

Tiscali Group

Annual financial report as at 31 December 2014

Issue date: 31 December 2014

This report is available on the website www.tiscali.it

Tiscali S.p.A.

Registered office: SS195 Km 2.3, Sa Illetta, Cagliari, Italy

Share Capital EUR 92,052,029.67

Cagliari Companies' Register and VAT No. 02375280928 Econ. & Admin. Roster No. 191784

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		1	

Table of contents

1	Alternative performance indicators	4
2	Directors and Auditors	5
3	Report on Operations	7
3.1	Tiscali's position within the market scenario	7
3.2	Regulatory background	9
3.3	Tiscali shares	12
3.4	Significant events during the financial year	14
3.5	Analysis of the Group economic, equity and financial position	15
3.6	Analysis of the income statement, statement of financial position and cash flow statement of Tiscali S.p.A.	27
3.7	Events subsequent to the end of the year	30
3.8	Assessment of the business as a going-concern and future outlook	31
4	Corporate Governance Report and Ownership Structure	38
4.1	Introduction	38
4.2	Corporate Governance structure	38
4.3	Disclosure on compliance with the recommendations contained in the Code of Conduct for Listed Companies	43
4.4	Internal checking relating to accounting and financial information	54
4.5	Organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001	56
4.6	Regulations for transactions with related parties	56
4.7	Handling of confidential information and market communications. Investor Relations	56
5	Consolidated financial statements and explanatory notes	59
5.1	Income statement	59
5.2	Statement of comprehensive income	60
5.3	Statement of financial position	61
5.4	Cash flow statement	62
5.5	Statement of changes in shareholders' equity	65
5.6	Income Statement pursuant to Consob Resolution No. 15519 dated 27 July 2006	66
5.7	Statement of financial position pursuant to Consob Resolution No. 15519 dated 27 July 2006	67
5.8	Explanatory Notes	68
6	Tiscali S.p.A. – Accounting Statements and Explanatory Notes	127
6.1	Income statement	127
6.2	Statement of comprehensive income	128
6.3	Statement of financial position	129
6.4	Statement of changes in shareholders' equity (EUR)	130
6.5	Cash flow statement	131
6.6	Explanatory Notes	132
7	Glossary	178
8	Reports	185

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		2

Highlights

Income statement	2014	2013
<i>(EUR mln)</i>		
· Revenues	212.8	223.4
· Adjusted Gross Operating Result (EBITDA)	49.1	67.1
· Gross Operating Result (EBITDA)	38.8	52.4
· Operating result	(0.3)	9.3
Statement of financial position	31 December 2014	31 December 2013
<i>(EUR mln)</i>		
· Total assets	207.9	222.7
· Net Financial Debt	(192.6)	(191.6)
· Net Financial Debt as per Consob	(199.5)	(198.5)
· Shareholders' equity	(168.8)	(151.9)
· Investments	20.8	24.8
Operating figures	31 December 2014	31 December 2013
<i>(000)</i>		
ADSL (broadband) users	481.3	498.2
Of which: Direct ADSL users (LLU)	353.6	357.9
Narrowband and Voice users	42.6	43.3
Active SIM with traffic data	91.7	38.7

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		3	

1 Alternative performance indicators

In this report on operations, in addition to the conventional indicators envisaged by the IFRS, a number of alternative performance indicators are present (EBITDA and Adjusted EBITDA) used by Tiscali Group management for monitoring and assessing the operational performance of the same and given they have not been identified as an accounting measure within the sphere of the IFRS, must not be considered as alternative measures for the assessment of the performance of the Tiscali Group's result. Since the composition of the EBITDA and Adjusted EBITDA is not regulated by the reference accounting standards, the calculation criteria applied by the Tiscali Group might not be the same as that adopted by others and therefore may not be comparable.

