting held on 16 May 2005. By consequence, 3,500,000 shares were issued, at the price of EUR 2,436, for a total consideration of EUR 8,526,000. Neue Medien is a German Publishing Group specialized in the Consumer Information Technology and commercial partner of Tiscali.

Outlook and prospects

During second half 2005, Tiscali Group, will continue its activities in line with the business plan 2005-2007, focusing on the growth of ADSL customers and on the development of its own unbundling network. This will guaranty an improved profitability and the complete management and control of services and content offer.
As indicated in the summary of the first six months performance, in the UK, for regulatory reasons and the opportunity to manage a good flexible bit-stream offer, the ULL network project will begin during the second part of the year. In Germany, the Group will test selective unbundling, with the eventuality of higher investments on a national scale, if the regulatory background allows it.

At offering level, during second half, Tiscali will launch Triple Play services, voice and video over internet protocol. According to market trends, customers are seeking for a provider able to deliver all communication and entertainment services in a bundled offer. In such a context, Tiscali will have to grab a chance of gaining new customers, positioning itself as an integrated provider of access, services and contents.

The significant investments carried out during the first half of 2005, in infrastructure for the extension of the unbundling network, for set up costs and as well as marketing expenses, result, consistently with the business plan forecasts, in negative cash flows during the first half 2005. In this regard, we would remind that the positive operating cash flow generation is forecasted for the 2006 financial year.

The implementation of the disposal plan of “non core” assets, initiated in 2004, enabled the Group to collect financial resources for about EUR 400 million. This amount was used to pay back the EUR 250 million bonds matured in July 2005 and to push investments in those markets with high potential for value creation. The disposal plan should be completed before the end of the current financial year with the closing of the disposal of the fiber optic asset of “Tiscali International Network SAS” (TINet SAS) to Telecom Italia and with the sale of the Spanish subsidiary.

Our intention, already anticipated in the 2004 Annual Report, to collect financial resources on the market, was fulfilled in August 2005 through the closing of the EUR 150 million financing, structured and provided by Silver Point Finance LLC (description in the “Subsequent events” section of the notes). Such transaction allows Tiscali, from one hand to fully finance the business plan and, in the other hand to rely on financial resources to reimburse a significant part of the EUR 209,5 million Equity Linked Bond, with maturity date on September 2006. The remaining part of the Equity Linked Bond will be covered by the most opportune modality at the reimbursement date, considering the financial situation of the Group, not excluding the conversion option.

Taking into account sector perspectives, in which Tiscali Group operates, together with its competitive position, considering the achievement of operating performances as result of the disposal plan and refocus of the Company in “core countries”, we find the strategy fully coherent with the operating and financial break-even goal.

CORPORATE GOVERNANCE

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

At present, the governing bodies comprise the Board of Directors, the Board of Auditors and the Shareholders' Meeting.

The Board of Directors is divided into the following committees: (a) Internal Audit Committee and (b) Remuneration Committee.

The Corporate governance system is extensively described in the "Corporate Governance" section included in the 2004 Annual report, to which this section refers to entirely. All reviews and additions brought to the system during the first half of the current statutory financial year have been highlighted in this part.

On 5 May 2005 the Shareholders' ordinary Meeting, which was held in Cagliari, appointed the members of the new Board of Directors, who will stay in office until approval of the Annual report as of 31 December 2007.

The majority of the members of the previous Board have been re–confirmed in the newly appointed Board, which is currently composed of eight directors (2 executive and 6 non-executive directors, of which one is "independent"), two of which are new members (Francesco Bizzarri and Gabriele Racugno). The Board is therefore composed of Vittorio Serafino (Chairman), Ruud Huisman (Chief Executive Officer), Massimo Cristofori, Francesco Bizzarri, Victor Bishoff, Gabriel Pretre, Mario Rosso and Gabriele Racugno. Chief Executive Officer Ruud Huisman and Chief Financial Officer Massimo Cristofori are directors exercising executive tasks of the Board.

During the first half of 2005, the Board of Directors met 5 times on the following dates: 14 February, 3 March, 29 March, 12 May and 10 June.

The current members of the Internal Audit Committee, as approved on 27 July, are Vittorio Serafino, acting as the Committee's Chairman and Gabriele Racugno. Since January 2005, the Committee met 3 times, on 14 February, 29 March and 10 June.

The Remuneration Committee is composed of Mario Rosso, Victor Bishoff and Francesco Bizzarri.

Moreover, the Shareholders' meeting has once again renewed the appointment of Deloitte & Touche S.p.A. for the years 2005-2007 as the Company's indepedent auditor.

For further information and details concerning the Group's Corporate Governance we invite you to refer to the 2004 annual balance sheet as well as to the "Annual Report on Corporate Governance and on the compliance with the recommendations contained in the Code of Conduct for Listed Companies", published on the web site:
http:// investors.tiscali.com/Tiscali/Documents

ACCOUNTING STATEMENTS AND EXPLANATORY NOTES

Consolidated income statement

(all amounts in EUR thousands)

	Notes	June 30, 2005	June 30, 2004
Revenues	*5*	353,651	318,830
Other operating income	*7*	3,986	2,729
Purchase of materials and external services	*8*	244,922	230,619
Personnel costs	*9*	54,253	54,570
Other operating costs	*10*	6,051	16,153
Gross operating result		**52,411**	**20,217**
Restructuring costs, provisions for risks and write-downs	*11*	30,458	26,072
Depreciation and amortisation		68,388	61,029
Operating result		**(46,435)**	**(66,884)**
Share of profit or losses of associates with equity method		**(696)**	**207**
Net financial income (charges)	*12*	**(19,018)**	**(20,925)**
Profit (loss) before tax		**(66,149)**	**(87,602)**
Taxation	*13*	45,053	(479)
Profit (loss) from continuing operations		**(111,202)**	**(87,123)**
Profit (loss) from discontinued operations	*14*	125,741	(36,681)
Net profit (loss)		**14,539**	**(123,I804)**
Attributable to:			
- Equity holders of the Parent Company		**14,322**	**(122,698)**
- Minority interests		217	(1,106)
Earnings per share			
From continuing and discontinued operations:			
- Basic		0.04	0.32
- Diluted		0.04	0.32
From continuing operations:			
- Basic		0.28	0.23
- Diluted		0.28	0.23

Consolidated Balance Sheet

(all amounts in EUR thousands)

	Notes	June 30 2005	December 31 2004
Non-current assets			
Goodwill	15	313,461	313,461
Other intangible assets	16	134,961	126,351
Property, plant and equipment	17	160,027	177,307
Investments	18	2,785	2,643
Other financial assets	19	47,083	25,374
Deferred tax assets	20	115,199	157,301
		773,516	**802,437**
Current assets			
Inventories	21	3,011	2,000
Trade receivables	22	117,778	102,464
Other receivables and other current assets	23	67,506	77,729
Other current financial assets	24	6,137	4,913
Cash and cash equivalents	25	245,890	83,120
		440,322	**270,226**
Assets classified as held for sale	14	**81,150**	**395,597**
Total Assets		**1,294,988**	**1,468,260**
Share capital and reserves			
Share capital		198,369	196,619
Share premium reserve		953,717	1,440,874
Translation reserve		5,857	(1,763)
Retained earnings		(820,840)	(1,321,883)
Shareholders' Equity (Group)		**337,103**	**313,847**
Minority interest		**2,663**	**3,948**
Total Net equity	26	**339,766**	**317,795**
Non-current liabilities	27		
Bonds	27.1	214,951	209,500
Payables to banks and other lenders	27.2	73,654	68,113
Obligations under finance leases (m/l term)	27.3	18,733	18,591
Other non current liabilities	28	42,657	27,369
Liabilities for pension provisions and staff severance indemnities	29	6,199	5,875
Provisions for risks and charges	30	8,595	10,677
		364,789	**340,125**
Current liabilities	31		
Bonds	31.1	237,639	250,387
Payable to banks and to other lenders	31.2	16,039	25,324
Obligations under finance leases	31.3	18,041	19,220
Payable to suppliers	32	148,956	182,720
Other current liabilities	33	117,944	121,506
		538,619	**599,157**
Liabilities directly associated with assets classified as held for sale	14	**51,814**	**211,183**
Total Liabilities		**955,222**	**1,150,465**
Total Equity and liabilities		**1,294,988**	**1,468,260**

Consolidated statement of changes in shareholders' equity

(all amounts in EUR thousands)	Share Capital	Share premium reserve	Translation reserve adjustment	Retained earnings	Shareholders' equity (Group)	Minority interest	Total
Balance at 31 December 2003 according to Italian accounting principles	**184,460**	**1,506,686**	**(32,184)**	**(1,239,743)**	**419,220**	**6,336**	**425,556**
Effect of changes in accounting policy: adoption of IAS/IFRS accounting principles	-	-	32,184	(54,943)	(22,760)	(1,863)	(24,623)
Balance at 1 January 2004 IAS/IFRS	**184,460**	**1,506,686**	**-**	**(1,294,686)**	**396,460**	**4,473**	**400,933**
Capital increases	2,499	5,066	-	-	**7,565**	(324)	**7,241**
Transfers covering losses	-	(114,534)	-	114,534	**-**	-	**-**
Conversion differences and other changes	-	-	(7,976)	(1,969)	**(9,945)**	1,831	**(8,114)**
	2,499	**(109,468)**	**(7,976)**	**112,565**	**(2,380)**	**1,507**	**(873)**
Net profit (loss) for the period	-	-	-	(122,698)	**(122,698)**	(1,106)	**(123,804)**
	2,499	**(109,468)**	**(7,976)**	**(10,133)**	**(125,078)**	**401**	**(124,677)**
Balance at 30 June 2004	**186,959**	**1,397,218**	**(7,976)**	**(1,304,819)**	**271,382**	**4,874**	**276,256**
Balance at 1 July 2004	**186,959**	**1,397,218**	**(7,976)**	**(1,304,819)**	**271,382**	**4,874**	**276,256**
Capital increases	9,660	43,657	-	-	**53,317**	-	**53,317**
Transfers covering losses	-	(1)	-	-	**(1)**	324	**323**
Conversion differences and other changes	-	-	6,213	(7,918)	**(1,705)**	(15)	**(1,720)**
	9,660	**43,656**	**6,213**	**(7,918)**	**51,611**	**309**	**51,920**
Net profit (loss) for the period	-	-	-	(9,146)	**(9,146)**	(1,235)	**(10,381)**
	9,660	**43,656**	**6,213**	**(17,064)**	**42,465**	**(926)**	**41,539**
Balance at 31 December 31 2004	**196,619**	**1,440,874**	**(1,763)**	**(1,321,883)**	**313,847**	**3,948**	**317,795**
Effects of the adoption of IAS 32 and 39 accounting principles	-	(4,155)	-	110	**(4,045)**	-	**(4,045)**
Balance at 1 January 2005	**196,619**	**1,436,719**	**(1,763)**	**(1,321,773)**	**309,802**	**3,948**	**313,750**

(all amounts in EUR thousands)	Capital	Share premium reserve	Translation reserve adjustment	Retained earnings	Shareholders' equity (Group)	Minority interest	Total
Balance at 1 January 2005	**196,619**	**1,436,719**	**(1,763)**	**(1,321,773)**	**309,802**	**3,948**	**313,750**
Capital increases	1,750	6,776	-	-	**8,526**	-	**8,526**
Transfers covering losses	-	(489,778)	-	489,778	**-**	-	**-**
Conversion differences and other changes	-	-	7,620	(460)	**7,160**	-	**7,160**
Effects due to changes in consolidation following disposals	-	-	-	-	**-**	(1,502)	**(1,502)**
Loss due to minority interest attributed to the Group	-	-	-	(2,707)	**(2,707)**	-	**(2,707)**
	1,750	**(483,002)**	**7,620**	**486,611**	**12,979**	**(1,502)**	**11,477**
Net profit (loss) for the period	-	-	-	14,322	**14,322**	217	**14,539**
	1,750	**(483,002)**	**7,620**	**500,933**	**27,301**	**(1,285)**	**26,016**
Balance at 30 June 2005	**198,369**	**953,717**	**5,857**	**(820,840)**	**337,103**	**2,663**	**339,766**

Consolidated Cash Flow Statement

(All amounts in EUR thousands)	30 June 2004	30 June 2005
OPERATING ACTIVITIES		
Net result for the period from operating activities (continuing)	(86,014)	(111.418)
Adjustments for:		
Depreciation of property, plant and equipment	27,330	30,038
Amortisation of intangible assets	33,699	38,350
Share of profit of associates with equity method	207	32
Provision increases	2,201	3,000
Current income taxes	(479)	-
Deferred income taxes	-	45,053
Staff severance and pension obligations	1,522	1,655
Financial charges	30,588	25,282
Cash flows of operating activity before changes in current assets	**9,054**	**31,992**
(Increase)/Decrease in commercial and other activities	68,701	(909)
(Increase)/Decrease in inventories	1,885	(1,010)
(Increase)/Decrease in commercial and other liabilities	(42,555)	(22,042)
Cash generated by operating activities	**37,085**	**8,031**
Decreases of provisions for risks and charges	(8,903)	(5,080)
Decreases of staff severance provisions	(4.533)	(1,331)
Deferred tax asset change	3,157	(2,951)
Interest paid	(17,500)	(13,016)
NET CASH GENERATED BY OPERATING ACTIVITIES	**9,306**	**(14,347)**
INVESTING ACTIVITIES		
Increase in receivables from investment disposal	**-**	(38,678)
Proceeds on disposal of property, plant and machinery	-	158
Acquisition of property, plant and machinery	(27,642)	(15,551)
Net increases from other intangible assets	(8,844)	(51,971)
Decreases in tangible assets, including those disposed of and held for sale:		
- Tangible assets	40,342	2,633
- Intangible assets	60,423	5,014
NET CASH USED IN INVESTING ACTIVITIES	**64,279**	**(98,395)**
FINANCING ACTIVITIES		
Increases of share capital	2,499	1,750
Decreases and write-down of financing fixed assets	30,632	11,390
Redemption of bond issues	(7,406)	-
Changes in bond issue due to application of IAS 39	-	(7,297)
Increase (decrease) of short-term payables to banks	(35,974)	(23,551)
Change of short-term financing liabilities	(1,194)	821
Change of medium/long–term financing liabilities	9,312	9,976
Payables to shareholders for financing	-	(4,294)
Changes in shareholders’ equity	11,068	(8,057)
Change of shareholders’ equity pertaining to minorities	401	(1,285)
Effect of changes on foreign currency exchange rates	(7,976)	7,620
NET CASH ARISING FROM /(USED IN) FINANCING ACTIVITIES	**1,362**	**(12,927)**
Result on activities disposed of and held for sale	(36,681)	125,741
Change of activities disposed of and held for sale net of cash	(170,373)	270,412
Change of liabilities related to activities held for sale	73,520	(159,369)
INCREASE / (DECREASE) OF CASH AND CASH EQUIVALENTS	**(58,587)**	**111,115**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR:		
Cash and cash equivalents of operating activities at the beginning of the financial year	**203,544**	**83,120**
Cash and cash equivalents of activities disposed of and held for sale at the beginning of the financial year	-	45,293
	203,544	**128,413**
CASH AND CASH EQUIPMENT AT THE END OF THE FINANCIAL YEAR:		
Cash and cash equivalents of operating activities at the end of the financial year	**124,562**	**245,890**
Cash and cash equivalents of activities disposed of and held for sale at the end of the financial year	12,419	1,258
	136,981	**247,148**

EXPLANATORY NOTES

Tiscali S.p.A. is a limited company incorporated under the laws of the Republic of Italy at the Company Registry of Cagliari. The addresses of the registered office and of the principal places of business of the Group are disclosed in the introduction to the half-year report. The principal activities of Tiscali and of its subsidiaries are described in the Operating Performance section of this report.

The financial information included in this half-year report is presented in Euro (EUR) which is the currency used to conduct most of the Group's operations. Foreign activities have been included in the consolidated half-year report according to the principles detailed in these notes.

These half-year accounts have been prepared on a going concern basis, since the prospects for the sector in which Tiscali operated and the Group's competitive position mean that its target of achieving a better financial structure is well within its grasp, as the business plan indicate. The implementation of the disposal programme concerning investments held in countries considered "non strategic", started in 2004, together with the financing operation concluded in August 2005, arranged and provided by Silver Point Finance LLC, enabled the Tiscali Group to raise significant financial resources. These resources, partly used for the redemption of the EUR 250 million bonds issue due in July 2005, enable the Group to support its business plan and provide on the other side the availability of financial resources to be destined to the redemption of a significant portion of the EUR 209.5 million convertible bonds due in September 2006. The ability of the Group to attain the targets set out in the business plan is therefore a key factor significantly affecting the development of Tiscali's financial position as well as the stability of its businesses and finances.

1. FORMAT AND CONTENT OF ACCOUNTING REPORTS / ADOPTION OF THE NEW ACCOUNTING PRINCIPLES

In accordance with the provisions of art.1 of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions, and in particular the amendment pertaining to Consob regulation n.14990 of 14 April 2005, the half-year report at 30 June 2005, has been prepared adopting the standards for measurement and valuation established by International Financial Reporting Standards (IFRS – International Financial Reporting Standards) and expected to be effective at 31 December 2005. In particular the half-year report has been prepared in accordance with the international accounting standard (IAS 34) for interim financial reports, adopted according to the procedure detailed in art. 6 of regulation (EC) n. 1606/2002, and falls therefore in the field of application of IFRS 1 – 'First time adoption of IFRS', in consideration of the fact that the 2005 end year financial statements will be prepared in accordance with the IFRS.

The half-year report is made up by the accounting statements (income statement, balance sheet, statement of changes in shareholders' equity and cash flow statement), completed by explanatory notes. The income statement has been prepared in accordance with the minimum requirements established by IAS 1 – Presentation of financial statements – classifying expenses by nature; the balance sheet has been prepared according to the format that makes a distinction between current and non current assets and liabilities, while the cash flow statement has been prepared according to the indirect method. It should be pointed out however that information included in this report should not be considered as comparable to that of a complete financial statement complying with IAS 1.

Starting with the financial year 2005, with the above mentioned European Regulation n.1606/2002 coming into effect, the Tiscali Group has adopted the new International Financial Reporting Standards (IFRS – International Financial Reporting Standards e 'IAS' – International Accounting Standards) issued by 'IASB' (International Accounting Standards Board) and endorsed by the European Union, as well as the interpretations included in the documents of the International Financial Reporting Committee ('IFRIC'), previously known as Standing Interpretation Committee ('SIC') that are considered applicable to the Tiscali Group's operations starting from the current financial year.

