



Teleunit SpA
Interim Report
30 June 2005

Teleunit SpA**Interim Results for six months ended 30 June 2005**

Teleunit SpA ("Teleunit" or "the Company"), a provider of fixed line telephony, wireless broadband, international calling cards, premium access numbers, content for mobile and wholesale services in Italy, today announces its Interim Results for the six months ended 30 June 2005.

Financial Highlights

- Turnover up 60.8% to €40.1 million (H1 2004: €25.0 million)
- Positive operating cash flow of €3.2 million (H1 2004: €(3,9) million)
- Cash and cash equivalents of €10.7 million (H1 2004: €8.1 million)
- Profit Before Tax €2.5 million (H1 2004: €2.6 million)
- Outlook on track to meet market expectations for full year 2005

Operational Highlights

- Wireless Local Loop: Tuscany infrastructure now operational leading to a doubling of the customer base in the last six months.
- Premium Access: Turnover up 92% compared with H1 2004 due to strong customer retention as well as growth through the acquisition of new customers.
- Pre-paid and Wholesale: Solid improvement in Gross Margin to 21% as a result of the strategy of direct carrier to carrier agreements.
- Fixed Line: Strong customer loyalty evidenced, and successful introduction of ADSL VoIP technology.
- 5 Digit SMS: Subscribers have exceeded 100,000 in initial launch period, with monthly growth of approximately 30 per cent.
- New Opportunities: 5 Digit SMS customers will be given the possibility of subscribing to the service not only from their cell phones but also from their fixed-line phones. This development is expected to significantly boost this market. In the Fixed Line division, ADSL VoIP is expected to generate significant new sales and increased Gross Margins. Finally, Teleunit will launch a new software-based service downloadable from the Internet, that will enable calls to and from anywhere in the world from the user's PC.

Commenting on the results, Francesco Cimica, Chief Executive Officer of Teleunit, said:

“These results demonstrate a performance in line with market guidance. In particular, we are delighted with the strong performance in Premium Access and very positive sales test of ADSL VoIP services. New pioneering technologies will drive revenues in the future and we see continuing growth opportunities in our existing markets.

We have further strengthened the management team, delivered strong results across our business units and become one of the leading players in Premium Access. We look forward to continued success for the Company and its shareholders.”

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Servizi di Telecomunicazione

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CHIEF EXECUTIVE'S REVIEW

Introduction

For the six months to 30 June 2005, we have continued rapidly to increase both turnover and gross profit. We have been successful in further penetrating the markets in which we are operating and, at the same time, have created a solid foundation in new sectors, including 5 Digit SMS and ADSL VoIP. The Board is confident that these new markets will deliver further increases in turnover and subsequent net profits by the end of this calendar year.

During the first half of the year, we have consolidated the Company's management structure, adding to the experience and skill of the executive team, with the aim of continuously improving the Company's ability to compete and to exploit the business opportunities in the market.

The results obtained in the first half, and trading since the half-year end, make us confident that we will meet market expectations for the 12 months ended 31 December 2005.

Wireless Local Loop (WLL)

Despite delays on the part of the Ministry of Communications in publishing the tender for the award of new WLL frequencies, the Company has succeeded in activating the seven base stations previously installed in Tuscany. Expenditure has amounted to approximately half of that which was originally budgeted in 2003. The Tuscany region represents a stronger market opportunity for TLU owing to larger communities and larger average business sizes in the area.

Teleunit has grown the number of WLL customers to approximately 400 at 30 June 2005 and the growth in turnover to €0.77 million already exceeds that achieved during the whole of 2004. This solid performance is consistent with the targets for the full year 2005.

The Company's primary strategic focus remains developing Teleunit's proprietary radio-wave telecommunications network. Over the coming months, following current testing of Wi-Max in Italy, and its availability and cost analysis, we will be able to define the best technology to be adopted.

Premium Access

In the first half, turnover grew by 92% reaching over €32 million. This growth has been due to several new important customers and to the loyalty of existing customers. In order to further increase performance in the premium access division, we have continued with our strategy of diversification by acquiring several small service centres active in the voice sector in this market.

The price capping introduced in 2003 by the Telecommunications Authority has now been absorbed by the market and the Company has consolidated its position as a leading participant.

Excellent results were also achieved from the acquisition in June 2004 of a 30% stake in Starline. We expect Starline to deliver earnings to cover the cost of the acquisition by the end of this calendar year.