The Gross Operating Result (EBITDA) and the operating result before the write-down of receivables (Adjusted EBITDA) are economic performance indicators not defined by reference accounting standards and are formed as indicated below:

Pre-tax result and result deriving from assets destined to be disposed of

- + Financial charges
- Financial income
- +/- Income/Charges from equity investments in associated companies

Operating result

- + Restructuring costs
- + Amortisation/depreciation
- +/- Atypical income/charges

Gross Operating Result (EBITDA)

- + Write-downs of receivables from customers

Gross Operating Result (Adjusted EBITDA)

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		4	

2 Directors and Auditors

Board of Directors

Chairman and Chief Executive Officer: Renato Soru

Directors

Franco Grimaldi
Gabriele Racugno
Luca Scano
Assunta Brizio

Board of Statutory Auditors

Chairman

Paolo Tamponi

Statutory Auditors

Piero Maccioni
Andrea Zini

Alternate Auditors

Rita Casu
Giuseppe Biondo

Executive in charge of drawing up the corporate accounting documents

Pasquale Lionetti

Independent Auditing Firm

Reconta Ernst & Young S.p.A.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		5	

Report on Operations

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		6	

3 Report on Operations

The Tiscali Group availed itself of the faculty to present the Parent Company report on operations and the consolidated report on operations in a single document, assigning greater importance, where appropriate, to the significant questions for all the companies included in the scope of consolidation.

3.1 Tiscali's position within the market scenario

Tiscali is one of the leading alternative telecommunications operators in Italy offering a wide range of services to its private and business customers: internet access through DSL, Voice, VoIP, media, added-value services, mobile telephone services, communication and Over The Top services.

In addition, Tiscali is active in the digital media and on-line advertising segment via its www.tiscali.it portal and other web properties which are marketed by the concessionary agent Vevisible S.r.l..

With regard to broadband access from the fixed network, during 2014, the number of accesses was down slightly which further confirmed the saturation of the segment and emphasises the importance of price and customer retention policies so as to counteract the tendency of a rise in the churn rate and to win over customers from direct competitors.

In order to respond to the competitive pressure and the growing band request from the market, it is necessary to extend the range of the offers to the public, by means of increasing the transmission capacity offered.

With a view to this, Tiscali expects to introduce ultra broadband offers using FTTC and FTTH technologies during 2015 by means of availing of the Telecom Italia Virtual Unbundling Local access range.

In the market of direct access to the fixed network, Tiscali maintains an essentially stable position, thanks to the integrated voice and data offers. A comparison of September 2014 data with September 2013 data in fact shows that Tiscali's market share was down slightly, from 3.7% to 3.4%.

Dual-play access was confirmed as the most commonly used commercial proposal by consumers and business users, even if single play represents an interesting alternative for mobile only customers.

By contrast, Internet access from mobile devices continues to rise sharply, drawn along by Tablets and Smartphones, by internet keys and the increasingly greater development of mobile applications both by media on-line and companies.

In the mobile sector, Tiscali disclosed a satisfactory performance in 2014 thanks to the good results in the upselling and communication strategy in addition to a competitive voice-sms and data range, with an increase of 137% in the number of operating SIMs in 2013.

With regard to the broadband access market, coverage by the traditional operators continues (Telecom Italia, Fastweb, Wind Infostrada, Vodafone) who compete in the market place with different price, communication and added value service strategies.

In the second half of 2013, the online advertising market showed for the first time a decline in the total turnover although less significant than reported by the traditional media. The slowdown is certainly due to the economic downturn and to a definite increase in the overall advertising offerings, both traditional and online, which erodes unit prices. Thus a turnaround in a more than a decade-long trend, which however does not invalidate the long-term vision which is confirmed.

In particular, it is possible to consider with reasonable certainty that the weight of on-line advertising in Italy will align itself over the mid-term at levels observable in the majority of the western economies.

The Company in any event hypothesises growth in media revenues over the next few years, attributable to the envisaged expansion of the user base and the network of the concession holder

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		7

Veesible, and to the evolution of the product. In fact, the trend for the latter period shows how the improved turning to profit of the traffic also passes via the development of services offered by the Group and by Veesible.

Within this market context, Tiscali continues its rationalisation activities, for the purpose of increasing margins and generating cash to service the commercial and financial debt, in a particularly challenging market context and recessionary macro-economic scenario.