The Appendix 'Transition to International Financial Reporting Standards includes the reconciliation statements provided by the IFRS 1 principle, together with the necessary explanatory notes relating to the effects deriving from the adoption of such principles.

The financial statements and other interim statements (quarterly and half-year reports) for the previous years have been prepared according to the Italian accounting principles. Therefore, as required by current regulations, equivalent items from periods preceding this half-year report, presented for comparison purposes, have been restated according with the International Financial Reporting Standards (IFRS/IAS).

Please note that the principles adopted in the preparation of this half-year consolidated report may not entirely comply with the IFRS provisions in force at 31 December 2005 both due to future stance of the European Commission on the approval of the international accounting principles and to the issue of new standards or interpretations by the appropriate authorities.

2. ACCOUNTING PRINCIPLES

2.1 General principles

The half-year report has been prepared for the first time in compliance with the International Financial Reporting Standards (IFRS). The principal accounting principles are detailed below. These policies have been consistently applied to all the periods presented, except for those relating to the classification and measurement of financial instruments. The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from 1 January 2005. The policies applied to financial instruments are disclosed below.

The preparation of the half-year report in compliance to IAS 34 requires management to make accounting estimates and in some cases assumptions in the application of accounting principles. The areas where assumptions and estimates are significant to the consolidated interim financial statements are disclosed in note 4 to this section.

2.2 Basis of consolidation
The basis of consolidation includes the parent company Tiscali S.p.A. and the companies over which Tiscali – either directly or indirectly – has the power to govern the financial and operating policies in view of the economic benefits derived from their activities. In the specific circumstances relative to Tiscali control involves the majority of vote rights exercisable at ordinary shareholders' meetings of companies included in the basis of consolidation.

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

All significant inter-company transaction within the Group and the relevant balances are eliminated at consolidation, as well as unrealised gains and losses from intra-group operations.

Minority interests and net profit attributable to minorities are listed separately from the Group's equity, on the basis of the percent they own of the activities of the Group.

2.3 Business combinations and Goodwill
The acquisition of subsidiaries is accounted for using the purchase method, as provided by IFRS 3 – *Business combination*. The cost of the acquisition is measured as the aggregate of the fair values, at the date of the exchange, of assets given, liabilities incurred or assumed concerning the acquired company, and the equity instruments possibly issued by the Group in exchange for control of the acquiree, plus any cost directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised represents the goodwill arising on acquisition that is recognised as an asset and initially measured at cost. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair values of the assets, liabilities and contingent liabilities recognised.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. As provided by IFRS 3 the Group has therefore elected, starting on January 1, 1004 (the date established for the transition to the IFRS) to discontinue the amortisation of goodwill and to proceed to impairment testing in order to identify any decrease in value.

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

The loss of value, if any, is identified by means of measurements referring to the ability of each 'unit', identifiable in this case with the subsidiary, to generate cash flows such as to recover the goodwill allocated to the unit. The recoverable amount is the higher between the 'fair value' less costs to sell and its value in use. The future expected cash flows are discounted using a discount rate that reflects the current market estimate of the cost of money, the cost of capital and the specific risks of the unit. If the estimated recoverable amount of the unit under examination is lower than the relevant carrying value, it is decreased to the least recoverable value. The impairment losses are recognised in income statement among write-down costs and are not subsequently reversible.

Being a first-time adoption of IFRS and making use of exemptions provided by IFRS 1, the Group did not deem to avail itself of the option ‘to reconsider’ acquisition operations effected before 1 January 2004. Consequently the goodwill deriving from company acquisitions preceding such date has been recorded as in the last accounts complying with the preceding accounting principles (1 January 2004, date of transition to IFRS), upon testing for possible loss of value at the date of preparation of this report. After 1 January 2004 no subsidiary has been acquired by the Group.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Investments in affiliated companies

Affiliated companies are those over which the Group has significant influence that is the power to participate in the financial and operating policy decisions of the investee, but no control nor joint control over those policies.

Investments in affiliated companies are entered on balance sheet as Non current Assets and are accounted for by the equity method. Under the equity method investments in associates are carried in the consolidated balance sheet at the acquisition cost, as adjusted for post-acquisition changes in the net assets of the associate, less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the date of acquisition is recognised after reassessment in profit or loss in the financial year of acquisition.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred hedging obligations

2.5 Assets held for sales and discontinued operations

Assets and/or disposal groups, related to investments in non-strategic subsidiaries held for sale (‘Assets Held for Sale and Discontinued Operations)’, as required by IFRS 5 (applicable as allowed from 1 January 2004), are specifically classified in the balance sheet and are measured at the lower of the of the assets’ previous carrying amount and fair value, less costs to sell. The assets (related to investments) are thus classified if their carrying amount will be recovered through a sale transaction rather than through continuing use This condition is regarded as met only when the sale is highly probable, the asset (or disposal group) is available for immediate sale in its present condition and the Board of Directors of the parent company is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

For the purposes of classification in the income statement the gains and losses related to assets held for sale and/or discontinued operations are listed under the item ‘Results of discontinued operations’ in the occurrence of the conditions listed below and established by IFRS 5 with reference to such operations:

a) operations representing a major line of business or geographical area of operations;
b) being part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or;
c) subsidiaries acquired exclusively with a view to resale.

The components disclosed below are presented as a single amount in the profit and loss statement under ‘Results of discontinued operations:

- the period results achieved by subsidiaries held for sale, including the adjustment of the relevant net asset at fair value;
- the result of the ‘discontinued’ operations, including the period result achieved by subsidiaries up to the date of sale to third parties, together with profits and/or losses deriving from disposal

The analysis of the components of the overall results for the operations under review is reported in the explanatory notes.

2.6 Foreign currency transactions

The financial statements of foreign subsidiaries are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of the consolidated half-year report the results and financial position are presented in euro, which is the Company’s functional currency and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than euro are initially recorded at the rates of exchange prevailing on the dates of the transactions. At the reference date the monetary assets and liabilities denominated in the above mentioned foreign currencies are retranslated at the rates prevailing at such date. Non monetary items carried at ‘fair value’ that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included on profit or loss for the period.

For the purpose of presenting the consolidated half-year report the assets and liabilities of foreign subsidiaries, having functional currencies other than euro, are translated into euros at the rates prevailing on the balance sheet date. Income and expense items are translated at the average change rates for the period. The exchange differences arising from the application of such methodology are classified as equity under Translation reserve. Such reserve is recognised in profit or loss in the period in which the foreign operation is disposed of.

2.7 Other intangible assets

Computer software – Development costs

Acquired computer software licenses are capitalised and included among intangible assets at the cost incurred to acquire and are amortised on a straight-line basis over their estimated useful lives.

Internally-generated intangible assets arising from the costs supported for the development of application software under the control of the Group and directly associated to the production of services, concerning in particular the 'technological platforms' for the access and management of the Tiscali network, are recognised if the following conditions are met: (a) the asset created can be identified; (b) it is probable that the asset created will generate future economic benefits; (c) the development cost of the asset can be measured reliably.

These internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives.

The costs associated with the development and the ordinary maintenance of computer software programs, not meeting the above mentioned requirements, and costs supported for research purposes are entirely charged to income statement in the period in which they are incurred.

Multi-year rights of use (IRU – 'Indefeasible Right of Use')

The IRU mainly refer to costs supported for the purchase of multi-year rights of use of the fiber optics network, i.e. of the 'transmission capacity'; the relevant amortisation is calculated using the straight-line method, either over the remaining life of the agreement or the estimated period of use of the right, whichever is the shorter.

Costs of activation of broadband service

This refers to investments incurred for the activation of broadband (ADSL) services, such as contributions for connection to the Tiscali network to 'networks managers' in the various geographic areas and relevant user equipment. These capitalised costs are amortised on a straight-line basis in relation to the minimum legal duration of the customer contract, currently of 12 months, after which the contract is tacitly renewed, though the client is granted the option to recede without penalty in favour of. For amortisation purposes the reference period is significantly shorter as compared to the expected duration of the contract, usually of 36 months on the average, taking into account the company's statistics and the conditions of the market. The standard adopted complies with provisions by IAS 38 – Intangible asset, considering that the customer may not renew his contract once elapsed the minimum period of twelve months.

2.8 Property, plant and equipment
All property, plant and equipment is shown at acquisition or production cost, including expenditure directly attributable to the acquisition of the items, less subsequent depreciation and impairment. No revaluation is provided or such tangible assets.

Depreciation on assets is calculated using the straight-line method on the cost of each asset less the relevant residual value, if any, over its estimate useful life, as follows:

Land and Buildings	3%
Plant and machinery	12%-20%
Equipment	12%-25%

The depreciation rates adopted for network equipment associated with the IP and Ethernet technologies (such as routers and L3/L2 switch), representing the most significant plant category, have been determined on the basis of a report commissioned to an independent consultant.

Routine maintenance expenses are charged to the income statement in full, in the financial year in which the costs were incurred, while maintenance expenses of an incremental nature are attributed to the asset to which they refer and are depreciated over the estimated residual life of the asset.

Upgrade costs on third-party assets under operating lease agreements are capitalised, posted under the relevant line of tangible assets and are amortised over either the estimated useful life of the asset or the remaining term of the lease, whichever is shorter.

Gains and losses arising on disposals of items of property, plant and equipment are determined by comparing sales proceeds with carrying amount and are recognised in profit and loss for the year.

Assets on finance lease
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are considered operating leases.

Assets held under finance leases are recognised as asset of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lesser is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation. Financial charges are directly charged to the income statement of the year.

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

Operating lease payments are recognised in the income statement as costs and are posted on the basis of pro-tempore accounting principle.

2.9 Impairment of tangible and intangible assets

The carrying amount of Other intangible assets and of Property, plant and equipment are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Intangible assets with unlimited useful life (goodwill) are tested annually or more frequently if there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash Generating Unit (CGU) to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment on the time-value of money and the risk specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset, is reduced to its recoverable amount. The relevant impairment loss is recognised in profit or loss under write-downs. If the reasons for the loss of value are considered to no longer apply in the current year the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. A reversal of an impairment loss is profit or loss.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Considering the circumstances and characteristics of the Group's activities, cost refers to direct materials. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated cost of completion and costs to be incurred in marketing.

2.11 Financial instruments

Financial instruments, i.e. contracts giving rise to financial assets and financial liabilities or equity instruments of another entity, as defined in IAS 32 (Financial Instruments: Disclosure and Presentation') and IAS 39 (Financial Instruments: Recognition and Measurement), are recognised on balance sheet at their 'fair value' when the Group becomes a party to the contractual provisions of the instrument (trade date). Liabilities are classified in accordance with the substance of the contractual arrangement from which they arise and the relevant definitions of a financial liability.

Concerning contracts negotiated at market price, the fair value of the instrument is equivalent to purchase cost (nominal value of the transaction). The external costs and profits from transactions directly attributable to the negotiation, such as intermediation costs, are considered when initially recognising the instrument, unless the same is measured at fair value.

The measurement of *financial assets* is performed, depending on the characteristics of the instrument, at fair value or on the basis of amortised cost. As to *financial liabilities*, taking into account the methods of adoption of IAS 32 and IAS 39, respectively established by Regulation (EC) n. 2237 of December 29, 2004 and by Regulation n. 2086 of November 19, 2004, and of the "carve-outs" included in the same, these are measured on the basis of amortised cost. The measurement at fair value is applied limitedly to those financial liabilities possibly held for trading and to the derivative financial instruments.

The 'fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction'.

The measurement on the basis of amortised cost involves the recognition of the asset or liability at the measurement value initially recognised, deducting any redemption of equity, increased or decreased, applying the effective interest method, of the total depreciation of any difference between the initial value and that at maturity. These amounts shall in any case be adjusted following a decrease of value or an irretrievability condition. The effective interest rate is the rate that reduces at source the future contractual cash flows to the net amount of the financial asset or liability. The calculation also includes the external expenses and income directly assigned during the initial recognition of the financial instrument. As to instruments regarding which no expense or income to be capitalized have been identified, the amortised cost equals cost, as the effective interest rate is represented by the nominal interest rate.

The accounting principles adopted for specific assets and liabilities are disclosed below. As specified in Appendix 'Transition to IFRS principles', Tiscali made use of the option provided by IFRS 1 to adopt the measuring principles for financial instruments established by IAS 32 and IAS 39 starting with the consolidated balance sheet at 1 January 2005. The data relative to the preceding years, presented for comparative purposes, have been prepared according to the Italian accounting principles.

Other financial assets

Financial assets such as *Term Deposits* and *Surety deposits* that the Group has the expressed intention and ability to hold to maturity ('Held to maturity') and that do not meet the requirements for classification as cash or cash equivalents, are recognised and derecognised on a trade date basis. These assets are initially recorded at fair value and subsequently measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts.

Investments, other than those in affiliated companies, are included in non-current assets under 'Other financial assets' and are measured, consistently with IAS 39 provisions for financial assets 'available for sale' at fair value o alternatively at cost whenever fair value is not reliably determinable. Gains and losses arising from changes in fair value are directly recognised in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. The original value is re-established in the following financial year if the reasons for the loss of value are considered to no longer apply.

Trade receivables and other receivables

Trade receivables are initially measured at their nominal value (representative of the 'fair value' of the operation) and are subsequently measured at amortised cost, less provisions for impairment, that are recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

As far as short-term trade receivables, considering the scarce significance of the period of time, the measurement at amortised cost is equivalent to the nominal value, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalent include cash in hand, deposits held at call with banks, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value, corresponding to their nominal value, or at cost plus interest charges, if any.

Bonds

Bond are initially recognised at their fair value, that is on the basis of the proceeds, less the additional charges directly attributable to the operation. Bond issues are subsequently measured at amortised cost, net of capital redemption, adjusted on the basis of amortisation of any differences between the proceeds at the date of issuance of the instrument and the redemption value at maturity (arising from agio, disagio, issue costs and redemption premium), recognised in the income statement over the period of the operation, using the effective interest method.

Bank borrowing

Interest-bearing bank loans and overdrafts are recorded on the basis of the amounts received net of transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

Payables to suppliers and other payables

Trade payables and other payables are measured at amortised cost which, considering the characteristics and maturity of such payables, is generally equivalent to the nominal value.

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

Derivative instruments are recorded and subsequently measured at fair value. Concerning hedging instruments, the Group adopts the rules established by IAS 39 on ‘Hedge accounting’, as follows:

Cash flow hedge
These derivative instruments aim at hedging exposure to fluctuations in future cash flows arising in particular from risks associated to the variability of interest rates on loans. The changes in the fair value of derivative financial instruments that are effective as hedges are recognised in equity while the ineffective portion is recognised in profit or loss. The effectiveness of hedging, that is the ability to adequately offset the fluctuations caused by the hedged risk, is periodically tested analysing in particular the correlation level between the ‘fair value’ or the cash flows of the hedged issue and those of the hedging instrument.

Fair value hedge
Hedging instruments fall within this classification when aimed at hedging changes of the fair value of an asset or liability that are attributable to the hedged risk. Hedging is recognised through recording in profit and loss of changes of value related both to the hedged item, as far as changes caused by the underlying risk, and to the hedging instrument. Any difference, representing the partial ineffectiveness of hedging, corresponds therefore to the net financial effect.

Concerning financial instruments that do not qualify for hedge accounting the changes arising from the evaluation at fair value of the derivative financial instrument are recognised in profit and loss.

2.12 Liabilities associated with pension obligations and staff severance indemnities
The defined benefit plans (as classified by IAS 19), as in particular the Staff Severance indemnities relating to employees of the parent company and of other subsidiaries registered in Italy, are based on valuations performed at the end of each financial year by independent actuaries. The liability recognised in the balance sheet is the present value of the obligation payable on retirement and accrued by employees at balance sheet date. Please note that no activity is supporting the above plan. The Group did not adopt the ‘corridor approach’ therefore the actuarial gains and losses are entirely recognised in the period in which they arise and are directly recorded on profit and loss.

Payments effected with reference to pension plans and defined contributions plans managed by third parties are recorded on profit or loss in the period in which they are due. The Group does not recognise post-employment benefit obligations: periodic contributions do not therefore involve further liabilities or obligations to be recognised on balance as such.

2.13 Provisions for risks and charges
Provisions for risks and charges are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the director’s best estimate of the expenditure required to settle the

obligation at the balance sheet date and are discounted to present values where the effect is material.

2.14 Revenue recognition

Revenues from sales of services are recognised net of discounts, rebates and bonuses in the period in which the services are rendered by reference to completion of the specific transaction. In particular for revenues from internet access services (‘narrowband’ and ‘broadband’) and voice services the recording on profit and loss occurs on the basis of the actual traffic at the reference date and/or periodic service rental payable at the same date.

Revenues related to the activation of broadband services (ADSL), consistently with the relevant costs capitalised among intangible assets, are recognised in profit and loss on a straight-line basis in relation to the minimum legal duration of the customer contracts, generally of 12 months. Amounts relating to other financial periods are recorded under other current liabilities as deferred income.

2.15 Financial income and charges

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

2.16 Taxation

Income tax expense for the year includes the tax currently payable and deferred tax.

The *tax currently payable* is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred taxes are taxes possibly to be paid or recovered on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences arising in the Group’s companies and subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets, arising from temporary differences and/or previous losses, are recognised to the extent that it is probable that taxable profits will be available in the future against which deductible temporary differences and/or previous losses can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SPECIFIC CRITERIA FOR THE RECOGNITION OF INTRA-ANNUAL RESULTS

3.1 Seasonality
The half-year income statement is not significantly affected by phenomena associated to business seasonality. Seasonality phenomena, basically associated to revenue performance, occur essentially in the third quarter of the year, in coincidence with the summer holidays.

3.2 Taxation
Taxes are calculated on the result for the period using the tax rate that the Group expects to apply to the results for the financial year.

3.3 Costs
Costs that are incurred unevenly during the financial year shall be anticipated and/or deferred at the end of the half-year period only to the extent that anticipation and/or deferral of that type of cost complies with the accounting principles adopted for the annual report.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRINCIPLES AND IN THE USE OF ESTIMATES

In the process of applying the accounting principles disclosed in the preceding section, Tiscali's directors made some significant judgements in view of the recognition of amounts in the half-year report. The director's judgements are based on historical experience as well as on expectations associated to the realisation of future events and considered reasonable in the circumstance.

4.1 Assumptions for the application of accounting principles

Revenue recognition criteria
Revenues related to the activation of broadband services (ADSL) are deferred as the underlying benefits affect the entire duration of the customer contracts. The directors have deemed appropriate to differ the recognition of these revenues (consistently with the corresponding activation costs, that have been capitalised among intangible assets) for a period of twelve months notwithstanding a significantly longer expected duration of the customer contract. The assumption adopted in applying IAS 18 'Revenues recognition' reflects a cautious interpretation of such principle considering that the customer may not renew his contract once elapsed the minimum period of twelve months.