Pre-paid Services and Wholesale

The Wholesale division, which was launched last year, has taken over the responsibility of the original Pre-paid Services division. Its role is to develop new growth opportunities for the future.

In the first half, the Wholesale division contributed approximately €2.4 million of revenue with a margin of 21 per cent. This profitability exceeds that of the previous half year, as a result of a policy based more on quality of service than on volumes. An example of this policy includes a direct carrier to carrier agreement with Albania OnLine, whereby 50% of the traffic to that country now flows through Teleunits' networks. Other carrier to carrier opportunities are currently being assessed by the Wholesale divisions' management.

The Wholesale market will also benefit considerably from the important technical innovations that Teleunit is currently implementing. These innovations include new switching technology, a new intelligent network and new Wholesale Management systems. We are confident that Teleunit will gain a sizeable market share in this sector.

Fixed Line

Continuing loyalty amongst our active customer base using normal CPS (Carrier Pre-Selection) services, has sustained sales of over €4.0 million, in line with that achieved for the corresponding period in the last financial year.

We have taken the opportunity to implement a sales test, over a period of approximately 4 months, for telephony and data services based on ADSL VoIP technology. The results of this test confirm very strong interest in this new technology throughout the market from both sales networks and final customers. ADSL VoIP enables customers to have a single telephony and data provider, whilst at the same time enabling Teleunit to increase profit margins due to the lower cost of acquiring calls via ADSL. This will also enable Teleunit to increase its average sales per customer and to further develop customer loyalty.

The strong demand for this new service has led to the Company obtaining over 2,000 contracts in these 4 test months. This figure was attained without aggressive marketing and, the Directors believe, confirms the soundness and the validity of the ADSL VoIP proposition.

We believe ADSL VoIP is a natural evolution of Fixed Line services for Teleunit in the near future. An important and successful sales convention in September 2005 has marked the launch of ADSL VoIP services throughout Italy.

5 Digit SMS

For the six months to 30 June 2005 we achieved turnover in excess of €0.75 million with a high gross margin of 55 per cent. The 5 Digit division achieved significant growth in this period. At the beginning of 2005, we had 20,000 subscribers, increasing to 100,000 before the end of the half year and to 150,000 only two months later. This increase in the number of subscribers represents over 30% growth month on month. The simultaneous improved performance of our advertising investments has also made it possible to increase the ARPU as a consequence of the increase in length of the subscription period up to 12 weeks. The Company is continuing to focus on developing this market, which has proved to be one of the most reactive and fast-growing markets, not only in Italy but also worldwide.

New Opportunities

A new opportunity for the 5 Digits sector arises from the ability of a subscriber to receive content on his mobile phone from a Telecom Italia fixed phone; the fixed phone then gets billed for the content. Together with the increasing development of "True Tones", this will act as an ongoing boost for the 5 Digit market.

In addition to ADSL VoIP, Teleunit also aims to exploit the growing residential VoIP market and intends to expand throughout Italy and subsequently globally. With this in mind, a new PC based VoIP service will be launched in the second half of the year. This service is based on a software application downloaded free of charge from the Internet. The product enables customers to telephone from one PC to another via the Internet at no charge, and at very low cost from a PC to any land or mobile line worldwide. We anticipate that the integration of this service with our ADSL VoIP offering will make this a viable worldwide application.

Appointment of new COO

On 16 June 2005, Teleunit announced the appointment of Mr. Ezio Peri as Chief Operating Officer. Mr. Peri brings over twenty years' operational telecommunications, information technology and electronic engineering experience at Board level in blue-chip businesses including Telecom Italia Mobile, Sun Microsystems, Olivetti Research, Delphi SpA, Nodalis and H3G SpA. At H3G, Mr. Peri was Business Sales Director and prior to that he was a Director in the Commercial Department of Nodalis. From 1998 until 2000, Mr. Peri was Vice President of Business Marketing at Telecom Italia Mobile.

The Directors are delighted with the significant input Mr. Peri has already made to Teleunit and the speed at which he has integrated with the Company to help further develop our offering. Mr. Peri will be key for the launch of ADSL VoIP services.

Outlook

Given the results achieved for the six months ended 30 June 2005, and the continued development of the business in the first two months of the current half year, we remain very confident that we will meet market expectations for 2005.