Tiscali continued to focus its operations on the areas with high growth potential, such as the media sector which showed a better performance than the market and the Over The Top services.

The development of these products and services characterises Tiscali as a unique operator on the Italian TLC market, thanks to the strong complementary nature of the access products with web-based services.

Research & Development Activities

In 2014, the Company continued its activities for the development of Over The Top products/services:

- Indoona: during 2014, a new version of Indoona was launched (3.0), with a new “live streaming” function which makes it possible to upload videos created on the Indoona notice board in real time. This feature strengthens the “social” nature of Indoona, which integrates personal communication, social communication and sharing in just one instrument. Specifically, the product has been enhanced with new features, including the webrtc interface, groups calls and file sharing. As at 31 December 2014, Indoona boasted 2.2 million downloads;
- Istella is a search engine for the Italian web created with the objective of arranging and spreading Italian cultural heritage, among other aspects. A total of more than 4.5 billion pages and 200 terabytes of data have been indexed to-date. It differs from other search engines since all the users can add to the database sharing files, documents, photos, images, videos and audio. Istella was launched on the market on 19 April 2013;
- Streamago is a platform which enables live streaming and broadcast recording vis-à-vis any fixed device (PC and MAC) or mobile device. In 2013, a version addressing the business segment (in particular public institutions / media) was launched.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		8	

3.2 Regulatory background

The main spheres of regulatory intervention which have been witnessed during 2014 and the first few months of 2015 are illustrated in a concise manner below.

New analysis of the significant markets by the European Commission

Within the sphere of the review process which the European Community periodically performs in relation to the significant markets (which will continue to be regulated until 2020), the same launched a new recommendation in 2014 used to redefine the perimeter of the prior regulation for electronic communications.

In particular, the recommendation reduced the number of markets subject to prior regulation, which drop from the current 7 to 4, establishing the deregulation of the retail market for access to fixed telephony and the wholesale market for the collation of calls in fixed workstations, deeming the competitive conditions of both to be adequate.

The markets which continue to present strong barriers to entry by contrast remain regulated:

- i. Market 1: Wholesale supply of the termination service of the calls on individual public telephone networks with fixed workstation;
- ii. Market 2: Wholesale supply of the termination service of the voice calls on individual mobile networks;
- iii. Market 3:
 - a. Local access to wholesale with fixed workstation;
 - b. Central access to wholesale with fixed workstation for fast moving consumer products;
- iv. Market 4: Access to high quality wholesale with fixed workstation.

Significant developments of the network and the services

With regard to the fixed network interconnection services the Authority has defined a process for the gradual reduction of the price and publication of resolution No. 71/14/CIR is underway which fixes the rules which ensure the migration towards the IP platform, thus achieving an obligatory step towards the development of the Italian network.

With regard to termination services on the mobile network, the Authority recently placed a new resolution (16/15/CONS) up for consultation, which will lead to the definition of the new price list for the three-year period 2014-2017.

If the draft is approved without amendments, the resolution will introduce two innovations of importance:

- as from 1 January 2014, the same price list will be applied to all the notified operators (the price asymmetry in force in favour of H3G ceases);
- again as from 1 January 2014, also infrastructured virtual operators (Full MVNO) would be recognised as operators “with significant market power”, and subject to the obligation of price control.

Both the measures go in the direction of opening up the mobile market to new entrants, within the context of the European approach, explicitly favourable to the symmetry in the prices also for MVNOs.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		9

With regard to the value of the mobile termination, a further *decalage* is envisaged (less sensitive than in the previous quarter), or rather there will be a change from the current 0.98 €cent/min to 0.92 €cent/min in 2017; a reduction of 0.02 €cent/min per year starting from 1 January 2015.

In conclusion, the procedure relating to the new market analysis of the rented lines, launched in 2013, is still underway, extended in 2014 and supplemented by a new resolution (resolution No. 559/14/CONS, Public consultation concerning the identification and analysis of the market for access to high quality wholesale with fixed workstation).