4.2 Accounting estimates and relevant assumptions

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

Income taxes
The determination of income tax, in particular with reference to deferred taxes, involves to a significant extent the use of estimates and assumptions.

Provisions for risks and charges
Provisions for risks and charges related to potential legal and fiscal liabilities are established following estimates performed by directors on the basis of judgements developed by the Group legal and fiscal advisers, concerning the charges that are reasonably deemed to be incurred in order to settle the obligation. When the final determination of such obligation amounts differs from the recognised provision, the Group's income statement is impacted.

5. Revenues

The breakdown of revenues of the operating assets by country and by business segments is disclosed below.

Revenues by country (EUR thousands) (*)	30 June 2005	30 June 2004
Italy	96,724	96,193
United Kingdom	148,019	117,839
The Netherlands	49,757	44,050
Germany	41,409	46,959
Other	17,742	13,789
	353,651	**318,830**

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

Revenues by business segment (EUR thousands)	30 June 2005	30 June 2004
Dial up access revenues	*116,144*	*137,451*
Broadband ADSL access revenues	*146,476*	*87,663*
Access revenues	262,620	225,114
Voice revenues	43,994	48,166
Business revenues	28,530	26,851
Media revenues (portal and others)	14,606	14,369
Other revenues	3,900	4,330
	353,651	**318,830**

The increase in revenues is mainly determined by the development of broadband services in the segment access. The detailed analysis on the half-year profit and loss performance is included in the report on operations.

6. Segment information (by country and line of business)

The activities of the Tiscali Group and the relevant strategies, as well as activities of subsidiaries, are articulated and defined by geographical segment, this being therefore the primary reporting segment for the purposes on segment information, as required by IAS 14. Geographical segments are represented in particular by the four main countries where the Tiscali Group operates (Italy, Germany, The Netherlands and the United Kingdom). This note reports the main results of these business segments, together with the balance sheet data of the various geographical segments and other information required by the reference principles.

Lines of business (Access, Voice, Business services / Business, Media) represent the secondary segment of reporting. The information relative to the half-year segment revenues has already been reported in the preceding note 5.

Results by geographical segment

Income statement

30 June 2005 *EUR thousands*	**Italy**	**United Kingdom**	**The Netherlands**	**Germany**	**Other**	**Segment results**	**Unallocated**	**Operating assets**
Revenues and other income							-	
From third parties	97,349	148,019	49,757	42,559	14,147	351,831	5,806	357,637
Inter-segment	2,338	237	-	732	1,833	5,140	(5,140)	-
Total revenue	**99,687**	**148,256**	**49,757**	**43,291**	**15,980**	**356,971**	**666**	**357,637**
Gross operating result	**15,506**	**22,088**	**12,160**	**5,723**	**2,747**	**58,224**	**(5,813)**	**52,411**
Operating result	**(3,402)**	**(3,683)**	**(5,845)**	**(2,319)**	**(1,505)**	**(16,754)**	**(29,681)**	**(46,435)**

Other income, totalling EUR 4,0 is essentially related to 'corporate' activities

30 June 2004 *EUR thousands*	**Italy**	**United Kingdom**	**The Netherlands**	**Germany**	**Other**	**Segment results**	**Unallocated**	**Operating assets**
Revenues and other income							-	
From third parties	95,336	117,840	44,050	47,473	14,475	319,174	2,384	321,558
Inter-segment	1,296	836	-	1,149	2,393	5,674	(5,674)	-
Total revenue	**96,632**	**118,676**	**44,050**	**48,622**	**16,868**	**324,848**	**(3,290)**	**321,558**
Gross operating result	**2,362**	**11,926**	**9,215**	**1,963**	**2,180**	**27,646**	**(7,430)**	**20,217**
Operating result	**(14,455)**	**(11,835)**	**(2,940)**	**(16,655)**	**(2,316)**	**(48,201)**	**(18,682)**	**(66,884)**

Other segment data and financial positions

30.06.2005 BALANCE SHEET *EUR thousands*	**Italy**	**United Kingdom**	**The Netherlands**	**Germany**	**Other**	**Segments**	**Unallocated**	**Continuing operations**
Assets								
Segment assets	197,764	175,780	66,879	35,456	49,856	525,735	371,695	897,430
Investments – equity method	2,785	-	-	-	-	2,785	-	2,785
Investments in other companies	162	-	-	-	-	162	-	162
Goodwill	3,406	181,333	35,517	91,395	1,810	313,461	-	313,461
Total consolidated assets	**204,117**	**357,113**	**102,396**	**126,851**	**51,666**	**842,143**	**371,695**	**1,213,838**
Liabilities								
Segment liabilities	163,211	82,996	50,493	19,863	14,596	331,159	572,249	903,408
Total consolidated liabilities	**163,211**	**82,996**	**50,493**	**19,863**	**14,596**	**331,159**	**572,249**	**903,408**
OTHER INFORMATION								
Investments (Capex)	15,015	28,332	13,748	1,584	720	59,399	8,123	67,522
Depreciation and amortisation	13,107	22,245	15,992	4,644	-	3,965	8,435	68,388
Provisions and write-down	2,482	3,882	1,313	3,347	287	11,311	3,314	14,625

31.12.2004 BALANCE SHEET *EUR thousands*	**Italy**	**United Kingdom**	**The Netherlands**	**Germany**	**Other**	**Segments**	**Unallocated**	**Continuing operations**
Assets								
Segment assets	177,906	161,234	74,473	42,832	51,134	507,580	236,272	743,851
Investments – equity method	2,642	-	-	-	-	2,642	-	2,642
Investments in other companies	162	-	-	-	-	162	12,546	12,708
Goodwill	3,406	181,333	35,518	91,396	1,809	313,462	-	313,462
Total consolidated assets	**184,116**	**342,567**	**109,991**	**134,228**	**52,943**	**823,846**	**248,818**	**1,072,663**
Liabilities								
Segment liabilities	152,308	68,417	57,270	24,188	18,711	320,894	618,388	939,282
Total consolidated liabilities	**152,308**	**68,417**	**57,270**	**24,188**	**18,711**	**320,894**	**618,388**	**939,282**
OTHER INFORMATION								
Investments (Capex)	66,976	6,707	37,497	2,708	11,586	125,474	-	125,474
Depreciation and amortisation	47,696	36,908	25,494	9,400	7,458	126,957	2,261	129,217
Provisions and write-downs	7,489	7,064	2,172	4,696	264	21,685	8	21,692

7. Other income

Other income includes contributions on account of the financial year by the parent company as well as some contingent assets and non-recurrent income, mainly related to 'corporate' activities.

8. Purchase of materials and external services

EUR thousands	**30 June 2005**	**30 June 2004**
Purchase of raw materials and goods for resale	127	376
Line/traffic rental costs	118,679	111,453
Interconnection costs	23,039	22,375
Costs for use of third party assets	8,342	9,854
Portal services	11,762	10,210
Marketing costs	64,933	41,303
Other services	18,040	35,048
Total	**244,922**	**230,619**

The purchases of raw materials, supplies, consumables and goods include the cost of consumables and equipment for pre-paid telephone cards and goods intended for resale.

The increase of costs, as compared to the first-half result of the preceding financial year, equal to about EUR 14 million, should be related to the significant increase of revenues. The cost figures, in particular those relative to the line/traffic rental costs, show the reduced impact of these on revenues, thanks to the efficiency arising from the progressive development of the '*unbundling*' ADSL network.

9. Personnel costs

EUR thousands	**30 June 2005**	**30 June 2004**
Wages and salaries	41,683	43,011
Other personnel costs	12,570	11,559
	54,253	**54,570**

Personnel costs are in line with the same period of 2004, against a reduction for the same on revenues (from 17% to 15%).

At 30 June 2005 the Tiscali Group had 1,919 employees. The relevant categories are disclosed below together with the corresponding figure at 31 December 2004.

	30 June 2005	31 December 2004
Senior managers	74	85
Middle managers	363	370
Office staff	1,469	1,471
Manual workers	13	13
Total	**1,919**	**1,939**

10. Other operating costs

The table below shows a breakdown of these costs:

EUR thousands	30 June 2005	30 June 2004
Other operating expenses	2,390	319
Contingencies, capital losses and other non recurrent costs	3,661	15,834
	6,051	**16,153**

The decrease is due to the drop of non recurrent issues that affected the preceding financial year.

11. Restructuring costs, risk provisions and write-downs

EUR thousands	30 June 2005	30 June 2004
Write-down of receivable	9,970	10,019
Restructuring costs and other write-downs	17,488	13,852
Provisions for risks and charges	3,000	2,201
	30,458	**26.072**

Restructuring costs chiefly relate to charges for operating activities in Germany, as well as to charges related to the reorganization of activities and functions pertaining to the sub-holding Tiscali International BV and determined by the disposal of investments controlled by the same, involving the redefinition of the role of such company within the Group. The balance at 30 June 2005 also includes equipment write-downs totalling approximately EUR 5 million.

12. Financial income and charges

Breakdown of net financial charges for the six-month period, equal to EUR 19 million:

EUR thousands	**30 June 2005**	**30 June 2004**
Financial income		
Interest on bank deposits	2,087	575
Interest earned	3,444	7,961
Other	732	1,128
	6,263	**9,664**
Financial charges		
Interest on bond	17.500	22,644
Interest and other charges due to banks	2,803	2,202
Interest due to affiliated companies	8	1,443
Other financial charges	4,970	4,300
	25,281	**30,589**
Net financial charges	**(19,018)**	**(20,925)**

Financial income is mainly due to gains from swap contracts (IRS) related to the bond maturing in July 2005, while financial charges are related to the Group overall debt. In particular, interest on bond also includes losses from the above mentioned swap contracts (respectively equal to EUR 5.5 million at 30 June 2005 and EUR 9 million at 30 June 2004). Other financial charges include interests on financial lease contracts.

13. Taxation

EUR thousands	**30 June 2005**	**30 June 2004**
Income tax	45,053	(479)

Balance at 30 June 2005, calculated on the basis of taxable results of the Group's companies for the period refers to the parent company and has involved the use of the relevant 'Deferred tax assets'. Please see the corresponding note for further information.

14. Assets held for sale and/or discontinued operations

This note provides information on the result of operations disposed and of those held for sale, mainly consisting of non strategic investments in subsidiaries, as well as detail on activities of assets held for sale and of the relevant existing liabilities at the reference date.

14.1 Disposed assets in first half year 2005

The result of disposed or held for sale assets as of 30 June 2005 is related to the following subsidiaries

South Africa
On 17 January 2005, The South African competition authority approved the sale of the subsidiary Tiscali Pty Limited to MBWEB Holdings (Pty) announced on 20th August 2004, for a total amount of around EUR 40 million. On 12 nd January, the South African competition authority approved also the disposal of the South African cellular business to Vodacom Service Provider Company Ltd, announced on October 19th 2004, for a total amount of around EUR 5.3 million. These were completed during first half year, realizing a total profit of EUR 17 million.

Denmark
On 1 February 2005, Tiscali disposed its Danish subsidiary Tiscali Denmark A/S to Tele2 A/S a subsidiary of Tele2 AB for a total consideration of EUR 20.7 million. This amount was received on completion of the sale and generated a profit of EUR 5 million.

Excite
On 20 May 2005, Tiscali disposed Excite Italia BV to Ask Jeeves Inc. for a total cash consideration of EUR 6.1 million. The divesture of Excite Italia BV, which owns the Excite brand in key European countries, ratifies Tiscali’s focus of its portal activities under the Tiscali brand and represents another step of the announced strategy of disposing of non-core assets.

Liberty Surf
On 5 April 2005, Tiscali and Telecom Italia signed an agreement for the disposal of the French subsidiary (Liberty Surf Group), finalized in June. The price agreed for the stake held directly by Tiscali amounted to EUR 248,2 million of which 90% was received at the closing, realizing a profit of EUR 144 million

In the first six months 2005 it was also defined the disposal of the subsidiary Best Engineering S.p.A. which due to its insignificance had no important impact on the financial statements.

Assets held for sale:
Tiscali Telecomunicaciones SA and Tiscali Espana SA (Spain), Tiscali International Network S.A.(Tinet Link - France) and subsidiaries Tiscali International Network SAU (Spagna) and Tiscali International Network Ltd (United Kingdom), Hutchinson 3G Italia S.p.A.

EUR thousands	30 June 2005	30 June 2004
Profit (losses) arising from disposal of subsidiaries	165,284	(17,035)
Period result of subsidiaries disposed of and/or held for sale	(10,865)	(19,646)
Write-down of goodwill and of other activities	(12,231)	-
Charges related to disposals	(16,447)	-
Result of operations disposed of and/or held for sale	**125,741**	**(36,681)**

The profit at 30 June 2005 refer to disposals concluded in the first-half of the current financial year, concerning Liberty Surf Group SA (EUR 143.8 million), Tiscali Pty Limited – South Africa – (EUR 17.4 million) and Tiscali Denmark A/S (EUR 4.6 million), net of a negligible capital loss of approximately EUR 0.5 million related to the disposal of Excite. Please see information reported in the section ‘Report on operations’ concerning ‘Significant events of the first-half 2005’.

The write-downs of goodwill and of other assets held for sale include in particular the write-down of EUR 5 million for goodwill of subsidiaries held for sale, the adjustment of the same assets with respect to market value, as well as write-downs of receivables and payables related to companies disposed of (approximately net EUR 6 million), the write-down of approximately EUR 1 million relative to shareholding in H3G Italia S.p.A. for adjustment of the carrying value to the realisable value. In the month of September 2005 Tiscali Finance S.A. has signed an agreement for the disposal of its stakes of approximately 0.3% of the capital of Hutchinson 3G Italy Investment Sarl. The disposal was settled for EUR 11.3 million.

Charges related to disposals consist of fees paid to financial and legal advisors with reference to shareholding disposal procedures. The item also includes the amount of about EUR 11 million, charge to be paid to Hutchinson 3G Italy Investment Sarl following the agreement with this company for the disposal of H3G Italia S.p.A. The agreement defines and overcomes the pre-existing agreement with Hutchinson 3G concerning the financial support of H3G Italia S.p.A. provided by shareholders in the preceding financial years. In consideration of the fact the investment in H3G Italia had no financial but rather industrial purposes, Tiscali’s directors deemed appropriate to favour the commercial aspects rather than financial ones in the relationship with H3G. As underlined in the note devoted to the analysis of subsequent events, the agreement also involves future collaborations and synergies between the two groups, in view of the development of joints offers, in particular in the British and Italian markets.

14.2 Discontinued operations

As already mentioned during the first-half 2005 the Group has completed the agreements for the disposal of subsidiaries Tiscali Denmark S/A, Tiscali Proprietary Ltd. (South Africa), Liberty Surf Group S.A. (France), as well as those concerning the smaller stakes held, i.e. Excite Italy and Best Engineering S.p.A.

These disposals involved a total profit of EUR 165.3 million, as follows:

EUR thousands	
Disposal price	310,969
Shareholders' equity of the Group at disposal date (proquota) including goodwill	145,684
Profit from disposal	165,285
Disposal price paid in:	
Cash	272,291
Deferred payment	38,678
	310,969
Net cash flow derived from disposal:	
Cashed amount	272,291
Cash and bank deposits of companies disposed of	(32,201)
	240,090

The deferred portion of disposal price (at 30 June 2005) refers for EUR 8.7 million to the disposal of the South-African subsidiary, cashed at the beginning of July 2005 and for the residual amount of EUR 30 million to the sale of Liberty Surf Group S.A. to Telecom Italia S.p.A..

Shareholders' equity representative of the carrying value of the operations disposed of, equal to EUR 145.7 millions, has been determined as follows:

EUR thousands	
Shareholders' equity of the Group at the disposal date (*)	47,565
Result of the period (loss)	9,390
Elision of consolidated	(24,482)
Shareholders' equity adjusted at disposal date	32,473
(A) Shareholders' equity adjusted at disposal date (proquota)	31,145
(B) Goodwill	114,539
(A)+(B) Shareholders' equity adjusted at disposal date (proquota)	145,684

(*) The carrying values of assets and liabilities disposed of, before consolidation adjustments, are as follows:

BALANCE SHEET -- DISCONTINUED OPERATIONS *EUR thousands*	
Non current assets	81,433
Current assets	115,143
Total Assets	**196,575**
Shareholders' equity of the Group	**47,565**
Shareholders' equity of minorities	97
Shareholders' equity	**47,662**
Non current liabilities	9,913
Current liabilities	139,000
Total shareholders' equity and liabilities	**196,575**

The following table shows the breakdown of results for the period of discontinued operations up to the date of disposal:

INCOME STATEMENT – DISCONTINUED OPERATIONS *EUR thousands*	
Revenues	97,197
Gross operating result	674
Operating result	(12,809)
Result before tax	(10,869)
Net profit	(9,390)

14.3 Assets held for sale

The following table shows the breakdown of results for the period of assets held for sale, that is subsidiaries representative of activities in Spain and of Tinet Link:

INCOME STATEMENT – ASSETS HELD FOR SALE *EUR thousands*	**30 June 2005**	**30 June 2004**
Revenues	12,715	38,422
Gross operating result	(2,450)	(10,212)
Operating result	(10,723)	(39,797)
Result before tax	(10,882)	(41,014)
Net profit	(10,865)	(41,096)

Details of assets held for sale, equal to EUR 81.1 million are as follows:

ASSETS HELD FOR SALE *EUR thousands*	**30 June 2005**	**31 June 2004**
Non current assets	61,435	253,037
Current assets	19,715	142,560
Assets held for sale	**81,150**	**395,597**

Total liabilities directly related to assets held for sale, equal to EUR 51.8 million is as follows:

ASSETS HELD FOR SALE *EUR thousands*	**30 June 2005**	**31 June 2004**
Non current liabilities	5,241	19,390
Current liabilities	46,573	191,792
Liabilities directly related to assets held for sale	**51,814**	**211,183**

Non current assets include a residual goodwill value of about EUR 9 million, net of a write-down of EUR 5 million accounted for at 30 June 2005.

15. Goodwill

Goodwill arises from acquisitions performed by Tiscali in the preceding financial years, in particular from the acquisition of the World Online Group. In consideration of the fact that business strategies are mainly defined by geographical areas and that these represent a '*strategic business unit*', the goodwill values – analytically recorded for each subsidiary ("legal entity"), have been re-aggregated by "country" as appropriate. Such circumstance has in particular determined the allocation to the single countries of the goodwill of World Online International NV. The table below shows a synthesis of the movements of the period.