Francesco Cimica, Chief Executive Officer
Teleunit SpA

INCOME STATEMENT

For the six months ended 30 June 2005

<i>in thousands of euro</i>	Note	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
Revenue	1	40,113	24,953	60,767
Cost of sales		(32,286)	(18,780)	(47,198)
Gross profit	1	7,827	6,173	13,569
Administrative expenses		(948)	(796)	(1,460)
Sales and marketing expenses		(2,714)	(1,537)	(3,721)
Other net operating expenses		(2,190)	(1,258)	(1,794)
Total operating expense		(5,852)	(3,591)	(6,975)
Profit from operations		1,975	2,582	6,594
Net financing income (expenses)		562	1	(960)
Profit before tax		2,537	2,583	5,634
Income tax expense	2	(719)	(520)	(830)
Net profit for the period		1,818	2,063	4,804
Basic earnings per share (euro)	3	0.0097	0.01414	0.0289
Diluted earnings per share (euro)	3	0.0096	0.01413	0.0288

(The accompanying notes form part of this Interim report)

BALANCE SHEET
As at 30 June 2005

<i>in thousands of euro</i>	Note	As at 30 June 2005	As at 31 December 2004	As at 30 June 2004
Assets				
Property, plant and equipment	4	13,547	7,936	7,203
Intangible assets	5	815	675	501
Investments in subsidiaries and associates	6	1,443	1,433	1,532
Other investments		306	307	75
Deferred tax assets		121	107	138
Total non current assets		16,232	10,458	9,449
Trade receivables	7	14,047	12,686	12,337
Non trade receivables		4,371	3,709	3,810
Cash and cash equivalents		21,545	3,812	9,860
Assets classified as held for sale		764	764	-
Other financial assets	8	52	6,597	-
Total current assets		40,779	27,568	26,007
Total assets		57,011	38,026	35,456
Equity				
Issued capital		2,334	2,334	2,334
Reserves		257	80	194
Share Premium		12,656	12,656	13,253
Retained earnings		10,704	9,025	6,347
Total equity		25,951	24,095	22,128
Liabilities				
Interest-bearing loans and borrowings		6,110	2,037	1,384
Employee benefit obligations	9	165	119	92
Provisions		100	100	100
Deferred tax liabilities		701	578	242
Total non current liabilities		7,076	2,834	1,818
Bank overdrafts		10,851	757	1,769
Interest-bearing loans and borrowings		1,726	1,029	817
Trade and other payables		10,791	8,795	8,707
Income tax payable		616	516	217
Total current liabilities		23,984	11,097	11,510
Total equity and liabilities		57,011	38,029	35,456

(The accompanying notes form part of this Interim report)

STATEMENT OF CASH FLOWS
For the six months ended 30 June 2005

<i>in thousands of euro</i>	Note	Six months ended 30 June 2005	Year ended 31 December 2004	Six months ended 30 June 2004
Operating activities				
Net profit (loss)		1,818	4,804	2,063
<i>Adjustments for:</i>				
Depreciation and amortization	4	1,140	1,628	668
Employee benefit accruals		65	61	34
Deferred tax		110	314	301
		3,133	6,807	3,066
(Increase) decrease in trade and other receivables	7	(1,359)	(8,211)	(7,861)
(Increase) decrease in non trade receivables		(663)	(954)	(347)
Increase (decrease) in other payables and income tax		2,076	2,827	1,467
Retirement benefits payment		(19)	-	-
Income tax paid		-	(2,068)	(194)
Other		4	12	-
Cash flows from operating activities		3,172	(1,587)	(3,869)
Investing activities				
Purchase of property, plant and equipment	4	(6,697)	(4,158)	(2,491)
Proceeds from sale of fixed assets	4	26	125	57
Purchase of intangible assets	5	(220)	(440)	(169)
Purchase of investments	6	-	(1,338)	(1,125)
Purchase of other investments		-	(284)	-
(Purchase)/sale of monetary collective investment funds		6,598	(6,545)	-
Loan to associates	6	(10)	-	(312)
Cash flows from investing activities		(303)	(12,640)	(4,040)
Financing activities				
(Cash repayments)/proceeds from loans and borrowings		4,770	498	(367)
Proceeds from the issue of share capital (net of transaction costs)		-	634	12,671
Increase in share premium (net of unsubscribed amount)		-	14,278	-
Payment of transaction costs		-	(1,710)	-
Purchase of owned shares		-	(114)	-
Cash flows from financing activities		4,770	13,586	12,304
Net increase (decrease) in cash and cash equivalents		7,639	(641)	4,395
Cash and cash equivalents at 1 January		3,055	3,696	3,696
Net Cash and cash equivalents at period end		10,694	3,055	8,091