Procedure relating to the partial cancellation of the rules underlying the access services to the fixed network for the years 2010-2012

In October 2013, AGCOM launched a procedure (resolution 563/13/CONS), extended several times and recently concluded, by means of which the Authority executed the sentences of the Council of State No. 1837/13, 1645/2013 and 1856/2013 relating to resolutions No. 731/09/CONS and 578/10/CONS, which cancelled certain criteria underlying the approval of the economic conditions of the reference offers relating to the period 2010-2012 for the main access services.

The outcome of the procedure led in particular to a recalculation of the unbundling fee for the period indicated: in particular - as requested by the Council of State - the Authority reconciled the costs of the corrective maintenance of the unbundling with the real underlying costs, also taking into consideration the incidence of the contracts with third party companies which then regulated the performance of these activities on behalf of Telecom Italia.

The new values recalculated for the three-year period under review, are as follows: 8.65 and 8.90 EUR/month respectively for 2010 and 2011, and 9.05 EUR/month for 2012.

In light of the new and additional sentence of the Council of State No. 06083/2014 by means of which the approval of the fees for the Bitstream Naked service for 2009 was cancelled, AGCOM opened a new procedure for the recalculation of the values relating to the Bitstream and WLR services.

Market analysis of the fixed network access services

AGCOM recently approved the resolution framework for market analysis of access to wholesale to the Telecom Italia fixed network valid for the period 2014-2017.

By means of this provision framework, the Authority submits two different regulatory scenarios for public consultation, both aimed at spreading the technologies for access to the ultra broadband.

- The first scenario (“Alfa Scenario”) considers the national one to be a single market and modulates the imposition of obligation in continuity with the previous regulatory cycle, consolidating the innovations introduced in 2013 (reduction of the wholesale prices, access to the cabinet and multi-operator vectoring) which already encouraged competition between operators and investment in new-generation networks.
- The second scenario (“Beta Scenario”) is based on the recognition of differentiated competitive conditions in certain areas of the country, and defines the necessary remedies, adapting them to the specific market set-ups identified in these areas. Specifically, this second proposal envisages regulatory conditions and differentiated prices in the areas (Central or Municipal, so-called B Areas) in which the NGA investments of at least two operators will be concentrated, with respect to the areas in which these conditions do not take place (A Areas). The distinction between the two types of area depends on the achievement of a certain coverage threshold (around two thirds) by at least two ultra broadband networks.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		10

Main consumer protection initiatives

Attention to the quality of the fixed network and mobile network internet service has been central in activities concerning consumer protection, where the “MisuraInternet” and “MisuraInternetMobile” projects, launched by AGCOM, were considered best practices at European level.

The Authority launched a process aimed at providing greater information and transparency to consumers via two ventures: the development of the “National Broadband Disclosure Service” (SINB) which will permit consumers to gain awareness of broadband commercial offers - wired, mobile and wireless – available in the applicable area and the fine tuning of a simplified and open (web) tool for the comparison of the commercial offers of the electronic communication services provided by the operators.

Analysis is underway on the regulatory evolution of the customer assistance services, also in light of the new market context and the new contract models using digital instruments and social networks.

By means of resolution 645/14/CONS, the Authority placed the new regulation regarding contracts relating to the supply of electronic communications goods and services up for consultation.

In conclusion, by means of resolution 23/15/CONS the Authority decided to once again intervene with regard to transparency of the telephone bill and protection of the user base, with an outline provision which will permit users to receive, also on-line, clearer and more complete bill documentation, both for the land-line services and for post-paid and pre-paid mobile services.

Broad and ultra broadband survey

For the guarantees in the electronic communications, the Authority has provided its contribution in favour of the implementation of the policies indicated in the national and European digital Agenda, with particular reference to the development of the new generation network infrastructures and the protection of the digital contents, undertaking a series of action amongst which the Survey into static and dynamic competition on the access services market and on the investment prospects in broad and ultra broadband telecommunications networks stands out, carried out in co-operation with the Anti-trust Authority (resolution No. 1/14/CONS).