EUR thousands	**31 December 2004**	**Increases**	**Decreases**	**30 June 2005**
Italy	3,406	-	-	3,406
United Kingdom	181,333	-	-	181,333
The Netherlands	35,518	-	-	35,518
Germany	91,396	-	-	91,396
Czech Republic	1,810	-	-	1,810
	313,461	**-**	**-**	**313,461**

At 30 June 2005 Goodwill is unchanged as compared to the end of the preceding financial year. During the first-half there have been no increases arising from acquisitions of subsidiaries, and no condition occurred involving impairment.

As detailed in the section devoted to accounting principles, the impairment test on goodwill is applied at least annually or more frequently, if there is any indication that assets may have suffered an impairment loss. The loss of value, if any, is identified by means of measurements referring to the ability of each ‘unit’, identifiable in this case with the subsidiary, to generate cash flows such as to recover the goodwill allocated to the unit. The recoverable amount is the higher between the ‘fair value’ less costs to sell and its value in use. The future expected cash flows are discounted using a discount rate that reflects the current market estimate of the cost of money, the cost of capital and the specific risks of the unit. In particular, the *impairment test* focuses on the actualisation of expected cash flows deducible from the Tiscali Business Plan for the various *business units*. The results arising from the application of the stated method (DCF – Discounted Cash Flow) did not point out impairments therefore no impairment write-downs were required.

Please note that for the purposes of financial statements prepared according to Italian accounting principles goodwill was already systematically undergoing the ‘impairment test’, therefore the adoption of IFRS did not involve, as far as the data of preceding periods, further ‘impairments’ with respect to those already accounted for in the relevant financial statements.

Goodwill related to assets held for sale is not included here, being booked as detailed in the preceding note.

16. Intangible assets

Intangible asset movements for the half-year period are as follows:

Intangible assets *EUR thousands*	**31 December 2004**	**Increases**	**Decreases**	**Amortisation**	**30 June 2005**
Computer Software and development costs	16,558	1,732	(630)	(4,036)	13,624
Concessions and similar rights	91,395	11,521	(2,140)	(12,204)	88,572
Broadband service activation costs	13,473	33,516	-	(20,187)	26,802
Other	4,926	5,202	(2,241)	(1,923)	5,964
Total	**126,351**	**51,971**	**(5,011)**	**(38,350)**	**134,961**

The item “Computer Software and development costs” includes application software that has been acquired indefinitely and have been customised for exclusive use by the company.

The item "*Concessions and similar rights*", equal to EUR 88.6 million, includes approximately EUR 80 million of rights to purchase transmission capacity on a multi-year basis, implemented through the purchase of rights of use (concession – IRU/*Indefeasible right of use*). The increase recorded in the half-year, equal to EUR 11.5 million, mainly refers (EUR 10 million) to the stipulation of new IRU contracts, required to favour the development of the *unbundling* ADSL network

The item “*Broadband service activation costs*”, equal to EUR 26.8 millions, refers to the capitalisation of activation costs related to the ADSL service. These costs are amortised over twelve months. The increases refer in particular to the costs incurred in the financial year 2005 by subsidiaries operating in the United Kingdom and in The Netherlands.

17. Property, plant and equipment

The table below shows the movements occurred during the financial year:

EUR thousands	31 December 2004	Increases	Decreases	Depreciation	30 June 2005
Historical cost					
Land and Buildings	31,052	6	(917)	-	30,141
Plant and machinery	304,277	15,545	(761)	-	319,061
Other tangible assets	108,482	-	(2,352)	-	106,129
	443,811	**15,551**	**(4,030)**	**-**	**455,331**
Allowance for depreciation	**31 December 2004**	**Increases**	**Decreases**	**Depreciation**	**30 June 2005**
Land and Buildings	3,274	-	-	525	3,799
Plant and machinery	176,499	-	(698)	25,293	201,094
Other tangible assets	86,728	-	(537)	4,220	90,412
	266,501	**-**	**(1,235)**	**30,038**	**295,305**
Net value	**31 December 2004**	**Increases**	**Decreases**	**Depreciation**	**30 June 2005**
Land and Buildings	27,778	6	(917)	(525)	26,342
Plant and machinery	127,778	15,545	(63)	(25,293)	117,968
Other tangible assets	21,754	-	(1,815)	(4,220)	15,717
Total	**177,307**	**15,551**	**(2,795)**	**(30,038)**	**160,027**

‘*Land and Buildings’* mainly refers to the investment implemented in the preceding financial years for the building of the parent company headquarters in Cagliari. The building is mortgaged for about EUR 70 million through Banca CIS, as a guarantee for the financing provided to realise the entire investment.

The net carrying value of "*Plant and machinery*", (EUR 117.9 million) includes in particular dedicated equipment and networks, such as *routers, servers*, optical equipment and telephone exchanges that make up most of the tangible assets. The increase of EUR 15.5 million reflects the significant investments aimed at supporting the development of *unbundling* ADSL services.

“*Other tangible assets*” include furnishings, IT and office equipment and vehicles.

18. Investments

Investments are valued at equity method and recorded totalling EUR 2.7 million, refer to companies held by the parent company and by its operative subsidiary Tiscali Italia S.r.l.

The list of the same is reported in the appropriate section (List of investments)

19. Other non current financial assets

(EUR thousands)	30 June 2005	31 December 2004
Surety deposits	13,551	11,039
Other receivables	33,370	1,627
Investments in other companies	162	12,708
	47,083	**25,374**

'Other non current financial assets' include financial instruments that the Group has the expressed intention and ability to hold to maturity ('Held to maturity') and that do not meet the requirements for classification as cash or cash equivalents.

Surety deposits mainly refer to lease contract. The other receivables refer to the deferred credit portion of Telecom Italia S.p.A. arising from the sale of the subsidiary Liberty Surf Group SA (EUR 20 millions), as well as VAT credits applied for by the parent company, expected to be received at medium term (EUR 10 million). The balance also includes a credit of EUR 2 millions towards Eurolight Associates Ltd, to which at the beginning of 2003 the shareholding held in CD Telekomunikace Sro (Czech Republic) had been sold and which, at the same time to the acquisition, has taken over the pre-existing debt of the sold company towards Tiscali S.p.A.. The recovery of the receivable is linked to an agreement existing between Tiscali and CD Telekomunikace for the purchase of services (capacity / fibre optics) by the subsidiary of the Tiscali Group operating in that country. The recorded value has considered the foreseeable time required by the purchase of the services.

"Investments in other companies" included at 31 December 2004 relates to the 0.3% stake of Luxemburg-based *Tiscali Finance* in H3G S.p.A., a 3G mobile telephony company operating under the "3" brand in Italy in the third generation mobile telephony segment (UMTS). Considering the Director's deliberation during the first-half of 2005, the investment has been classified at 30 June 2005 among assets held for sale, which occurred in the month of September of the current financial year. Please see note 14 on the subject and the note devoted to subsequent events. The investments in other companies are related to minor stakes of the parent company, detailed as appropriate on the list of investments.

20. Deferred tax assets

(EUR thousands)	30 June 2005	31 December 2004
Deferred tax assets	115,199	157,301

Deferred tax assets arise from preceding tax losses that can be carried forward. As provided by the reference accounting principles these deferred tax assets are recognised as it is deemed probable that during the next financial years taxable profits will be available, thus allowing the recovery of the amount recorded on 30 June 2005. Such expectation is based on taxable profit that should be generated with reasonable certainty in consideration of the approved business plans and of the current operating performance of the Group's companies to which the tax losses are related.

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

- Deferred tax assets recorded in the financial year 2003 on Tiscali International NV and subsidiaries, falling within the Dutch tax consolidation project (in particular the operating subsidiary Tiscali BV) and amounting to EUR 49 million. The recovery of the deferred tax assets is expected within the next three years (2005-2007).

- Deferred tax assets recorded in the financial year 2004 with reference to Tiscali UK amounted to EUR 66.1 million, in consideration of the effect arising from the conversion of local currency (EUR 63.2 million at the end of the financial year 2004). Please note that the British subsidiaries already presented in 2004 a pre-tax profit, though in the absence of a fiscal load, thanks to deductible depreciation.

Please note that previous tax losses of subsidiaries operating in The Netherlands and in the United Kingdom can be indefinitely carried forward. Besides the effects of the conversion into euro of the activities of Tiscali UK, the decrease of the recorded amount as compared to 31 December 2004 arises from the utilisation of the amount of EUR 45 million of deferred tax assets related to the parent company, recorded on profit and loss in the first-half 2005 (income tax). As a matter of fact Tiscali S.p.A. reports taxable income for the six-month period, considering the profit of approximately EUR 163 millions arising from the transfer (Conferimento) of Italian operating activities realised in the month of January 2005 and disclosed in the section devoted to report on performance. It should be noted that starting from 1 January 2005 and following the transfer of its operating activities, Tiscali S.p.A. has the exclusive role of investment holding, thus incurring exclusively general and administrative costs It also should be noted that the recognition of the fiscal charge for the six-month period does not involve the payment of taxes, but only the use of deferred tax assets.

At 30 June 2005 the deductible tax losses of the Tiscali Group totalled about EUR 1,812 millions. Tax losses of subsidiaries operating in The Netherlands and in the United Kingdom can be indefinitely carried forward. Please note that the inclusion of deferred tax assets has been limited to EUR 115.2 million as in the opinion of Tiscali S.p.A. directors and on the basis of the current business plan there are no reasonable assumptions justifying a higher recording, in particular considering the time factor. Therefore, only the benefits for the Groups companies already capable of generating taxable income in a reasonably short time span have been recognised.

21. Inventories

At June 30 2005 inventories totalled EUR 3 million: they are mainly related to *network* equipment, consumables, telephone cards, goods for resale by the company's *merchandising* and *modem*s.

22. Trade receivables

(EUR thousands)	30 June 2005	31 December 2004
Trade receivables	158,882	144,413
Write-down provisions for losses	(41,104)	(41,949)
	117,778	**102,464**

At June 30 2005 customer receivables totalled EUR 117.8 million, after write-down provisions of EUR 41.1 million. These receivables accrued from the sale of internet services, billing of internet access services, billing of usage-based fees for traffic generated by Tiscali subsidiaries on third-party fixed lines, advertising revenues and *business* and telephone services provided by the Group.

The book value of trade receivables, in view of the maturities mentioned below and of conditions regulating the supply of services by the Group, approximates their 'fair value'.

The Group's credit exposure being spread over a rather large group of customers, there is no particular credit concentration risk.

23. Other Receivables and other current Assets

(EUR thousands)	30 June 2005	31 December 2004
Other Receivables	28,227	41,307
Accrued income	28,903	24,214
Deferred charges	10,376	12,208
	67,506	**77,729**

Other receivables totalling EUR 28.2 millions are related to VAT credits of EUR 12.3 million of which EUR 4.4 million of VAT credits applied for by the parent company. Also included approximately EUR 2.6 million due by the current CEO of the parent company and originated by an interest-bearing loan granted in the preceding financial years as director of the former World

Online International, before the company became part of the Tiscali Group. The item also includes EUR 8.7 million related to the deferred portion of the amount due for the sale of Tiscali Pty Ltd. (South Africa), cashed at the beginning of July 2005.

Accrued income (EUR 28.2 million) chiefly relate to revenues from services in the access segment.

Deferred charges, EUR 10.3 million, relate to costs associated to multi-year rental of lines, international circuit agreements as well as hardware and software maintenance costs.

The book value of records included in this item approximates their 'fair value'.

24. Other current financial assets

(EUR thousands)	30 June 2005	31 December 2004
Term deposits	2,920	4,834
Other receivables	3,217	79
	6,137	**4,913**

Term deposits refers to term deposits and/or guarantees of EUR 2.9 million, pertaining to the sub-holding Tiscali International BV, Netherlands, whose redemption is expected in the short-term. The amount of EUR 3.2 million at item *Other receivables* is exclusively related to accrued income from Interest Rate Swap agreements entered in relation to the bond issue falling due in July 2005. Please the above note 12.

25. Cash and cash equivalents

At the end of June 2005, cash and cash equivalents amount to EUR 245.9 million and include the Group liquid resources, essentially held in current accounts. The increase as compared to balance at 31 December 2004 is due to the disposal of subsidiary Liberty Surf Group S.A.: the relevant amounts have been used in July for the redemption of the bond falling due. Please see the report on operations for a detailed analysis of the financial position.

26. Shareholders’ equity

EUR thousands	30 June 2005	31 December 2004
Share capital	198,369	196,619
Share premium reserve	953,717	1,440,874
Translation reserve	5,857	(1,763)
Retained earnings	(820,840)	(1,321,883)
Total	**337,103**	**313,847**

Changes occurred in the six-month period on shareholders’ equity items are detailed in the relevant table.

At 30 June 2005 share capital amounted to EUR 198.3 million corresponding to n° 396,738,142 ordinary shares having nominal value of 50 EUR cents each. In the six-month period the share capital has been increased by EUR 1.75 million following the issuance of 3,500,000 shares supporting the capital increase by Neue Medien Ulm Holding GmbH.

Share premium reserve shows a drop of EUR 487,157 million chiefly consisting of cover charges related to losses in the preceding financial year by the parent company.

27. Non current financial liabilities

EUR thousands	30 June 2005	31 December 2004
Bonds	**214,951**	**209,500**
Payables to banks and other lenders		
Payables to banks	45,444	35,613
Payables to other lenders	28,206	32,500
	73,654	**68,113**
Obligations under finance leases (m/l term)	**18,733**	**18,591**
	306,633	**296,204**

27.1 Bonds

The item concerns the ‘Equity linked Bonds’ falling due at the end of September 2006 and recognised in accordance with the “Amortised cost” (IAS 32) principle.

Issuer	Nominal value (€ml)	Issue date	Coupon	Maturity	Guarantor
Tiscali Finance S.A.	209.5	September 2003	4.25%	September 2006	Tiscali S.p.A.

The equity-linked bond issue maturing in 2006 involves a ìbond with a soft mandatory clause. This means that the issuer may assign shares, even where, at maturity, Tiscali’s market price is lower than the issue price of 7.57 EUR. In this case, but only at maturity, the difference between the issue price and the market price would have to be made up by the issuer. Such feature, whose fair value is however not determinable, might be applied by bondholders from September 2004, although any difference between the issue price above and the Tiscali share’s market price will not be made up.

At 31 December 2004, this debt was still posted at nominal value as the company made use of the option provided by IAS 32 allowing to start from 1 January 2005. This involved in particular the accrued interest falling due at 30 June 2005 being recorded as direct increase of the debt.

27.2 Payables to bank and other lenders

The item includes the medium/long term portion of the loan granted by Banca CIS of Cagliari for the new company headquarters in “Sa Illetta” (Cagliari), equal to EUR 30.6 million. The total amount of the loan amounts to EUR 33.4 million, and the short-term portion, EUR 2.8 million, is included in current liabilities. The loan, repayable in six-month instalments and falling due in 2014, is backed, as mentioned in the note related to buildings, by a EUR 70 million guarantee in respect of the property.

The item Payables to banks also includes a loan granted by EDC (Export Development Canada) an export financing Canadian bank, for EUR 14.8 million. The loan has been granted for a maximum amount of EUR 20 million for 3 years, and its purpose is the purchase of NORTEL equipment used in Italy for the ULL project. Please note that the contract related to the grant of such loan involves in particular a “covenant” associated to a ratio between Shareholders’ equity and Total asset not lower than 0.20. At 30 June 2005 such ratio was equal to 0.26 and therefore fully compliant with contractual terms.

Payables to other lenders (EUR 28.2 millions) refer to the interest-bearing loan granted in the financial year 2004 by Andalas Limited. Such funding has been granted in a strong growth phase, to support investments required for the implementation of an unbundling network infrastructure and of the Tiscali refinancing strategy. Please note that the contract explicitly states the subordination, with respect to other debts of the Tiscali Group, up to the date of bond redemption.

27.3 Obligations under finance leases (m/l term)

This item totalling EUR 18.7 million includes payables to *leasing* companies based on finance lease contracts. These contracts chiefly relate to network equipment, *server* and other equipment directly involved in the production process.

In 2004 a frame contract has been taken out with Cisco Capital to provide financing up to a maximum amount of EUR 29 million, subsequently extended to EUR 47.6 million in 2005, whose purpose is the purchase of Cisco System equipment, as part of the Group's company investment projects. The amount used up at 30 June 2005 amounts to about EUR 20 million. The 3-years financing contract involves in particular covenants fully complied with at 30 June 2005, associated to a minimum level of cash and cash equivalents (EUR 75 million at 30 June 2005) and to a ratio between net financing debt and shareholders' equity equal to 1.5.

28. Other non current liabilities

EUR thousands	30 June 2005	31 December 2004
Payable to suppliers	38,675	26,395
Other payables	3,982	974
	42,657	**27,369**

Other non current liabilities, EUR 42.6 million, chiefly relates to medium-long term trade payables to suppliers related to the purchase of IRU (*indefeasible right of use*), required by the investments for the ULL project.

29. Liabilities for pension provision and staff severance indemnities

The table shows the period movements:

EUR thousands	**31 December 2004**	**Provisions**	**Amounts used**	**30 June 2005**
Staff severance	5,875	1,932	(1,608)	6,199
	5,875	**1,932**	**(1,608)**	**6,199**

The staff severance fund, chiefly covering amounts payable to employee, is equal to EUR 6.2 million and refers to the parent company and subsidiaries operating in Italy.

In compliance with the IAS 19 accounting principle, the method "Projected Unit Credit Cost" has been applied to the valuation of severance indemnities, included in the defined benefit plans, as follows :
- the future indemnities, potentially payable to each employee in case of retirement, resignation, death and disability have been determined on the basis of the "financing assumptions" shown in the table below

- at each valuation date the average current value of future payable indemnities has been calculated, applying the discount rate disclosed on table “Financial assumptions” – thus determining the liability to be recorded on financial statements.

Financial assumptions	
Inflation rate:	2%
Wage increase rate:	4%
Discount rate:	4.6%
Demographic assumptions:	
Mortality:	Mortality tables RG 48 published by *Ragioneria Generale dello Stato*
Disability:	Same tables used for mortality
Resignation:	5% for all ages
Anticipated payments:	From 28 to 50 yeas of age, with at least 5 but no more than 14 years of service: 3% From 51 to 60 (F) / 65(M) yeas, with at least 5 but no more than 14 years of service: 1%
Retirement:	65 years (M) and 60 years (F)

30. Provisions for risks and charges

The fund covering risks and charges breaks down as follows:

EUR thousands	**31 December 2004**	**Provisions**	**Amounts used**	**30 June 2005**
Provisions for risks and charges	10,677	3,000	(5,082)	8,595
	10,677	3,000	(5,082)	**8,595**

The fund for risks and charges amounts at 30 June 2005 to EUR 8.6 million and includes provisions against potential liabilities and disputes. The increase shown in the six-months period refers to the dispute with the Spanish company Promotora De Informaciones S.A. Please see the note devoted to disputes.