(The accompanying notes form part of this Interim report)

STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2005

<i>in thousands of euro</i>	Share capital	Legal reserve	Share Premium	Own shares	Retained earnings	Total
Balance at 1 January 2004	1,700	70	-	-	4,408	6,178
Net profit 2004	-	124	-	-	4,680	4,804
Other	-	-	-	-	(63)	(63)
Own shares acquired	-	-	-	(114)	-	(114)
Shares issued	<u>634</u>	<u>-</u>	<u>12,656</u>	<u>-</u>	<u>-</u>	<u>13,290</u>
Balance at 31 December 2004	<u>2,334</u>	<u>194</u>	<u>12,656</u>	<u>(114)</u>	<u>9,025</u>	<u>24,095</u>
Balance at 1 January 2005	2,334	194	12,656	(114)	9,025	24,095
Net profit June 2005	-	177	-	-	1,641	1,818
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>38</u>
	<u>2,334</u>	<u>371</u>	<u>12,656</u>	<u>(114)</u>	<u>10,704</u>	<u>25,951</u>

The authorised share capital of the Company amounts to €2,334,000 and consists of 186,744,249 Ordinary Shares of €0.0125 each.

NOTES TO THE INTERIM REPORT

(Forming part of the Interim report)

Basis of preparation

The financial information for the six months ended 30 June 2005 has been prepared in accordance with International Financial Reporting Standards (IFRS) and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and are consistent with the accounting policies disclosed in the financial statements for the year ended 31 December 2004.

The interim report has been prepared in compliance with International Accounting Reporting Standards no. 34: "Interim Financial Reporting".

The interim report has been prepared on the historical cost basis except for derivative financial instruments which are stated at their fair value.

The interim results as at 30 June 2005 in relation to the 2004 Interim report and 2004 Financial Statements have been reclassified to relate to personnel expenses on the basis of the activity of each employee.

The interim report is unaudited but has been reviewed by the auditors, KPMG SpA, and their report to Teleunit SpA is set out on page 18.

1 Segment Gross Profits

Management has identified the following main business segments: Fixed Line, Premium Access, Pre-Paid & Wholesale (PPW), Wireless Local Loop (WLL) and 5 Digit SMS.

The following table provides gross profit information regarding these main business segments:

<i>in thousands of euro</i>	2005	2004	2004
	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
TURNOVER			
Fixed Line	4,016	4,223	7,926
Premium Access	32,180	16,742	42,534
PPW	2,378	3,694	9,531
WLL	775	294	619
5 Digit SMS	764	-	158
Total Turnover	<u>40,113</u>	<u>24,953</u>	<u>60,767</u>
GROSS PROFIT (before amortization and depreciation)			
Fixed Line	1,593	2,030	3,549
Premium Access	5,894	4,069	9,212
PPW	499	424	2,434
WLL	586	237	431
5 Digit SMS	420	-	69
Total Gross Profit (before amortization, depreciation and personnel expenses)	<u>8,992</u>	<u>6,760</u>	<u>15,695</u>
Amortization, depreciation and personnel expenses	<u>1,165</u>	<u>587</u>	<u>2,126</u>
Total Gross Profit	<u>7,827</u>	<u>6,173</u>	<u>13,569</u>

2 Income tax

According to law 269/2003 relating to companies listed on European regulated stock exchange markets during the period from 2 October 2003 to 31 December 2004, under some specific conditions the IRES tax rate amounts to 20% for the fiscal year in which the quotation takes place and the same rate applies for the following two years; therefore starting from the financial year ended 31 December 2004 an IRES tax rate of 20% has been applied for the calculation of income taxes.

Furthermore expenses borne for becoming quoted on the market can be deducted twice from taxable income.

Although the European Commission has ruled against these tax benefits granted by Italian law, the Italian government has not taken any steps to revoke the laws.

Consequently, Teleunit has prepared its interim report according to the Italian laws that are now in force.

Had the company calculated income tax without considering the benefits in 2004 and in the 6 month period ended 30 June 2005, the cumulative effect would amount to:

€481,000 (€172,000 as at 31 December 2004) if the 33% rate is put back in force but the double deductibility is kept;

€1,107,000 (€736,000 as at 31 December 2004) of current tax and deferred tax liabilities net of deferred tax assets if both tax benefits are cancelled.