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		11

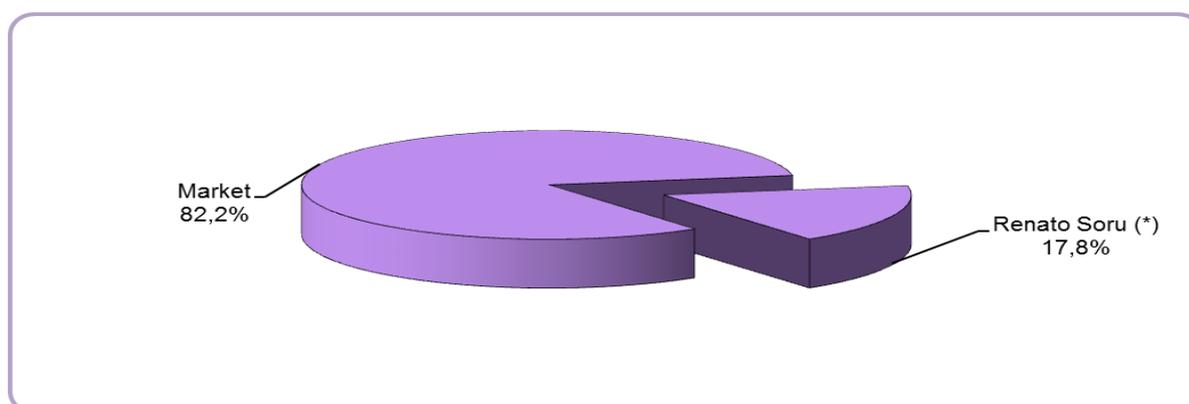
3.3 Tiscali shares

Tiscali shares have been listed on the Italian Stock market (Milan: TIS) since October 1999. At 31 December 2014, market capitalization came to EUR 97,544,452 million, calculated on the value of EUR 0.0524 per share as at that date.

At 31 December 2014, the number of shares representing the Group's share capital amounted to 1,861,535,343.

Tiscali's shareholder base at 31 December 2014 is illustrated below:

Fig. 1 Tiscali shares



Source: Tiscali

(*) Directly for around 15% and, indirectly through the investee companies Monteverdi Srl (0.9%), Cuccureddus Srl (1.8%) and Andalus Ltd (0.1%).

Share capital structure at 31 December 2014

SHARE CAPITAL STRUCTURE		
	No. of shares	As % of share capital
Ordinary shares	1,861,535,343	100%

On 15 December 2014, the exercise period for the "Tiscali 2009-2014 Warrants" expired, issued by Tiscali in accordance with the matters envisaged by the shareholders' meeting held in 30 June 2009 and which assigned the holders the right to subscribe ordinary shares of Tiscali S.p.A. at a ratio of 1 ordinary share for every 20 warrants held.

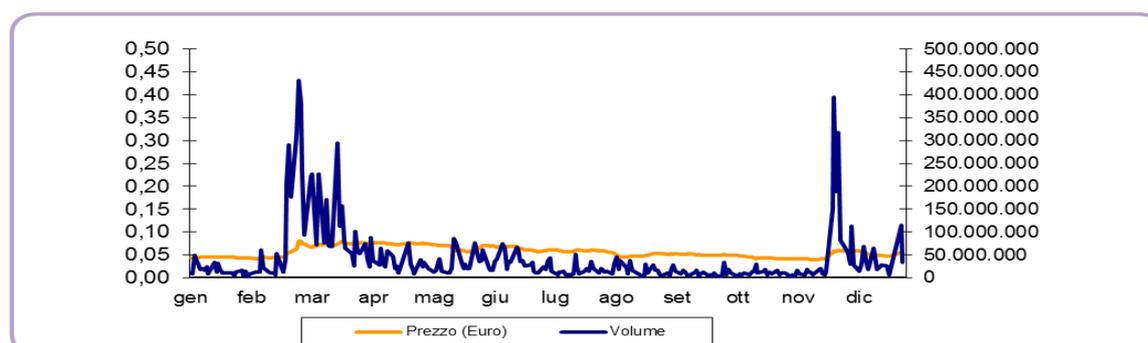
	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		12

The following table shows the number of 2009-2014 Tiscali Warrants exercised in total:

Warrants issued	Warrants exercised	Conversion shares issued	No. of Tiscali shares in circulation	Share capital (EUR)
1,799,819,371	1,228,480	61,424	1,861,535,343	92,052,029.67

The graph below illustrates Tiscali's share trend during 2014, characterised by sustained trading volumes, particularly in the months of March and December.