31. Current financial liabilities

EUR thousands	**30 June 2005**	**31 December 2004**
Bonds	**237,639**	**250,387**
Payables to banks and other lenders:		
Payable to banks	**16,039**	**25,324**
Obligations under finance leases (short-term)	**18,041**	**19,220**
	271,719	**294,931**

31.1 Bonds

Issuer	**Nominal value (€ml)**	**Issue date**	**Coupon**	**Maturity**	**Guarantoor**
Tiscali Finance S.A.	250	July 2000	Euribor + 3.25%	July 2005	Tiscali S.p.A.

The debt is related to the bond of EUR 250 million falling due in July 2005 and fully redeemed. A portion of such debt, equal to about EUR 15 million, had already been redeemed in the six-month period through repurchase on the market and subsequent cancellation of the bonds.

Against such bond interest rate swap contracts (IRS) have been entered into. Please see the note on derivative instruments

31.2 Payable to banks and other lenders

The item only refers to bank overdrafts necessary to face operation cash requirements. These debts also include EUR 2.8 million, i.e. the short-term portion of the loan granted to Tiscali Italia Srl for the new headquarters of "Sa Illetta" in Cagliari.

31.3 Obligations under finance leases

This item refers to the short-term portion of obligations with *leasing* companies for finance lease contracts.

32. Payable to suppliers

EUR thousands	**30 June 2005**	**31 December 2004**
Payable to suppliers	**148,956**	**182,720**

Payable to suppliers refer to trade payables for the supply of services such as content, telephone traffic and data traffic. The figure also includes EUR 24.3 million for the purchase of IRU (*indefeasible right of use*) related to the development of the unbundling project.

33. Other current liabilities

EUR thousands	**30 June 2005**	**31 December 2004**
Accrued liabilities	71,544	62,481
Deferred income	29,158	23,723
Other liabilities	17,244	35,302
	117,944	**121,506**

Accrued liabilities mainly consist of operating expenses, such as payments for content, network access costs, consultancy fees and line rental costs

Deferred income concerns the deferral of income relating to subsequent periods, from the activation of ADSL services, that are spread over a time span of 12 months, i.e. the minimum legal duration of the contract with the customer.

Other liabilities mainly refer to payables to the Treasury (employee withholding tax and VAT) and to social security agencies, totalling EUR 6.9 million, as well as payables to employees for EUR 4.6 millions.

34. Derivative instruments

At 30 June 2005 two Interest Rate Swap (IRS), taken out in previous financial years against the bond issue of EUR 250 and falling due in July 2005, were still in force as well as a derivative instrument on exchange (currency short sale - ‘forward’) associated to the sale of South-African assets (controlling stake in Tiscali Pty Ltd). These derivative instruments are recognised at a fair value that on 30 June 2005 was not significant, also in consideration of the relevant expiration dates.

35 Ongoing disputes

Legal disputes

The Tiscali group is involved in a number of legal disputes. The group's management does not believe that these disputes will give rise to significant liabilities, or that an unfavourable outcome will have a significant negative impact on its financial position, assets, or economic position, or on future income from operations. It is hereby specified that, unless explicitly indicated, no provisions have been set aside in the absence of certain and objective elements or if the negative outcome of the litigation is not considered likely.

Below is a summary of the main disputes pending as of June 2005.

In July 2001 the Dutch foundation Vereniging van Effectenbezitters, which represents a group of former minority shareholders of World Online International NV, made a claim for unspecified damages against World Online (currently 99.5% owned by Tiscali) and against the financial institutions involved in its stock market listing, alleging, in particular, that some of the information provided in the IPO prospectus and in public statements issued by the company and its chairman at the time was incomplete and inaccurate. The Dutch court ruled on 17 December 2003 that the IPO prospectus did not contain any misleading information and that many other claims were groundless. In the same ruling, however, the Dutch judges upheld the claim that a press release issued by World Online did not sufficiently clarify comments made by its former chairman at the time of the listing regarding her own shareholding. World Online appealed against this decision, claiming that it did not need to provide any further clarification, given that the IPO prospectus was not deemed to be inaccurate. Furthermore, any damages to be paid will have to be established in a new court case, with the onus on the shareholders' association to substantiate the causal link and the amount of damages claimed. A similar dispute was initiated by another Dutch foundation, Stichting Van der Goen WOL Claims, in August 2001. No provisions have been set aside in the group's accounts for this dispute, given the low probability of a liability being incurred, and the unknown nature of the potential amount.

In May 2005 the Spanish company Promotora De Informaciones S.A., belonging to the media group Prisa, filed a claim against Tiscali S.p.A before the International Court of Arbitration of the International Chamber of Commerce, alleging the breach of an advertising agreement dated 31 July 2001 for the provision to Tiscali of advertising space on Prisa's media platforms for five years, with a yearly minimum guaranteed payment.
Currently the value of the claim amounts to approx. EUR 3.2 million, for which, given the foreseeable outcome of the litigation, the relevant provisions have been set aside.

In July 2004, Tiscali Espana SA filed a claim before the Civil Courts of Madrid against the company Airtel Movil SA – a Spanish subsidiary of the Vodafone Group – requesting payment of the approximate amount of EUR 4.7 million, as a reduction for the price paid for the purchase of the Spanish internet assets of the Vodafone Group which took place in January 2003. According to Tiscali, the price paid for such purchase (equal to about EUR 9.8 million paid in newly issued Tiscali S.p.A. shares) had been wrongfully determined due to an inexact representation by Vodafone of the value of the revenues of such business. Vodafone has fully rejected Tiscali's claim. The first instance civil proceedings are currently in their conclusive phase. It is hereby specified that, given that at this stage it can only be considered as a potential asset, no receivables for such amount have been calculated in the half year report.

Tax inspections
The Dutch tax authorities have investigated the suspected non-payment of income tax on a combined salary and share package allegedly paid to James Kinsella, the former CEO of World Online International BV. The tax authorities argued that anything received by Mr Kinsella, and not by other former World Online employees, was a taxable bonus in return for Mr Kinsella waiving his subscription right to World Online shares in December 2000. The Dutch tax authorities calculated the liability that might arise from the alleged non-payment as EUR 40 million, taking account of the value of Tiscali's shares at the time. It does not appear at this stage that any formal notice has been issued regarding this amount. To settle the dispute, sufficient documentary evidence must be furnished, in a manner deemed appropriate by the local tax office, to show that Mr Kinsella did not receive payments and/or Tiscali shares in return for waiving his pre-emption right. It is emphasised that Tiscali was unaware of any such transaction, and is therefore under no obligation to pay tax, since it is not involved. Tiscali's Directors, having taken the advice of the group's tax consultants, do not believe any significant liabilities will arise at this time and therefore feel that no provisions need to be set aside to cover this risk, which is thought to be low.

The local tax authorities are investigating the position of the Dutch and German subsidiaries with reference to, respectively direct taxes and VAT for Tiscali International BV and its subsidiaries, and VAT for the German subsidiaries. Further to the outcome of such inspections, which have not, however, yet been completed, the Group has, deemed it appropriate to set aside provisions for the amount of EUR 1 million. The inspection is continuing, but no factors have emerged to suggest that other significant liabilities will arise.

36. Commitments and other guarantees

Commitments
The Tiscali Group has no obligations still to be carried out or not included in the normal operating cycle.

Guarantees
At 30 June 2005 the following guarantees are in force:

- revenue authorities for the settlement of EUR 1.3 million for Group's VAT, as well as other guarantees of various kind, issued to third parties in favour of Group's companies, totalling EUR 0.6 million.
- EUR 33.6 million for Sureties: EUR 12.9 million in favour of tax offices for VAT refunds applied for, while the remaining part has been issued to guarantee supply contracts acquired by the Tiscali Group.

37. RELATED PARTIES TRANSACTIONS

In the half-year the Tiscali Group interacted with some related parties, in particular with subjects in which the shareholders or members of the Board of Directors directly or indirectly hold investments. These operations were dealt with at market conditions. The table below summarises the balance and economic values of recorded in half-year report of the Tiscali Group at 30 June 2005 arising from related parties transactions.

(EUR thousands)	Trade receivables	Trade payables	Financial receivables	Financial payables	Revenue	Costs	Financial income	Financial charges
Interoute S.p.A. (Italia)		2,267				348		
Shardna S.p.A.	341				51			
Andalas Limited				28,206				706
Ruud Huismann			2,592				31	
Total	*341*	*2,267*	*2,592*	*28,206*	*51*	*348*	*31*	*706*

Interoute is a group fully owned by the Sandoz Family Foundation, a Tiscali shareholder. The costs incurred in the financial year refer to purchases implemented by the parent company Tiscali S.p.A. for dark fiber and the relevant maintenance.

Shardna S.p.A., controlled by majority shareholder Renato Soru, interacted with the parent company concerning the lease of a Tiscali suburban office in Cagliari.

As mentioned in the notes to the financial statements 2004, during the same financial year *Andalas Limited* granted an interest-bearing loan at market rates. Please note that the contract explicitly states the subordination, with respect to other debts of the Tiscali Group, up to the date of bond redemption falling in September 2006.

As mentioned in the notes to the previous years financial statements, the receivable from the Tiscali S.p.A. CEO, Ruud Huisman, refers to interest-bearing loans granted in previous financial years to managers of the former World Online International Group, before the company became part of the Tiscali Group.

38. SUBSEQUENT EVENTS

Repayment of EUR 250 million bond issue
On 7 July 2005 Tiscali reimbursed the EUR 250 million bonds issued by its subsidiary Tiscali Finance SA.

Focus on unbundled ADSL services in the Netherlands
On 26 July, Dutch subsidiary Tiscali BV reached an agreement to transfer around 60,000 broadband users to KPN for approximately EUR 13 million. The agreement concerns only Tiscali BV customers receiving "resell" broadband services, and who, therefore, were connected to

Tiscali through KPN's network. The transaction is part of Tiscali's strategy to focus on growing unbundled ADSL services, which allow the Group to offer its customers competitive and innovative products and access services.

Sale of international fibre optic network to Telecom Italia
On 2 August, Telecom Italia SpA and Tiscali SpA announced an agreement for the purchase by Telecom Italia Sparkle of Tiscali's fiber optic network, Tiscali International Network SAS (TINet SAS), for a total consideration of EUR 8 million. Tiscali International Network SAS owns 15,000 km of fiber optic network covering 12 European countries. Completion of the transaction is subject to the approval of the competition authority. The transaction does not include the sale of IP and Voice over IP national and international networks, which are owned by Tiscali International Network BV. The Tiscali Group will maintain ownership and control of these networks so that it may continue to offer high-quality IP and VoIP services to its own customers.

EUR 150 million facilities agreement from Silver Point
On 8 August Tiscali reached an agreement for a facility worth a total EUR 150 million. The credit line was structured and provided by Silver Point Finance LLC (USA), a company providing tailor made financing to large and medium-sized companies operating in different sectors. The facility comprises two tranches, each with a three-year duration, and offers a rate of EURIBOR +600 bps. The first tranche of EUR 50 million was advanced in August 2005, while the second EUR 100 million tranche will be made available from September 2006, subject to certain standard terms and conditions, including certain financial and business covenants.

Proceeds of the first and second tranches will be used for general corporate purposes and to refinance the 4.25% Equity Linked Bonds due September 2006, respectively.

Financial covenants concern in particular the pledge of UK and Dutch shares held by Tiscali SpA held in Tiscali UK ltd and Tiscali BV (Netherlands). Furthermore some covenants are related to Gross Operating Result (EBITDA) and Investments (Capex) and ADSL subscribers.

This agreement enables the Group to further implement its business plan, which is based on organically growing its customer base and improving profitability by investing in ULL networks, and providing high-quality services at a fair price to its customers.

Sale of investment in H3G Italia
In September subsidiary Tiscali Finance SA sold its non-strategic investment of less than 0.3% in 3G mobile operator Hutchison 3G Italia S.p.A. to Hutchison 3G Italy Investment Sarl for a value substantially in line with the book value.

At the same time, the Group came to an agreement defining its previous relationship with Hutchison 3G concerning the financial support of H3G Italia. This agreement also forms the basis for future co-operation and synergies between the two groups with a view to develop joint distribution services, particularly in the UK and Italy.

List of subsidiaries included in the consolidation area

Below the details of those

Company name	Country	% Held
Tiscali S.p.A.	Italy	
Energy Byte Srl in liquidazione (dall'11-3-2004)	Italy	100,0%
Ideare S.p.A.	Italy	100,0%
Quinary S.p.A.	Italy	85,0%
Tiscali Czech Republic a.s.	Czech Rep..	100,0%
Tiscali Motoring Srl in liquidazione	Italy	60,0%
Tiscali Telecomunicaciones Sa	Spain	99,99%
Tiscali Services srl (ex TITS srl)	Italy	100,0%
Tiscali Italia srl (ex Andaledda Spa)	Italy	100,0%
Gilla Servizi Telecomunicazione Srl	Italy	20,0%
Freetravel in liquidazione S.p.A.	Italy	
Ariete Telemedia S.r.l.	Italy	
Janna S.C.p.a.	Italy	
Netchemya in liquidazione S.p.A.	Italy	
Stud Scarl	Italy	
CRS4 Scarl	Italy	
Mix S.r.l.	Italy	
Tiscali Int.l Network S.p.a.(2)	Italy	
Tiscali Finance Sa	Luxemburg	100,0%
Hutchinson 3G spa	Italy	0,3%
Tiscali Deutschland Gmbh	Germany	100,0%
Tiscali GmbH	Germany	100,0%
Tiscali Verwaltungs Gmbh (ex Nextra D. V. Gmbh)	Germany	100,0%
Tiscali Business Solution GmbH & Co KG (ex Nextra D. GmbH)	Germany	100,0%
Time to market 1 Gmbh (ex Brandgate Gmbh)	Germany	100,0%
Finanzdirect 24 Gmbh	Germany	60,0%
Tiscali Network Gmbh	Germany	100,0%
ishtari GmbH	Germany	51,0%
World Online International Nv	The Netherlands	99,5%
Tiscali International Bv	The Netherlands	99,5%
Tiscali B.V.	The Netherlands	99,5%
World Online Portal BV.	The Netherlands	99,5%
Myt Vision Bv	The Netherlands	99,5%
Wolstar B.V. in liq.	The Netherlands	49,7%
Tiscali Media Service BV (ex Sonera Plaza)	The Netherlands	99,5%
Xoip BV	The Netherlands	99,5%
Tiscali Partner B.V.	The Netherlands	99,5%
Tiscali International Network B.V.	The Netherlands	99,5%
Tiscali International Network SpA (2)	Italy	100,0%
Tiscali International Network SA	France	99,5%
Tiscali International Network SAU	Spain	99,5%
Tiscali International Network GmbH	Germany	99,5%
Tiscali International Network Ltd	UK	99,5%

Tiscali Business International Ltd	UK	99,5%
World Online Ltd.	UK	99,5%
World Online Telecom Ltd.	UK	99,5%
Tiscali Holdings UK Ltd	UK	99,5%
Tiscali Uk Ltd	UK	99,5%
Telinco Uk Ltd	UK	99,5%
Connect Free Internet Services Ltd	UK	99,5%
Hambalt Services Ltd (ex Tiscali Internet Limited ltd)	UK	99,5%
Tiscali Network Distribution Ltd	UK	99,5%
Tiscali Business UK Ltd	UK	99,5%
Tiscali Business GmbH	Germany	99,5%
Nacamar Luxembourg Sarl (3)	Luxemburg	99,5%
Nacamar Ltd (in liquidazione)	UK	99,5%
Tiscali Espana SA	Spain	99,5%
World Online Kft	Hungary	99,5%
World Online Epe	Greece	99,5%
Tiscali Oy (ex Surfeu Oy)	Finland	99,5%
World Online s.r.o.		99,5%
TISCALI Telekomunikace Ceská republika s.r.o.		99,5%
Tiscali Network s.r.o		99,5%
Tiscali Ireland Ltd	UK	99,5%
Tiscali Denmark A/S	Denmark	99,5%
World Online Poland Sp Z.O.O.	Poland	99,5%
Tiscali Pty Ltd	South Africa	99,5%

- **List of holdings in affiliated companies**

Company name	Country	% Held
Ariete Telemedia S.r.l.	Italy	40%
FreeTravel S.p.A. in liquidazione	Italy	50%
Netchemya S.p.A. in liquidazione	Italy	20%
STS S.r.l.	Italy	35%
STUD Soc. Consortile a.r.l.	Italy	33,33%
Gilla Servizi Telecomunicaz. S.r.l.	Italy	20%
Ideare	Italy	100%
Connect Software Inc.	USA	100%
Total		

- **List of holdings in other companies**

	Country
Consorzio Green Management	Italy
CRS4 Scarl	Italy
Mix S.r.l.	Italy

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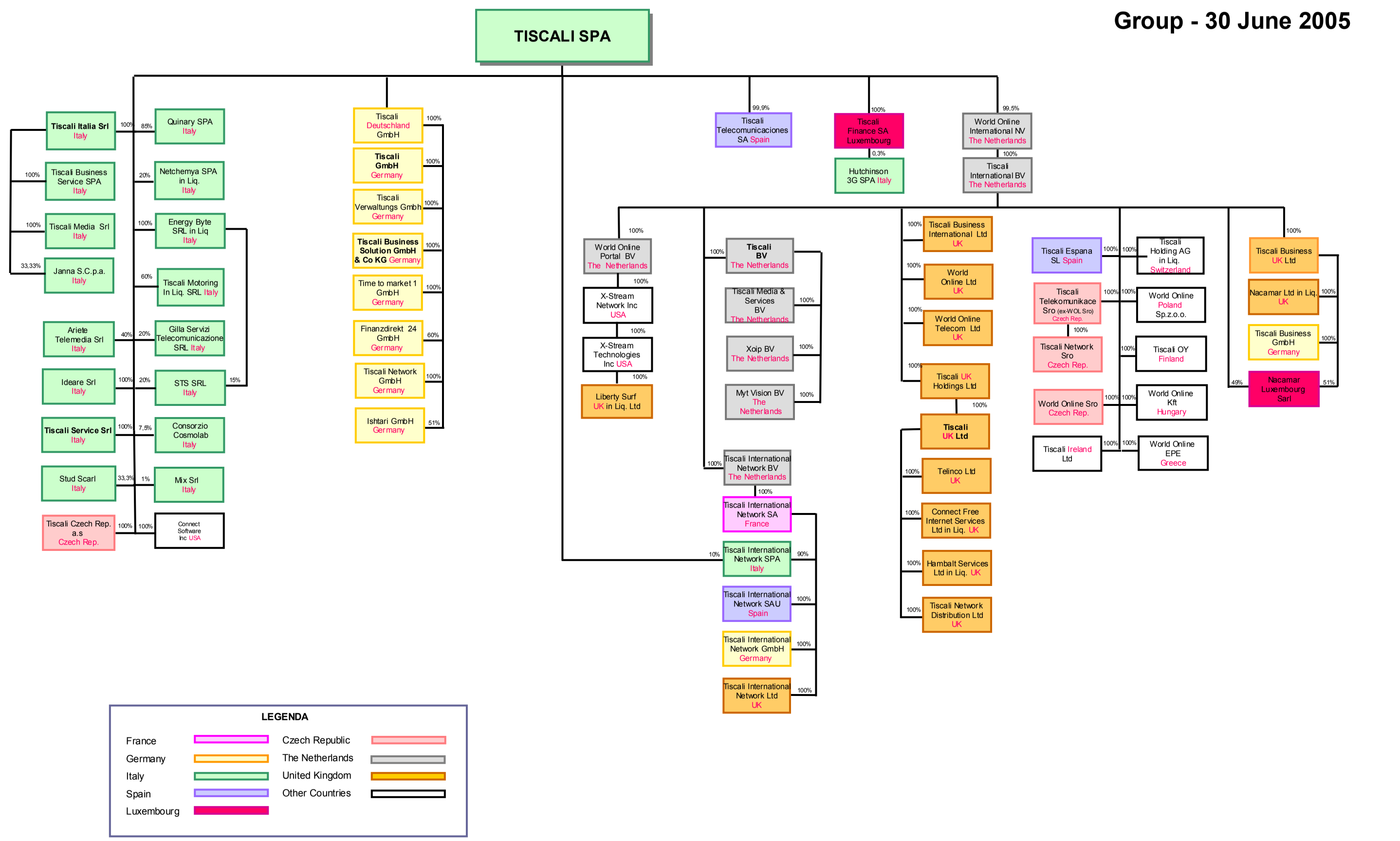

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IIFRS)

1. Foreword

Starting with the financial year 2005 and following the coming into force of the European Regulation n.1606/2002, the Tiscali Group has adopted the International Financial Reporting Standards (IFRS – International Financial Reporting Standards and IAS – International Accounting Standards) issued by 'IASB' (International Accounting Standards Board) and approved by the European Union, as well as the interpretations included in the documents of International Financial Reporting Committee ('IFRIC'), previously defined Standing Interpretation Committee ('SIC') that are considered applicable to operations performed by Tiscali Group from the current financial year.