Teleunit considers this potential loss possible and will decide what steps to take to protect itself if and when any decision on the matter is taken by the Italian Government.

3 Earnings per share

Basic earnings per share

The calculations of basic earnings per share have been determined as net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares for each period, as follows:

Net profit attributable to ordinary shareholders

<i>in thousands of euro</i>	2005	2004	2004
	Six months	Six months	Year
	ended 30	ended 30	ended 31
	June	June	December
Net profit attributable to ordinary shareholders	<u>1,818</u>	<u>2,063</u>	<u>4,804</u>

Weighted average number of ordinary shares

<i>In thousands of shares</i>	2005 Six months ended 30 June	2004 Six months ended 30 June	2004 Year ended 31 December
Issued ordinary shares at the beginning (€0.0125 per share)	186,744	136,000	136,000
Effect of shares issued on 26 May 2004	-	9,867	29,890
Weighted average number of ordinary shares	<u>186,744</u>	<u>145,867</u>	<u>165,890</u>
	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
Basic earnings per share (€)	0.009735	0.01414	0.0289

Diluted earnings per share

The calculations of diluted earnings per share have been determined as net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period ended 30 June 2005 taking into consideration the effect of conversion of stock options, as follows:

Net profit attributable to ordinary shareholders (diluted)

<i>in thousands of euro</i>	2005 Six months ended 30 June	2004 Six months ended 30 June
Net profit attributable to ordinary shareholders	<u>1,818</u>	<u>2,063</u>

Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>	2005 Six months ended 30 June	2004 Six months ended 30 June
Weighted average number of ordinary shares at 30 June	186,744	145,731
Effect of conversion of stock option	<u>2,218</u>	<u>195</u>
Weighted average number of ordinary shares (diluted)	<u>188,962</u>	<u>145,926</u>
Diluted earnings per share (euro)	0.00962	0.01413

4 Property, plant and equipment*in thousands of euro*

As at 30 June 2005	Land and buildings	Plant and equipment	Other	Total
<i>Cost:</i>				
Balance at 1 January 2005	591	9,387	1,281	11,259
Additions	2,382	3,691	624	6,697
Disposals	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>(26)</u>
Balance at 30 June 2005	<u>2,973</u>	<u>13,078</u>	<u>1,879</u>	<u>17,930</u>
<i>Depreciation:</i>				
Balance at 1 January 2005	(44)	(2,810)	(469)	(3,323)
Depreciation charge for the period	(26)	(908)	(128)	(1,063)
Disposals	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Balance at 30 June 2005	<u>(70)</u>	<u>(3,718)</u>	<u>(594)</u>	<u>(4,383)</u>
Carrying amount at 31 December 2004	547	6,577	812	7,936
Carrying amount at 30 June 2005	<u>2,903</u>	<u>7,232</u>	<u>1,285</u>	<u>13,547</u>

The increase in investments in tangible assets for first half 2005, is mainly due to the acquisition (acquired under financial contracts) of a new telephone exchange station for €1,036,000, €686,000 in new hardware for the ADSL VoIP market launch, and €1,149,000 of equipment for WLL in Tuscany.

In February the Company acquired a new office building for €2,620,000 financed by an interest-bearing loan of €2,100,000 repayable over ten years at a rate of euribor + 0.95 per cent.

5 Intangible assets*in thousands of euro*

As at 30 June 2005	Software	Licences, trademark s and rights	Other	Total
<i>Cost:</i>				
Balance at 1 January 2005	648	255	90	993
Additions	215	-	6	220
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2005	<u>863</u>	<u>255</u>	<u>96</u>	<u>1,213</u>
<i>Depreciation:</i>				
Balance at 1 January 2005	(224)	(57)	(37)	(318)
Amortization charge for the period	(66)	(7)	(8)	(81)
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2005	<u>(290)</u>	<u>(64)</u>	<u>(45)</u>	<u>(399)</u>
Carrying amount at 31 December 2004	424	198	53	675
Carrying amount at 30 June 2005	<u>573</u>	<u>191</u>	<u>51</u>	<u>815</u>

6 Investments in subsidiaries and associates

<i>in thousands of euro</i>	% shareholding	As at 30 June 2005	As at 31 December 2004
Starline S.p.A.	30%	1,125	1,125
TLT Net S.r.l.	71%	8	8
Receivables due from subsidiaries and associates		<u>310</u>	<u>300</u>
Total		<u>1,443</u>	<u>1,433</u>

7 Trade and other receivables

Trade receivables as at 30 June 2005 include an amount of €9.3 million due from Telecom Italia, of which an amount of €6.3 million has been paid after the period end. The company has been in discussion with Telecom Italia with respect to receivables in the amount of €2.2 million dating from 2004-5. The company believes that Telecom Italia has a legal and contractual obligation to pay this amount and Teleunit believes there is no material risk to its collection.