Fig. 2 - Tiscali's share performance in 2014



Source: Bloomberg data processing

The average monthly price in 2014 stood at EUR 0.057. The maximum price of EUR 0.0802 for the period was recorded on 26 February 2014 and the minimum of EUR 0.0402 on 13 November 2014.

Trading volumes stood at a daily average of about 43.5 million items, with a daily average trade value of EUR 2.5 million.

Average Tiscali stock trading on the Italian Stock Exchange in 2014

	Price (EUR)	No. of shares
January	0.044	15,652,100
February	0.053	119,534,554
March	0.074	115,364,185
April	0.075	36,859,945
May	0.066	34,671,896
June	0.065	33,386,448
July	0.059	18,856,879
August	0.050	18,322,543
September	0.051	11,076,454
October	0.045	11,404,645
November	0.046	64,329,048
December	0.053	42,652,708
Media	0.057	43,509,284

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		13

3.4 Significant events during the financial year

Payment of interest on the Senior Loan

On 3 January 2014, cash interest on the senior debt was paid for EUR 0.5 million.

Subsequent to the signing of the new Senior debt restructuring agreement, on 23 December 2014, EUR 5 million were paid in principal and EUR 0.4 million in interest.

Tender for the supply of connectivity services to the Public Administration Authorities (BTB Services)

On 14 May 2014, the opening of the envelopes for the tender called by Consip S.p.A. ("CONSIP") was carried out within the sphere of the Public Connectivity System ("SPC2 Tender" or "Consip Tender") for the supply of connectivity services and accessories to the Public Administration Authorities. Tiscali was the company with the best economic bid, followed, in order, by British Telecom Italia S.p.A., Fastweb S.p.A., Telecom Italia S.p.A., Wind S.p.A. and Vodafone Italia. In the following months, Tiscali's bid was subject to close examination in terms of suitability by the CONSIP awarding commission, an examination successfully passed as per the communication dated 24 December 2014. On said date, CONSIP also invited the other bidders to adapt their bid to the price list presented by Tiscali. As confirmed by the communication sent by CONSIP on 17 February 2015, in consideration of the acceptances received, on the basis of the tender mechanism, Tiscali shall have to carry out the services for a portion of the supply equal to 60% of the overall maximum amount, while the other two companies who have accepted will be awarded 20% each. The current tender configuration with no more than three awarded parties also makes it possible to develop important commercial action also on the parties of the Local Public Administrations. As things stand, the Company is awaiting the completion of the formal controls, preparatory to the final assignment which is envisaged to take place by the end of the first half of 2015.

Expiry of the exercise period for the "Tiscali S.p.A. 2009 - 2014 Warrants"

The Exercise period for the "Tiscali S.p.A. 2009 – 2014 Warrants" ISIN code IT0004535933 expired on 15 December 2014.

Approval of the Business Plan and its asseveration pursuant to Article 67.3, letter d) of the Italian Bankruptcy Law

On 17 December 2014, Tiscali S.p.A.'s Board of Directors approved the business plan ("Business Plan") and saw to, on 23 December 2014, the related asseveration carried out by an external professional appointed as per Article 67.3, letter d) of the Italian Bankruptcy Law.