The date of transition to the IFRS is set at 1 January 2004, while the adoption date is 1 January 2005. This section shows the reconciliation tables provided by the IFRS 1 principle ('First time adoption of International Financial Reporting Standards), together with the relevant explanatory notes concerning the effects arising from the adoption of the principles.

The Group has applied with retrospective effect the IFRS principles. In particular, concerning IFRS 1 requirements, at the date of transition to the new principles (1 January 2004) the Group has prepared its consolidated financial statements compliant with IFRS and reflecting the application of the following general accounting criteria:

- Assets and liabilities have been recognised whenever recordable according to IFRS and have been measured in compliance with such principles;

- Balance sheet items have been classified according to the IFRS procedures and are consequently reclassified with respect to the financial statements prepared in accordance with the Italian accounting principles previously in force.

The effect of adjustment to the new principles on the initial figures relative to assets and liabilities has been recorded in the appropriate reserve item of shareholders' equity.

Please note that the principles adopted in the preparation of this half-year consolidated report may not entirely comply with the IFRS provisions in force at 31 December 2005 both due to future stance of the European Commission on the approval of the international accounting principles and to the issue of new standards or interpretations by the appropriate authorities.

2. Presentation, optional exemptions and accounting options adopted

The adjustment of the consolidated financial position at transition date (1 January 2004) and of the financial and economic statements at 30 June 2004 and at 31 December 2004 has required some preliminary decisions concerning the presentation format, the optional exemptions and the accounting options provided by IFRS and summarised below:

2.1 Presentation format

The adopted balance sheet format reflects the classification of items according to the current/non current principle while on the income statement the cost classification by 'nature' has been adopted.

2.2 Optional exemptions and accounting options provided by IFRS 1

Tiscali has decided to make use of the exemptions listed below and provided by IFRS for first adopters:

Business combinations and Goodwill

The Group did not deem appropriate to make use of the option involving the 'reconsideration' of acquisition operations performed before 1 January 2004, through the application of the acquisition method provided by IFRS 3 – *Business combination.* Consequently the goodwill arising from company acquisitions preceding such date has been recorded as in the last balance sheet prepared on the basis or the preceding accounting principles (1 January 2004, date of transition to IFRS). Starting from 1 January 2004 (date of transition to the new principles) the Group has ceased to amortise goodwill using instead the impairment test.

Recognition of Other intangible assets and *property, plant and machinery*

Other intangible assets and Property, plant and machinery have been recognised at cost. No asset has been subject to revaluation. The cost principle has been applied (instead of fair value) as measurement standard for tangible and intangible assets even subsequently to the initial recording.

Financial instruments

Tiscali has made use of the option provided by IFRS 1 to adopt the measurement principles for financial instruments established by IAS 32 (Financial instruments: disclosure and presentation) and IAS 39 (Financial instruments: recognition and measurement) starting from the consolidated balance sheet at 1 January 2005, avoiding the preparation of comparative statements for 2004, which data have been prepared in compliance with Italian accounting principles.

Translation reserve

On first adoption of IAS/IFRS, as allowed by IFRS 1, the cumulative conversion differences arising from the consolidation of foreign companies outside the euro area have been presumed equal to zero.

Liabilities for pension obligations and staff severance

The Group has elected to record all gains and losses accrued and existing at 1 January 2004, arising from actuarial valuations, and to waive the so called 'corridor approach', allowing to defer from such date the accounting of gains and losses, that can be recognised only for the part exceeding a pre-established percent threshold.

3. Effects of the adoption of IFRS – Reconciliation required by IFRS 1

This note describes the effects arising from the adoption of IFRS on the balance sheet and financial statements of the preceding financial years. These effects, as provided by IFRS 1, are presented and explained with the relevant reconciliation as compared to the corresponding published values and still determined incompliance with the Italian accounting principles. In particular reconciliation has been prepared with reference to the following periods:

- 1 January 2004 (transition date)
- 30 June 2004
- 31 December 2004
- 1 January 2005 (for the adoption of 32 and 39)

Please note that, in consideration of the type of adjustment and of the fiscal characteristics of the Tiscali Group, no fiscal effect arising from adjustments to IFRS has been detected.

3.1 First adoption of IFRS – 1 January 2004

The table below summarises the effects on the consolidated shareholders' equity at the date of transition to IFRS:

Shareholders' equity according to the Italian accounting principles EUR thousands	**425,556**
IAS 38 Intangible assets	(12,471)
IAS 38 ADSL activation costs	(16,868)
IAS 37 Provisions, contingent liabilities and contingent assets	320
IAS 19 Employee benefits	655
IAS 18 Revenue	3,741
Shareholders' Equity IFRS	**400,933**

The adjustments of the single issues of the balance sheet at the same date are summarised in the table below:

BALANCE SHEET AT 1 January 2004 *EUR thousands*	Reclassified according to the Italian accounting principles	Effects of conversion to IFRS	Assets and related liabilities disposed of and/or held for sale	IFRS
Non current assets				
Goodwill	503,908	-	-	503,908
Other intangible assets	211,995	(4,683)	-	207,311
Property, plant and machinery	246,550	7,621	-	254,170
Investments in associates	780	-	-	780
Other financial assets	23,023	-	-	23,024
Deferred tax assets	52,221	-	-	52,221
	1,038,477	**2,938**	-	**1,041,414**
Current assets			-	
Inventories	9,906	-	-	9,906
Trade receivables	179,960	-	-	179,960
Other receivables and other current assets	160,132	(32,419)	-	127,715
Other current financial assets	69,242	-	-	69,241
Cash and cash equivalents	203,544	-	-	203,544
	622,784	**(32,419)**	-	**590,366**
Assets held for sale	**-**	**-**	**-**	**-**
Total Assets	**1,661,261**	**(29,481)**	-	**1,631,780**
Share capital and reserves			-	
Share Capital	184,460	-	-	184,460
Share premium reserve	1,506,686	-	-	1,506,686
Translation reserve	(32,184)	32,184	-	-
Retained earning	(1,239,742)	(54,945)	-	(1,294,686)
Shareholders' Equity (Group)	**419,220**	**(22,761)**	-	**396,460**
Minority interest	6,336	(1,863)	-	4,473
Total Shareholders' equity	**425,556**	**(24,624)**	-	**400,933**
Non current liabilities			-	
Bonds	459,500	-	-	459,500
Payables to banks and other lenders	61,318	-	-	61,318
Obligations under finance leases	541	-	-	542
Other non current liabilities	17,468	-	-	17,467
Liabilities for pension provisions and staff severance	10,850	(655)	-	10,195
Provisions for risks and charges	27,011	(320)	-	26,691
	576,688	**(975)**	-	**575,713**
Current liabilities			-	
Bonds	81,184	-	-	81,184
Payable to banks and other lenders	37,992	-	-	37,992
Obligations under financial leases	15,195	-	-	15,194
Payable to suppliers	310,647	(141)	-	310,505
Other current liabilities	213,999	(3,741)	-	210,259
	659,017	**(3,882)**	-	**655,134**
Liabilities directly related to assets held for sale	-	-	-	-
Total liabilities	**1,235,705**	**(4,857)**	-	**1,230,847**
Total shareholders' equity and liabilities	**1,661,261**	**(29,481)**	-	**1,631,780**

The effects of IFRS adjustments on the single items of the balance sheet are analytically shown in the table below:

CONSOLIDATED BALANCE SHEET AT 1 January 2004	Effects of conversion to IFRS	Reclassification	Note 1 IAS 38 Intangible assets	Note 2 IAS 38 ADSL activation costs	IAS 38 Goodwill	IAS 16 Property, plant and machinery	Note 3 IAS 37 Provisions, contingent liabilities and contingent assets	Note 4 IAS 19 Employee Benefits	Note 5 IAS 18 Revenue	IAS 32 Financial instruments: Disclosure and presentation	IAS 39 Financial instruments: recognition and measurement	IFRS 1 First adoption of IAS principles	Other
Non current assets													
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	(4,683)	38	(20,270)	15,549	-	-	-	-	-	-	-	-	-
Property, plant and machinery	7,621	(38)	7,659	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,938	-	**(12,611)**	**15,549**	-	-	-	-	-	-	-	-	-
Current assets						-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables and other current assets	(32,419)	-	(2)	(32,417)	-	-	-	-	-	-	-	-	-
Other current financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
	(32,419)	-	**(2)**	**(32,417)**	-	-	-	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	**(29,481)**	-	**(12,613)**	**(16,868)**	-	-	-	-	-	-	-	-	-
Share Capital and reserves													
Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Translation reserve	32,184	-	-	-	-	-	-	-	-	-	-	32,184	-
Retained earnings	(54,945)	-	(12,472)	(16.868)	-	-	320	655	3,741	-	-	(32,184)	1,863
Shareholders' equity (Group)	**(22,761)**	-	**(12,472)**	**(16,868)**	-	-	**320**	**655**	**3,741**	-	-	-	**1,863**
Shareholders' equity of third parties /Minority interests	(1,863)	-	-	-	-	-	-	-	-	-	-	-	(1,863)
Total Shareholders' equity	**(24,624)**	-	**(12,472)**	**(16,868)**	-	-	**320**	**655**	**3,741**	-	-	-	-
Non current liabilities													
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables to banks and other lenders	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations under finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non currents liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities for pension provisions and staff severance	(655)	-	-	-	-	-	-	(655)	-	-	-	-	-
Provisions for risks and charges	(320)	-	-	-	-	-	(320)	-	-	-	-	-	-
	(975)	-	-	-	-	-	**(320)**	**(655)**	-	-	-	-	-
Current liabilities													
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables to banks and other lenders	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations under finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables to suppliers	(141)	-	(141)	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(3,741)	-	-	-	-	-	-	-	(3,741)	-	-	-	-
	(3,882)	-	**(141)**	-	-	-	-	-	**(3,741)**	-	-	-	-
Liabilities directly related to assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	**(4,857)**	-	**(141)**	-	-	-	**(320)**	**(655)**	**(3,741)**	-	-	-	-
Total Shareholders' Equity and Liabilities	**(29,481)**	-	**(12,613)**	**(16,868)**	-	-	-	-	-	-	-	-	-

Notes

1. IAS 38 / intangible Assets
The adjustment refers to the following:

a. cancellation of the net carrying values of some type of multi-year costs (start-up and expansion costs, advertising costs) capitalised in compliance with the Italian accounting principles, while IFRS do not recognise capitalisation of these costs;
b. reclassification of upgrades on third-party assets concerning property, plants and machinery.

2. IAS 38 / Intangible assets - broadband (ADSL) service activation costs
Activation costs have been capitalised and amortised on a straight-line basis in relation to the minimum legal duration of the customer contract, currently equal to 12 months. The so-called 'bounty costs' (accessory costs for customer acquisition) are on the contrary considered supporting costs for the financial year. For the purposes of the balance sheet prepared on the basis of Italian accounting principles these costs were deferred in relation to the expected duration of the customer account (36 months, taking into account the company statistics on the subject and the conditions of the reference market). The deferred portion of cost was previously recorded under Deferred charges.

3. IAS 37 / Provisions, contingent liabilities and contingent assets
Provisions for contingent liabilities, i.e. the part of these involving expenditure expected to occur later than the end of the financial year, have been actualised, consequently impacting on the balance sheet value at item Provisions for risks and charges.

4. IAS 19 / Employee benefits
The liability related to staff severance (TFR) of the Italian companies of the Group has been restated according to the actuarial method.

5. IAS 18 / Revenue recognition
As for ADSL activation costs, for the purposes of IFRS also revenue from broadband service activation has been deferred over 12 months, as compared to the 36-month period previously adopted for the balance sheet complying with the Italian accounting principles. The adjustment has involved the partial cancellation of the deferred revenue portion and the recording under Other liabilities (deferred income).

3.2 Effect of the transition to IFRS at 30 June 2004

The synthesis of effects at 30 June 2004 is shown in the table below:

EUR thousands	**Shareholders' Equity**	**Net result**
In compliance with the Italian accounting principles	**289,585**	**(135,124)**
IAS 38 Intangible assets	(9,350)	3,223
IAS 38 ADSL activation costs	(45,439)	(28,574)
IAS 38 Consolidation differences	28,135	28,135
IAS 37 Provisions, contingent liabilities and contingent assets	589	269
IAS 19 Employee benefits	508	(151)
IAS 18 Income	12,227	8,479
Third-party interest	-	(54)
Shareholders' Equity IFRS	**276,256**	**(123,804)**

The effects on the single items of the income statement at the same date are summarised as follows:

CONSOLIDATED INCOME STATEMENT at 30 June 2004 *EUR thousands*	**Complying with the Italian accounting principles**	**Effects of conversion to IFRS**	**Result of assets disposed of and/or held for sale**	**IFRS**
Revenue	538,048	8,478	(227,697)	318,830
Other income	5,648	(1,421)	(1,497)	2,729
Purchase of materials and outsource services	410,387	(12,055)	(167,713)	230,619
Personnel costs	77,916	19,014	(42,361)	54,570
Other operating costs	48,341	(10,600)	(21,588)	16,153
Gross operating result	**7,052**	**10,698**	**2,468**	**20,217**
Restructuring costs, provisions for risks and write-down	23,928	8,910	(6,766)	26,072
Depreciation and amortisation	99,709	(9,589)	(29,091)	61,029
Operating result	**(116,585)**	**11,377**	**38,325**	**(66,884)**
Share of profit or losses of associates with equity method	207	-	-	207
Net financial income (charges)	(18,746)	-	(2,179)	(20,925)
Profit (Loss) before tax	**(135,124)**	**11,377**	**36,146**	**(87,602)**
Taxation	-	-	(479)	(479)
Profit (Loss) from continuing operations	**(135,124)**	**11,377**	**36,625**	**(87,123)**
Profit (Loss) from discontinued operations	-	-	(36,681)	(36,681)
Net profit (Loss)	**(135,124)**	**11,377**	**(56)**	**(123,804)**
Attributable to:				
- Equity holders of the parents	**(134,308)**	**11,613**	**(2)**	**(122,698)**
- Minority interest	(816)	(236)	(54)	(1,106)

The transition effects are detailed in the table below for better understanding:

CONSOLIDATED INCOME STATEMENT (PROFIT AND LOSS) at 30 June 2004 *EUR thousands*	**Effects of conversion to /IFRS**	**Reclassification**	**Note 1** **IAS 38 Intangible assets**	**Nota 2** **IAS 38 ADSL activation costs**	**Note 3** **IAS 38 Goodwill**	**IAS 16 Property, plant and machinery**	**Note 4** **IAS 37 Provisions, contingent liabilities and contingent assets**	**Note 5** **IAS 19 Employee benefits**	**Note 6** **IAS 18 Revenue**	**IAS 32 Financial instruments Disclosure and recognition**	**IAS 39 Financial instruments: recognition and measurement**	**IFRS 1 First adoption of IAS principles**	**Other**
Revenue	**8,478**	-	-	-	-	-	-	-	8,478	-	-	-	-
Other income	**(1,421)**	(1,621)	-	-	-	-	200	-	-	-	-	-	-
Purchase of materials and outsource services	**(12,055)**	(18,800)	2,195	4,550	-	-	-	-	-	-	-	-	-
Personnel costs	**19,014**	18,800	63	-	-	-	-	151	-	-	-	-	-
Other operating costs	**(10,600)**	(10,600)	-	-	-	-	-	-	-	-	-	-	-
Gross operating result	**10,698**	**8,979**	**(2,258)**	**(4,550)**	-	-	**200**	**(151)**	**8,478**	-	-	-	-
Restructuring costs, provisions for risks and write-downs	8,910	8,979	-	-	-	-	(69)	-	-	-	-	-	-
Depreciation and amortisation	(9,589)	-	(5,479)	24,024	(28.134)	-	-	-	-	-	-	-	-
Operating result	**11,377**	-	**3,221**	**(28,574)**	**28.134**	-	**269**	**(151)**	**8,478**	-	-	-	-
Share of profit or losses of associates with equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
Net financial income (charges)	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) before tax	**11,377**	-	**3,221**	**(28,574)**	**28.134**	-	**269**	**(151)**	**8,478**	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) from continuing operations	**11,377**	-	**3,221**	**(28,574)**	**28.134**	**-**	**269**	**(151)**	**8,478**	-	-	-	-
Profit (Loss) from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (Loss)	**11,377**	-	**3,221**	**(28,574)**	**28.134**	-	**269**	**(151)**	**8,478**	-	-	-	-
Attributable to:													
- Equity holders of the parent	**11,613**	-	**3,221**	**(28,574)**	**28.134**	-	**269**	**(151)**	**8,478**	-	-	-	**236**
- Minority interest	**(236)**	-	-	-	-	-	-	-	-	-	-	-	(236)

Notes

Notes pertaining to income statement are reported consistently with the detailed table listing, pointing out the item subject to adjustment.