8 Other financial assets

In the last days of June 2005 the monetary collective funds acquired in June 2004 after the flotation (for 6.5 million euros) were almost completely sold with a net financial profit of €98,000. No additional costs or exit or entry commission is due for these instruments which are utilised for treasury management and do not have significant fair value risk.

9 Employee benefit obligations

<i>in thousands of euro</i>	2005 Six months ended 30 June	2004 Six months ended 30 June
Balance at 1 January	119	58
Charges for the half year	65	61
Payments	(19)	-
Balance at 30 June	<u>165</u>	<u>119</u>

During 2004 and 2005 certain share option agreements have been granted to some managers. The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date/Employees Entitled	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to key management as at 1 January 2005	1,120,466	24 months of service	7 years
Options granted to key management as at 30 June 2005	4,240,930	from 24 months to 48 months	n.a.

The number and weighted average exercise prices of share options are as follows:

	Weighted Average Exercise price 2005	Number of options 2005
Outstanding at the beginning of the period	17,02	1,120,466
Granted during the period	20,37	3,120,464
Outstanding at the end of the period	19,48	4,240,930
Exercisable at the end of the period	-	-

Vesting conditions will expire from 2006 to 2009.

The options outstanding as at 30 June 2005 have an exercise price in the range of £0.1642 to £0.2396.

10 Subsequent events

On the 25th of July 2005, a 50% equity stake in Italian Internet content provider Pro Advertising S.r.l. was acquired by Teleunit S.p.A for approximately €4.0 million.

Pro Advertising's main content consists of recipes, sports news, student notes and travel advice and the company generated revenue of €13.0 million in 2004. It has been a customer of Teleunit since 2002 and will be supplied with a premium access number under the terms of the deal, in order for product content to be allocated to a webmaster. The webmaster will then advertise the content on the Internet to draw subscribers and any fees gained are to be split between Pro Advertising, Teleunit, Telecom Italia and the webmaster.

The consideration of €4.0 million has been financed through debt and is repayable in eight instalments at a rate of euribor + 1.5%, commencing in July 2006. The acquisition is expected to strengthen Teleunit's position in the premium access numbers market and improve this financial year's earnings, with potential for new product lines and services.

The Board of Directors

September 12th 2005



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Independent Review Report to Teleunit Spa

1. We have reviewed the interim financial information which comprise the income statement, the balance sheet, the statement of cash flows, the statement of changes in equity and related notes of Teleunit S.p.A for the six months period ended 30 June 2005 included in the Interim Report. The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. Our responsibility is to issue a report on these financial information based on our review.
2. We conducted our review in accordance with the International Standards on Auditing applicable to review engagements. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial information is free of material misstatements. A review is limited primarily to inquires of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards applicable to interim financial reporting.
4. We draw attention to note 2 to the Interim Report. The Company has calculated current and deferred taxation considering certain income tax benefits currently allowed under Italian laws, although the European Commission issued a negative opinion on these taxes benefits. Note 2 describes the reasons why the Company's management considered the related contingent liability possible and did not accrue any provision thereon.

Perugia, 15 September 2005

KPMG S.p.A.

Alberto Mazzeschi
Director of Audit

KPMG S.p.A., an Italian limited liability capital company, is a member firm of KPMG International, a Swiss cooperative

Milano Ancona Bari Bergamo
Bologna Bolzano Brascia Catania
Como Firenze Genova Lecce
Napoli Novara Padova Palermo
Parma Perugina Pescara Roma
Torino Treviso Trieste Udine
Varese Verona

Società per azioni
Capitale sociale
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Vice Executive Chairman
Chief Executive Officer
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

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Gianfranco Cimica
Francesco Cimica
Todd Dockum
Michael Phair
Enrico Pellegrini
Stefania Calzola

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