Acceptance of offer from a leading Italian real estate fund for the acquisition of the Sa Illetta property Leasing Agreement

On 22 December 2014, at the time of definition of the Restructuring Agreement, Tiscali Italia accepted the offer made by a leading Italian real estate fund relating to the transfer of the Leasing Agreement. The Fund requested the extension of the deadline initially indicated for 31 March so as to permit the satisfaction of all the conditions precedent. Tiscali declared that it was willing to grant this extension of three months and subsequently informed the leasers of this circumstance, requesting the latter for a corresponding extension of the deadline for the adoption of the alternative measures agreed in the event of failure to finalise the Leasing Agreement transfer transaction (chiefly, the redefinition of the repayment plan and the waiver of the remedies envisaged in accordance with the Leasing Agreement). As things stand, the Company is awaiting a formal response in this connection from said leasers.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		14

Signing of an agreement for the restructuring of the senior debt and SEF (Stand-by Equity Facility) agreement with Société Générale

On 23 December 2014, Tiscali entered into agreements with the financing institutions (“Senior Financiers”) aimed at restructuring and rescheduling its senior debt deriving from the Group Facility Agreement (GFA) (the “Restructuring Agreements”) and amounting, as of that date, to around EUR 140 million. The Restructuring Agreements are based on the Business Plan certified in accordance with Article 67.3, letter (d) of the Italian Bankruptcy Law.

On 24 December 2014, the Company entered into an agreement with Société Générale relating to a Stand-by Equity Facility (“SEF Agreement”).

The SEF Agreement envisages that Société Générale subscribes a share capital increase of the company against payment, to be carried out in one or more tranches with exclusion of the option right, as per Article 2441.5 of the Italian Civil Code (the “Share Capital Increase”). The SEF Agreement contains the terms and conditions for the subscription, by said Société Générale, of the Share Capital Increase. This subscription shall take place in several tranches, on the basis of subscription requests discretionally made by Tiscali in accordance with the terms and conditions established in said SEF Agreement.

Greater details on the debt restructuring transactions and the Share Capital Increase are illustrated in the section “*Assessment of the business as a going-concern and future outlook*”.

3.5 Analysis of the Group economic, equity and financial position

Introduction

Founded in 1998, Tiscali is one the leading alternative telecommunications operators in Italy.

Thanks to a cutting edge network based on IP technology, Tiscali provides its customers with a wide range of services, from broadband and narrowband internet access, together with more specific and hi-tech products. This offer also includes voice services (VOIP and CPS), and portal and mobile telephone services, thanks to the service supply agreement reached with Telecom Italia Mobile (MVNO).

The Group offers its products to consumer and business customers on the Italian Market, mainly via five business lines:

- (i) “Access”, in Broadband modes (LLU, Bitstream), inclusive of VoIP and mobile telephone services (so-called MVNO);
- (ii) Narrowband;
- (iii) “Voice”, inclusive of traditional telephone traffic services (CS and CPS) and Wholesale;
- (iv) Business services (so-called B2B), which include VPN, Hosting, domain connection and leased line services, provided to companies and, lastly,
- (v) Media and value added services, which include media, advertising and other services.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		15

Main risks and uncertainties to which Tiscali S.p.A. and the Group are exposed

Risks relating to the general economic situation

The Group's economic, equity and financial position is affected by several factors which constitute the macro-economic scenario – such as, for example, variations in GDP (Gross Domestic Product), investor confidence in the economic system and interest rate trends. The progressive weakening of the economic system, together with a reduction in household disposable income, has cut the general level of consumption, with a depressive impact on the capacity for a quick recovery.

The activities, strategies and prospects of the Tiscali Group are influenced by the related macro-economic context and as a result this also affects the Group's economic, equity and financial position.

Risks connected with the performance of the telecommunications market

The telecommunications market the Tiscali Group operates in is extremely competitive in terms of innovation, price, efficiency and user support. Tiscali competes with other groups at international level and with various local operators.

The success of the Group's activities depends on the capacity to maintain and increase shares of the market in which it currently operates through high quality, innovative services that guarantee adequate levels of profitability. If the Group is unable to maintain its competitive position with respect to the main competitors in terms of price and quality and other elements, the Tiscali Group's market shares could fall, with a negative impact on the economic and financial results of the Group.