1. IAS 38 / Intangible assets– Purchase of materials and outsource services
Adjustments reflect the effect on the accounts for the period following (a) cancellation of net carrying values of some types of multi-year costs (start-up and expansion costs, advertising costs) capitalised in compliance with the Italian accounting principles, while IFRS do not recognise capitalisation on these costs. Amortisation recorded in the first-half 2004, complying with Italian accounting principles, has therefore been cancelled; (b) reclassification of upgrades on third-party assets concerning property, plant and machinery.

2. IAS 38 / Intangible assets – Purchase of materials and outsource services
Activation costs for *broadband (ADSL)* services have been capitalised and amortised on a straight-line basis in relation to the minimum legal duration of customer contracts, currently equal to 12 months, while the 'bounty costs' are considered as expenses. The activation cost amortisation adjustment is recorded on profit and loss and the 'bounty cost' are also fully charged to profit and loss.

3. IAS 38 / Goodwill – Amortisation
Since 1 January 2004 goodwill is no longer amortised. The adjustment relates to the cancellation of amortisation for the period.

4. IAS 37 / Provisions, contingent liabilities and contingent assets– Provisions for risks
Provisions for contingent liabilities, i.e. the part of these involving expenditure expected to occur later than the end of the financial year, have been actualised with the consequent accounting effects.

5. IAS 19 / Employee benefits– Personnel costs
The liability related to staff severance (TFR) of the Italian companies of the Group has been restated according to the actuarial method. Adjustment is recorded on profit and loss.

6. IAS 18 / Revenue recognition– Revenue
As for ADSL activation costs, for the purposes of IFRS also revenue from broadband service activation has been deferred over 12 months, as compared to the 36-month period estimated in relation to Italian accounting principles.

Reclassifications chiefly originate from the adoption of a profit and loss structure that considers the classified costs by nature, independently of the relevant destination.

3.3 Effects of transition to IFRS at 31 December 2004

The table below summarises the effects at 31 December 2004:

EUR thousands	Shareholders' equity	Net result
In compliance with Italian accounting principles	**315,772**	**(161,372)**
IAS 38 Intangible assets	(5,781)	6,773
IAS 38 ADSL activation costs	(65,313)	(47,972)
IAS 38 Consolidation difference	51,259	51,259
IAS 16 Property, plant and machinery	2	2
IAS 37 Provisions, contingent liabilities and contingent assets	614	293
IAS 19 Employee benefits	643	(14)
IAS 18 Revenue	20,599	16,825
Third-party interests	-	20
IFRS	**317,795**	**(134,185)**

The effects of adjustments to the IFRS accounting principles in relation to the Income statement and Balance Sheet statements are detailed in the tables below:

CONSOLIDATED INCOME STATEMENT AT 31 December 2004 *EUR thousands*	**In compliance with Italian accounting principles**	**Effects of conversion to IFRS**	**Result of assets disposed of and/or held for sale**	**IFRS**
Revenue	1,080,561	16,825	(442,254)	655,133
Other operating income	51,046	(2,877)	(39,161)	9,009
Purchase of materials and outsource services	807,380	(24,086)	(336,858)	446,437
Personnel costs	156,641	20,809	(71,145)	106,305
Other operating costs	133,560	(24,902)	(74,713)	33,945
Gross operating result	**34,026**	**42,127**	**1,301**	**77,455**
Restructuring costs, provisions for risks and write-downs	60,961	(21,753)	(13,662)	69,053
Depreciation and amortisation	205,135	(6,793)	(69,126)	129,217
Operating result	**(232,070)**	**27,167**	**84,088**	**(120,815)**
Share of profit or losses of associates with equity method	640	-	-	640
Net financial income (charges)	(37,662)	-	487	(37,175)
Profit (Loss) before tax	**(269,092)**	**27,167**	**84,575**	**(157,350)**
Taxation	(107,720)	-	(2,894)	(110,614)
Profit (Loss) from continuing operations	**(161,372)**	**27,167**	**87,469**	**(46,736)**
Profit (Loss) from discontinued operations	-	-	(87,449)	(87,449)
Net profit (Loss)	**(161,372)**	**27,167**	**20**	**(134,185)**
Attributable to:				
- Equity holders of the parent	**(159,466)**	**27,622**	-	**(131,844)**
- Minority interest	(1,906)	(455)	20	(2,341)

CONSOLIDATED BALANCE SHEET AT 31 December 2004 *EUR thousands*	In compliance with Italian accounting principles	Effects of conversion to IFRS	Assets and related liabilities disposed of and/or held for sale	IFRS
Non current activities				
Goodwill	393,124	51,259	(130,921)	313,462
Other intangible assets	186,049	12,653	(72,349)	126,351
Property, plant and machinery	217,829	5,983	(46,506)	177,307
Investments	2,642	-	-	2,642
Other financial assets	16,077	11,365	(2,068)	25,374
Deferred tax assets	158,495	-	(1,194)	157,301
	974,216	**81,260**	**(253,038)**	**802,437**
Current assets				
Inventories	2,712	-	(711)	2,000
Trade receivables	150,418	-	(47,954)	102,464
Other receivables and other current assets	226,315	(108,450)	(40,136)	77,729
Other current financial assets	25,925	(12,545)	(8,465)	4,913
Cash and cash equivalents	128,413	-	(45,293)	83,120
	533,783	**(120,995)**	**(142,559)**	**270,226**
Assets held for sale	**-**	**-**	**395,597**	**395,597**
Total Assets	**1,507,999**	**(39,735)**	**-**	**1,468,260**
Share Capital and reserves				
Share Capital	196,619	-	-	196,619
Share premium reserve	1,440,874	-	-	1,440,874
Translation reserve	(33,600)	31,837	-	(1,763)
Retained earning	(1,292,714)	(29,168)	-	(1,321,883)
Shareholders' equity (Group)	**311,179**	**2,669**	**-**	**313,847**
Shareholders' equity of third parties/Minority interests	**4,593**	**(645)**	**-**	**3,948**
Total Shareholders' equity	**315,772**	**2,024**	**-**	**317,795**
Non current liabilities				
Bonds	209,500	-	-	209,500
Payables to banks and other lenders	46,093	22,881	(862)	68,113
Obligations under finance leases	9,532	9,619	(559)	18,591
Other non current liabilities	62,801	(32,500)	(2,932)	27,369
Liabilities for pension provisions and staff severance	10,810	(749)	(4,185)	5,875
Provisions for risks and charges	22,141	(614)	(10,851)	10,677
	360,877	**(1,363)**	**(19,389)**	**340,125**
Current liabilities				
Bonds	250,387	-	-	250,387
Payable to banks and other lenders	25,747	-	(423)	25,324
Obligations under finance leases	22,523	-	(3,303)	19,220
Payable to suppliers	291,810	-	(109,089)	182,720
Other current liabilities	240,883	(40,396)	(78,979)	121,506
	831,350	**(40,396)**	**(191,794)**	**599,157**
Liabilities directly related to assets held for sale	**-**	**-**	**211,183**	**211,183**
Total liabilities	**1,192,227**	**(41,759)**	**-**	**1,150,465**
Total Shareholders' Equity and Liabilities	**1,507,999**	**(39,735)**	**-**	**1,468,260**

The tables below show in detail the effects of IFRS adjustments:

CONSOLIDATED INCOME STATEMENT AT 31 December 2004 *EUR thousands*	Effects of conversion to IFRS	Reclassifications	Note 1 IAS 38 Intangible assets	Note 2 IAS 38 ADSL activation costs	Note 3 IAS 38 Goodwill	Note 4 IAS 16 Property, plant and machinery	Note 5 IAS 37 Provisions contingent assets and liabilities	Note 6 IAS 19 Employee benefits	Note 7 IAS 18 Revenue	IAS 32 Financial instruments: Presentation and disclosure	IAS 39 Financial instruments: Recognition and measurement	IFRS 1 First adoption of IAS principles	Other
Revenue	**16,825**	-	-	-	-	-	-	-	16,825	-	-	-	-
Other income	**(2,877)**	-	-	-	(3,054)	-	177	-	-	-	-	-	-
Purchase of materials and outsource services	**(24,086)**	***(20,774)***	3,196	(6,508)	-	-	-	-	-	-	-	-	-
Personnel costs	**20,809**	***20,774***	78	-	-	-	-	(43)	-	-	-	-	-
Other operating costs	**(24,902)**	***(21,813)***	34	-	(3,123)	-	-	-	-	-	-	-	-
Gross operating result	**42,127**	**21,813**	**(3,308)**	**6,508**	**69**	-	**177**	**43**	**16,825**	-	-	-	-
Restructuring costs, provisions for risks and write-downs	21,753	***21,813***	-	-	-	-	(117)	57	-	-	-	-	-
Depreciation and amortisation	(6,793)	-	(10,081)	54,480	(51,190)	(2)	-	-	-	-	-	-	-
Operating result	**27,167**	-	**6,773**	**(47,972)**	**51,259**	**2**	**294**	**(14)**	**16,825**	-	-	-	-
Share of profit or losses of associates with equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
Net financial income (Charges)	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) before tax	**27,167**	-	**6,773**	**(47,972)**	**51,259**	**2**	**294**	**(14)**	**16,825**	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) from continuing operations)	**27,167**	-	**6,773**	**(47,972)**	**51,259**	**2**	**294**	**(14)**	**16,825**	-	-	-	-
Profit (Loss) from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit	**27,167**	-	**6,773**	**(47,972)**	**51,259**	**2**	**294**	**(14)**	**16,825**	-	-	-	-
Attributable to:													
- Equity holders of the parent	**27,622**	-	**6,773**	**(47,972)**	**51,259**	**2**	**294**	**(14)**	**16,825**	-	-	-	**455**
- Minority interest	**(455)**	-	-	-	-	-	-	-	-	-	-	-	(455)

Notes

Notes pertaining to income statement (profit and loss) are reported consistently with the detailed table listing, pointing out the item subject to adjustment.

1. IAS 38 / Intangible assets– Purchase of materials and outsource services
Adjustments reflect the effect on the accounts for the period following (a) cancellation of net carrying values of some types of multi-year costs (start-up and expansion costs, advertising costs) capitalised in compliance with the Italian accounting principles, while IFRS do not recognise capitalisation on these costs. Amortisation recorded in the first-half 2004, complying with Italian accounting principles, has therefore been cancelled; (b) reclassification of upgrades on third-party assets concerning property, plant and machinery.

2. IAS 38 / Intangible assets – Purchase of materials and outsource services
Activation costs for *broadband (ADSL)* services have been capitalised and amortised on a straight-line basis in relation to the minimum legal duration of customer contracts, currently equal to 12 months, while the 'bounty costs' are considered as expenses. The activation cost amortisation adjustment is recorded on profit and loss and the 'bounty cost' are also fully charged to profit and loss.

3. IAS 38 / Goodwill – Amortisation
Since 1 January 2004 goodwill is no longer amortised. The adjustment relates to the cancellation of amortisation for the period.

4. IAS 16 / Property, plant and machinery– Depreciation
The adjustment is not significant.

5. IAS 37 /Provisions, contingent liabilities and contingent assets– Provisions for risks
Provisions for contingent liabilities, i.e. the part of these involving expenditure expected to occur later than the end of the financial year, have been actualised with the consequent accounting effects.

6. IAS 19 / Employee benefits– Personnel costs
The liability related to staff severance (TFR) of the Italian companies of the Group has been restated according to the actuarial method. Adjustment is recorded on profit and loss.

7. IAS 18 / Revenue recognition– Revenue
As for ADSL activation costs, for the purposes of IFRS also revenue from broadband service activation has been deferred over 12 months.

CONSOLIDATED BALANCE SHEET AT 31 December 2004 *EUR thousands*	**Effect of conversion to IFRS**	**Reclassifications**	**Note 1** **IAS 38 Intangible assets**	**Note 2** **IAS 38 ADSL installation costs**	**Note 3** **IAS 38 Goodwill**	**Note 4** **IAS 16 Property, plant and machinery**	**Note 5** **IAS 37 Provisions, contingent liabilities and assets**	**Note 6** **IAS 19 Employee benefits**	**Note 7** **IAS 18 Revenue**	**IAS 32 financial instruments: Presentation and disclosure**	**IAS 39 financial instruments: Recognition and measurement**	**Note 8** **IFRS 1 First adoption of IAS principles**	**Note 9** **Others**
Non current activities													-
Goodwill	**51,259**	-	-	-	51,259	-	-	-	-	-	-	-	-
Intangible assets	**12,653**	415	7,916	23,233	-	-	-	-	-	-	-	(18,911)	-
Property, plant and machinery	**5,983**	(415)	(1,225)	-	-	-	-	-	-	-	-	7,621	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	**11,365**	12,545	-	-	-	-	-	-	-	-	-	(1,180)	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	81,260	**12,545**	**6,691**	**23,233**	**51,259**	**2**	-	-	-	-	-	**(12,470)**	-
Current assets						-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables and other current assets	**(108,450)**	(19,905)	-	(71,677)	-	-	-	-	-	-	-	(16,868)	-
Other current financial assets	**(12,545)**	(12,545)	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
	(120,995)	**(32,450)**	-	**(71,677)**	-	-	-	-	-	-	-	**(16,868)**	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	**(39,735)**	**(19,905)**	**6,691**	**(48,444)**	**51,259**	**2**	-	-	-	-	-	**(29,338)**	-
Share Capital and reserves													-
Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Translation reserve	**31,837**	-	-	(391)	-	-	-	-	45	-	-	32,183	-
Retained earnings	**(29,168)**	-	6,691	(48,053)	51,259	2	294	(13)	16,812	-	-	(56,805)	645
Shareholders' Equity (Group)	**2,669**	-	**6,691**	**(48,444)**	**51,259**	**2**	**294**	**(13)**	**16,857**	-	-	**(24,622)**	**645**
Shareholders' equity of third parties /Minority interests	**(645)**	-	-	-	-	-	-	-	-	-	-	-	(645)
Total Shareholders' equity	**2,024**	-	**6,691**	**(48,444)**	**51,259**	**2**	**294**	**(13)**	**16,857**	-	-	**(24,622)**	-
Non current liabilities													
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables to banks and other lenders	**22,881**	22,881	-	-	-	-	-	-	-	-	-	-	-
Obligations under finance leases	**9,619**	9,619	-	-	-	-	-	-	-	-	-	-	-
Other non current liabilities	**(32,500)**	(32,500)	-	-	-	-	-	-	-	-	-	-	-
Liabilities for pension provisions and staff severance	**(749)**	-	-	-	-	-	-	(94)	-	-	-	(655)	-
Provisions for risks and charges	**(614)**	-	-	-	-	-	(294)	-	-	-	-	(320)	-
	(1,363)	-	-	-	-	-	**(294)**	**(94)**	-	-	-	**(975)**	-
Current liabilities													
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables to banks and other lenders	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations under finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables to suppliers	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	**(40,396)**	(19,905)	-	-	-	-	-	107	(16,857)	-	-	(3,741)	-
	(40,396)	**(19,905)**	-	-	-	-	-	**107**	**(16,857)**	-	-	**(3,741)**	-
Liabilities directly related to assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	**(41,759)**	**(19,905)**	-	-	-	-	**(294)**	**13**	**(16,857)**	-	-	**(4,716)**	-
Total Shareholders' equity and liabilities	**(39,735)**	**(19,905)**	**6,691**	**(48,444)**	**51,259**	**2**	-	-	-	-	-	**(29,338)**	-

Notes

1. IAS 38 / Intangible assets
Adjustments refers to the following:

a) cancellation of net carrying values of some types of multi-year costs (start-up and expansion costs, advertising costs) capitalised in compliance with the Italian accounting principles, while IFRS do not recognise capitalisation on these costs.
b) reclassification of upgrades on third-party assets concerning property, plant and machinery.

2. IAS 38 / Intangible assets - broadband (ADSL) service activation costs
Activation costs have been capitalised and amortised on a straight-line basis in relation to the minimum legal duration of the customer contract, currently equal to 12 months. The so-called ‘bounty costs’ (accessory costs for customer acquisition) are on the contrary considered supporting costs for the financial year. For the purposes of the balance sheet prepared on the basis of Italian accounting principles these costs were deferred in relation to the expected duration of the customer account (36 months, taking into account the company statistics on the subject and the conditions of the reference market). The deferred portion of cost was previously recorded under Deferred charges.

3. IAS 38 / IAS 38 / Goodwill – Amortisation
Since 1 January 2004 goodwill is no longer amortised. The adjustment relates to restatement of goodwill following the cancellation of amortisation for the period.

4. IAS 16 / *Property, plant and machinery– Depreciation*
The adjustment is scarcely significant.

5. IAS 37 / Provisions, contingent liabilities and contingent assets
Provisions for contingent liabilities, i.e. the part of these involving expenditure expected to occur later than the end of the financial year, have been actualised, consequently impacting on the balance sheet value at item Provisions for risks and charges.

6. IAS 19 / Employee benefits
The liability related to staff severance (TFR) of the Italian companies of the Group has been restated according to the actuarial method.

7. IAS 18 / Revenue recognition
As for ADSL activation costs, for the purposes of IFRS also revenue from broadband service activation has been deferred over 12 months, as compared to the 36-month period estimated in relation to Italian accounting principles. The adjustment has involved the partial cancellation of the deferred revenue portion and the recording under Other liabilities (deferred income).

3.4 Effects of transition to IFRS at 1 January 2005 – Adoption IAS 32 e 39

As already mentioned at paragraph 2.2 of this section Tiscali has made use of the option provided by IFRS 1 to adopt the measurement principles for financial instruments established by IAS 32 (Financial instruments: disclosure and presentation) and IAS 39 (Financial instruments: recognition and measurement) starting from the consolidated balance sheet at 1 January 2005, avoiding the preparation of comparative statements for 2004, which data have been prepared in compliance with Italian accounting principles. The tables below summarise the effects on balances of consolidated balance sheet and shareholders' equity at 1 January 2005 arising from the application of IAS 32 and 39.

Total Shareholders' equity (EUR thousands)

IAS/IFRS 31 December 2004	**317,795**
Effect of IAS 39 adoption	**110**
Effect of IAS 32 adoption	**(4,155)**
IFRS 1 January 2005	**313,750**

CONSOLIDATED BALANCE SHEET *EUR thousands*	**IFRS 31 December 2004**	**Effect of IAS 39 adoption**	**Effect of IAS 32 adoption**	**IFRS 1 January 2005**
Non current activities				
Goodwill	313,462	-	-	313,462
Intangible assets	126,353	(2,117)	(4,155)	120,081
Property, plant and machinery	177,307	-	-	177,307
Investments	2,642	-	-	2,642
Other financial assets	25,375	-	-	25,375
Deferred tax assets	157,301	-	-	157,301
	802,440	**(2,117)**	**(4,155)**	**796,168**
Current assets				-
Inventories	2,001	-	-	2,001
Trade receivables	102,464	-	-	102,464
Other receivables and other current assets	77,730	-	-	77,730
Other current financial asset	4,913	-	-	4,913
Cash and cash equivalents	83,120	-	-	83,120
Total current assets	**270,228**	-	-	**270,228**
Assets held for sale	395,597	-	-	395,597
Total Assets	**1,468,265**	**(2,117)**	**(4,155)**	**1,461,993**
Share Capital and reserves				-
Share Capital	196,619			196,619
Share premium reserve	1,440,874		(4,155)	1,436,719
Translation reserve	(1,763)			(1,763)
Retained earnings	(1,321,884)	110		(1,321,774)
Shareholders' Equity (Group)	313,847	110	(4,155)	309,802
Shareholders' equity of third parties/Minority interests	3,948			3,948
Total Shareholders' equity	**317,795**	**110**	**(4,155)**	**313,750**
Non current liabilities				-
Bonds	209,500	3,276		212,776
Payables to banks and other lenders	68,112			68,112
Obligation under finance leases	18,591			18,591
Other non current liabilities	27,369			27,369
Liabilities for pension obligations and staff severance	5,875			5,875
Provisions for risks and charges	10,676			10,676
	340,124	**3,276**	**-**	**343,400**
Current liabilities				-
Bonds	250,387			250,387
Payables to banks and other lenders	25,324			25,324
Obligations under finance leases	19,220			19,220
Payables to suppliers	182,720	(5,503)		177,217
Other current liabilities	121,513			121,513
	599,164	**(5,503)**	**-**	**593,661**
Liabilities directly related to assets held for sale	**211,183**			**211,183**
Total liabilities	**1,150,470**	**(2,227)**	**-**	**1,148,243**
Total Shareholders' equity and liabilities	**1,468,265**	**(2,117)**	**(4,155)**	**1,461,993**

The adoption of IAS 32 and 39 determined in particular the following adjustments:

- Bonds are measured at amortised cost and the effective interest method is applied to financial charges (increase of shareholders' equity equal to EUR 0.1 million).

- Accounting of additional charges following capital increase by the parent company at the end of 2004, with contextual cancellation of the same to reduce the Share Premium Reserve (decrease of shareholders' equity equal to EUR 4.2 million).

No significant reclassifications of the financial position were required as compared to data at 31 December 2004 and there are no significant effects on the financial position at the same date.

Comparative data and information related to the financial instruments recorded on the consolidated financial statements at 1 January 2004 and at 31 December 2004 and on the consolidated income statement (Profit and loss) for the financial year ended at 31 December 2004 have been recognised and measured according to Italian accounting principles. Please see the notes to the Tiscali Group balance sheet at 31 December 2004.

4. Auditing on reconciliation

The Tiscali Group commissioned to Deloitte & Touche S.p.A. the following auditing reviews concerning data in IFRS reconciliation:

- Complete review of the statement of reconciliation to IFRS of balance sheet at 1 January 2004 and of the balance sheet and income statement at 31 December 2004;

- Limited accounting review of the balance sheet and income statement at 30 June 2004.

ACCOUNTING STATEMENTS OF THE PARENT COMPANY

The accounting statements of the parent company have been prepared in compliance with art. 81 and 81 bis of Consob deliberation n.11971 of 14 May 1999 and subsequent amendments and integrations, as well as with the rules set out in art 2423 and subsequent articles of the Italian Civil Code concerning financial statements (Italian accounting principles).

Concerning the transfer occurred on 1 January 2005 of Tiscali S.p.A. operations to subsidiaries Tiscali Italia S.r.l. and Tiscali Services S.r.l., the accounting statements of the parent company also include the comparative 'pro-forma' data relative to the preceding financial year. For further information on the transfer operation please see section 'significant events of the first half-year 2005'

	BALANCE SHEET – ASSETS (all amounts in EUR)			***30-June-2005***	***31-Dec.-2004***	***31-Dec.2004 Proforma***
A)	**CAPITAL CONTRIBUTION DUE FROM SHAREHOLDERS:**					
-	Portion Called up			-		
-	Portion not called up			-		
	Total Capital contributions due from shareholders			-	-	
B)	**NON CURRENT ASSETS:**					
I	***intangible assets:***					
1)	Start-up and expansion costs			3,972,756	4,550,649	4,489,347
2)	Research, development and advertising costs			-	-	
3)	Industrial patent rights and intellectual property			162,909	15,210,808	325,817
4)	Concessions, licenses, trademarks and similar rights			1,371,874	40,581,163	7,128
6)	Payments on account and intangible assets in course of acquisition				1,785,500	1,500,000
7)	Other			364,548	17,277,945	520,105
	Total			5,872,087	79,406,065	6,842,397
II	***Tangible assets:***					
1)	Land and buildings				24,506,973	
2)	Plant and machinery			16,018	36,283,582	19,922
3)	Industrial and commercial equipment			5,650	1,616,464	7,063
4)	Other assets			246,444	3,297,986	277,055
5)	Payments on account and tangible assets in course of acquisition				1,779,872	
	Total			268,112	67,484,877	304,040
III	***Financial fixed assets:***					
1)	Investments in :					
a)	subsidiaries			1,465,856,489	1,521,051,688	1,735,906,488
b)	affiliated companies			495,000	529,000	529,000
d)	other companies			160,484	160,484	160,484
2)	Receivables:					
d)	from others			2,037,927	2,037,927	2,037,927
	Total			1,468,549,900	1,523,779.099	1,738,633,899
	Total assets			**1,474,690,099**	**1,670,670,041**	**1,745,780,336**
C)	**CURRENT ASSETS**					
I	*Inventories:*					
1)	Raw materials, supplies and consumables				461,654	
3)	Contract work in progress				652,272	
	Total				1,113,926	
II	*Receivables:*	*Receivables after one year*				
		30-June-2005	***31-Dec.-2004***			
1)	Receivable from customers			1,307,511	46,262,116	64,619
2)	From subsidiaries	17,328,067	17,328,067	103,807,845	78,228,044	60,055,819
4 bis)	Tributary receivables	-	-	20,899,182	27,148,754	27,148,754
4 ter)	Deferred tax assets				45,000,000	45,000,000
5)	From others	18,715	328,171	31,742,477	4,232,667	2,642,465
	Total	17,346,782	17,656,238	157,757,015	200,871,581	134,911,657
III	*Short-term financial assets*					
1)	Investments in subsidiaries			10,000	10,464	10,464
	Total			10,000	10,464	10,464
IV	*Cash and cash equivalents:*					
1)	Bank and post-office deposits			55,541,644	48,873,222	48,873,222
3)	Cash and other negotiable instruments			52,086	52,783	49,887
	Total			55,593,730	48,926,005	48,923,109
	Total current assets			**213,360,745**	**250,921,976**	**183,845,230**
D)	**ACCRUED INCOME AND DEFERRED CHARGES:**					
	Accrued income and deferred charges			96,597	13,292,591	111,611
	Total			**96,597**	**13,292,591**	**111,611**
	TOTAL ASSETS			**1,688,147,441**	**1,934,884,608**	**1,929,737,177**

BALANCE SHEET – LIABILITIES (all amounts in EUR)				30-June-2005	31-Dec-2004	31-Dec-2004 Proforma
A)	SHAREHOLDERS' EQUITY:					
I	Share capital			198,369,071	196,619,071	196,619,071
II	Share premium reserve			957,l871,960	1,440,874,031	1,440,874,031
III	Revaluation reserve			-	-	
IV	Legal reserve			-	-	
V	Reserve for own shares held			-	-	
VI	Statutory reserves			-	-	
VII	Other reserves:					
-	Rounding reserve			(3)	(1)	
VIII	Retained earning (losses) carried forward			-	-	
IX	Profit (loss) for the year			87,151,550	(489,778,071)	(327,231,619)
	Total shareholders' equity			**1,243,392,578**	**1,147,715,030**	**1,310,261,483**
B)	PROVISION FOR RISKS AND CHARGES:					
1)	pension provisions and similar obligations			-	-	
2)	provision for taxes			-	-	
3)	other			22,628,879	20,204,867	20,028,879
	Total provision for risks and charges			**22,628,879**	**20,204,867**	**20,028,879**
C)	STAFF SEVERANCE INDEMNITY			**701,320**	**5,462,954**	**664,696**
D)	PAYABLES:	Receivable after one year				
		30-June-2005	31-Dec.-2004			
3)	due to banks		30.620,437	14,919,389	54,733,727	21,290,917
4)	due to other lenders		369,755	61,625	586,571	61,625
6)	due to suppliers		32,765,310	27,008,909	143,498,090	36,194,057
8)	due to subsidiaries			375,381,364	538,946,918	530,377,782
11)	taxes payable			361,688	2,473,462	2,473,462
12)	due to social security agencies			512,380	3,858,021	3,858,021
13)	other payables			2,196,587	7,369,661	3,572,940
	Total payables		63,755,502	**420,441,942**	**751,466,450**	**597,828,804**
E)	ACCRUED LIABILITIES AND DEFERRED INCOME					
	Accrued liabilities and deferred income			982,722	10,035,307	953,315
	Total			**982,722**	**10,035,307**	**953,315**
	TOTAL LIABILITIES			**1,688,147,441**	**1,934,884,608**	**1,929,737,177**

MEMORANDUM ACCOUNTS (all amounts in EUR)				
A)	GUARANTEES GIVEN:			
1)	to third parties:			
a)	sureties	503,455,160	500,930,708	563,548,237
	Total	503,455,160	500,930,708	563,548,237
	Total guarantees given	503,455,160	500,930,708	563,548,237
B)	OTHER MEMORANDUM ACCOUNTS			
-	Leasing payments falling due	19,287,304	19,287,304	19,287,304
-	Commitments	4,428,883	4,428,883	4,428,883
	Total other memorandum accounts	23,716,187	23,716,187	23,716,187
C)	GUARANTEES RECEIVED:			
1)	from third parties and group companies:			
a)	sureties	724,975	857,975	857,975
	Total guarantees received	724,975	857,975	857,975
	TOTAL MEMORANDUM ACCOUNTS	**527,896,322**	**525,504,870**	**588,122,399**

INCOME STATEMENT (all amounts in EUR)		30 June 2005	30 June 2004	30-Dec. -2004 proforma
A)	**VALUE OF PRODUCTION:**			
1)	revenue from sales and services	4,621,607	99,946,274	5,897,123
3)	changes in contract work in progress		1,479,122	
4)	increases in assets for work in progress (internal)		1,158,022	
5)	other income			
-	*Other income*	1,009	111,208	92,313
-	*Contributions for the year*	1,172,238	1,824,215	
	Total	**5,794,854**	**104,518,841**	**5,989,436**
B)	**PRODUCTION COSTS:**			
6)	raw materials, supplies and consumables	(134)	(1,642,271)	-
7)	services	(3,490,736)	(79,193,285)	(5,563,887)
8)	use of third-parties assets	(330,141)	(10,444,742)	(381,873)
9)	personnel costs:		-	-
a)	*wages and salaries*	(2,528,622)	(13,656,476)	(2,097,811)
b)	*social security contributions*	(979,133)	(3,498,881)	(579,374)
c)	*staff severance indemnity*	(103,608)	(865,044)	(103,774)
d)	*pension provisions and similar obligations*	-	-	(112,986)
e)	*other costs*	(14,916)	(473,108)	-
10)	depreciation, amortisation and write-downs:		-	-
a)	*amortisation of intangible assets*	(986,839)	(10,628,989)	(163,209)
b)	*depreciation of tangible assets*	(41,174)	(5,447,760)	(39,361)
d)	*write-downs of receivable included in current assets and cash and cash equivalents*	-	(1,478,800)	-
11)	changes in inventories of raw materials, supplies and consumables	-	57,235	-
12)	risk provisions	(3,000,000)	-	-
13)	other provisions	-	-	-
14)	other operating expenses	(127,022)	(986,326)	-
	Total	**(12,602,325)**	**(128,258,447)**	**(9,042,275)**
(A - B)	**DIFFERENCE BETWEEN VALUE OF PRODUCTION AND COSTS**	**(5,807,471)**	**(23,739,606)**	**(3,052,839)**
C)	**FINANCIAL INCOME AND CHARGES:**			
15)	*income from equity investments:*			
16)	*other financial income:*			
d)	earnings other than the above:			
-	from third parties	86,715	67,411	
-	from subsidiaries	8,697	20,764	
17)	*interests and other financial charges:*			
a)	from third parties	(671,389)	(1,451,535)	(857,724)
b)	from subsidiaries	(68,695)	(35,980)	(35,980)
17 bis)	Exchange rate gains and losses	54,552	27,100	27,100
	Total	**(590,120)**	**(1,372,240)**	**(866,604)**
D)	**ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS**			
18)	*revaluations:*			
19)	*write-downs:*			
a)	of equity investments	(493,978)	(12,635,568)	(12,635,568)
	Total	**(493,978)**	**(12,635,568)**	**(12,635,568)**
E)	**EXTRAORDINARY INCOME (CHARGES)**			
20)	*Extraordinary income:*			
a)	income	164,406,844	910,919	137,613
b)	capital gains on disposals of non current assets	87,000		
21)	*Extraordinary charges:*			
a)	charges	(6,675,250)	(4,629,861)	(2,103,491)
b)	capital losses on disposals of non current assets	(18,775,475)		
	Total	**139,043,119**	**(3,718,942)**	**(1,965,878)**
	Profit (loss) before tax	**132,151,550**	**(41,466,356)**	**(18,520,889)**
22)	***Income tax:***			
a)	current taxes	(45,000,000)		
	Total	**(45,000,000)**		
23)	**PROFIT (LOSS) FOR THE YEAR**	**87,151,550**	**(41,466,356)**	**(18,520,889)**

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: + 39 02 83322111
Fax: + 39 02 83322112
www.deloitte.it

AUDITORS' REPORT ON THE REVIEW OF INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2005 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

To the Shareholders of
TISCALI S.p.A.

1. We have reviewed the accompanying interim financial information of Tiscali S.p.A. for the six-month period ended June 30, 2005, consisting of the consolidated accounting schedules and related explanatory notes. This interim financial information is the responsibility of the Company's directors. Our responsibility is to issue a report on the interim financial information based on our review. In addition, we have verified the consistency of the explanatory notes with the report on operations contained in the above interim financial information.

2. Our review was carried out in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end financial information, we do not express an audit opinion on the half-yearly interim financial information.

3. As far as comparative figures related to the consolidated financial statements of the prior year are concerned, reference should be made to our auditors' report dated October 3, 2005.

   The comparative figures of the interim financial information for the corresponding period of the previous year, restated in accordance with International Financial Reporting Standards (IFRS) and the related IFRS reconciliation statements, are based on the interim financial information prepared under previously applicable Italian accounting standards which we have previously reviewed and on which we issued a review report dated October 29, 2004.

4. Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information mentioned in paragraph 1. above in order for them to be in conformity with the criteria provided by art. 81 of Consob regulations for the preparation of the half-yearly interim financial information approved with Resolution n° 11971 of May 14, 1999 and subsequent modifications and integrations.

5. We draw your attention to the following items for a better understanding of the interim financial information:

    a) As disclosed in the report on operations and explanatory notes, during the first six months of 2005 the Tiscali Group has begun to implement its business plan 2005-2007 and continued to focus its strategy on countries believed to have the greatest potential. The resulting actions have led to the disposal of non-strategic “assets”, which has allowed the Ticsali Group to raise financial resources necessary to repay a bond in July 2005, to focus on the growth of ADSL subscribers and to the development of its own unbundling network infrastructure, achieving the results described in the report on operations. Also, in August 2005 the Group concluded a finance operation which allowed it to draw Euro 50 million, to be reimbursed in 2008, and to be used to realize its business plan. The initiative, subject to conditions, foresees a further draw down of Euro 100 million in September 2006 to be used to repay the bond expiring on such date for a capital amount of Euro 209.5 million.

       Therefore, it remains important the Group’s capacity to be able to achieve the objectives outlined in its business plan, a significant condition that will influence the evolution of Tiscali’s financial position and stability, as well as the sufficient generation of financial resources to repay the part of the bond expiring on September 2006 which may not be covered by the utilization of the equity conversion clause or from external finance resources as previously indicated.

    b) As disclosed in the explanatory notes, the Tiscali Group is involved in some legal disputes instituted by third parties against entities of the Group World Online International NV and World Online Ltd, dating back to the time of the acquisition of the former World Online Group by the Tiscali Group. The Directors, based on their legal advisors’ opinion, believe these claims are unfounded. Also, a tax dispute, for a total amount of Euro 40 million, exists with reference to World Online International NV, regarding the lack of payment of withholding taxes on emoluments that should have been paid in prior years to a former manager. The Tiscali Group, on the basis of its fiscal advisors’ opinion, has made no provision against this contingency, believing the claim to be unfounded. In addition the local tax authorities are investigating the position of the Dutch and German subsidiaries mainly relating to VAT. On the basis of current information on the status of the investigation, which is not complete, the Directors do not believe that conditions exist to record a provision against any eventual connected risk. At the moment it is not possible to determine the final outcome of the inspection.

c) The interim financial information as at June 30, 2005 has been prepared in accordance with international accounting principles IFRS in force at the time of preparation of these statements. The amounts expressed in the financial information as at June 30, 2005 may be subject to some necessary changes if certain international accounting principles are revised or changed before the December 31, 2005 consolidated financial statements are published (first complete consolidated financial statements prepared in accordance with IFRS).

d) As indicated in the explanatory notes of the interim financial information, the accounting principles adopted for the preparation of the six month accounting schedules of the parent company Tiscali S.p.A. are in accordance with Italian accounting principles and law.

DELOITTE & TOUCHE S.p.A.

Signed by

Fabrizio Fagnola
Partner

Milan, Italy
October 3, 2005

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