Risks connected with the dependence on technology of the telecommunications sector

The Group, which operates in a highly complex market from a technological point of view, is exposed to a high risk regarding IT and ICT systems. As regards the management of the risks connected with the damage to and malfunctioning of said systems, on which the business management is based, the Group invests adequate resources aimed at protecting all IT tools and processes. The core business systems are all highly reliable; the data centre in the Cagliari headquarters is equipped with safety systems such as fire prevention and anti-flood systems, while the copies of data back-ups made by operational personnel are kept in a different location from the CED (data processing centre) guaranteeing a high level of reliability

The security system document is drawn up on an annual basis defining the safety measures (technical, IT, organisational, logistical and procedural tools) aimed at reducing the risks of destruction or loss, even accidental, of this data, and of unauthorised access or handling of the same.

Risks associated with the high financial and commercial debt of the Group

The evolution of the Group's financial situation depends on different factors, in particular the achievement of the forecast objectives in the Business Plan, the trend in the general conditions of the economy, the financial markets and the sector in which the Group operates.

On 31 December 2014, the Tiscali Group disclosed high financial and commercial debt, which is expected to fall considerably when the Business Plan has been concluded.

As from 2013, the Group has undertaken a multi-step negotiation process aimed at restructuring its senior financial indebtedness arising from a loan agreement entered into by the Group companies on 2 July 2009 (GFA), for the purpose of obtaining a financial structure consistent with the expected cash flows and suitable for supporting the growth objectives envisaged in the Business Plan. This negotiation process concluded on 23/24 December 2014, by means, amongst other aspects, of: (i) certification of the Business Plan pursuant to and for the purposes of Article 67.3, letter d) of the Italian

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		16

Bankruptcy Law; (ii) the signing of the Restructuring Agreements; (iii) the signing of the SEF Agreement. For further information please refer to the section “*Assessment of the business as a going-concern and future outlook*”.

Risks associated with fluctuations in interest and exchange rates

The Tiscali Group operates essentially in Italy. Some supplies, even though for insignificant amounts, could be denominated in foreign currency; therefore, the risk of exchange rate fluctuations which the Group is exposed to is minimum.

In relation to the exposure to the risks associated with interest rate fluctuations, with regard to the Group’s predominant financing method (financial debt as per the Restructuring Agreement at a fixed rate), the Group deems the risk of interest rate fluctuations as insignificant.

Risks associated with dealings with employees and suppliers

Group employees are protected by various laws and/or collective labour contracts which ensure they have, via local and national delegations, the right to be consulted with regard to specific matters, including therein downsizing or the closure of departments and the reduction of the workforce. These laws and/or collective labour contracts applicable to the Group and its suppliers could influence its flexibility when strategically redefining and/or repositioning its activities. Tiscali’s ability and that of its suppliers to make staff cuts or take other measures, even temporary, to end the employment relationship is subject to government authorisations and the consent of trade unions. Trade union protests by workers could negatively affect the company’s activities.

The activities of the Tiscali Group also depend on the contracts outstanding with its strategic suppliers, in particular Telecom Italia, concerning both the use of the network infrastructures and interconnection. If these contract should fail to be renewed on expiry or be renewed under less favourable terms and conditions with respect to those currently existing; or Tiscali does not manage to finalise new contracts with Telecom Italia or with third party operators, necessary for the development of its business; or if a serious contractual breach should be committed by Telecom Italia, there could be negative effects on the activities and on the Group’s economic, equity and financial situation.

Risks associated with the turnover of management and other human resources with key roles

The Group’s future depends greatly on the ability of its executives to manage it effectively. The loss of the services of an executive director, a first level manager and other key resources without adequate replacement, as well as the inability to attract and retain new and qualified personnel, could therefore have a negative impact on the Group’s prospects, activities and economic and financial results.

Risks associated with business continuity

In this connection, please refer to the section “*Assessment of the business as a going-concern and future outlook*”.

Risks associated with disputes and contingent liabilities

For further information please refer to the section “*Ongoing disputes, contingent liabilities and commitments*”.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		17

Group economic position*(EUR mln)*

CONSOLIDATED INCOME STATEMENT	2014	2013	Change
Revenues	212.8	223.4	(10.6)
Other income	2.1	2.1	(0.0)
Purchase of materials and outsourced services	132.5	128.5	4.0
Payroll and related costs	35.1	34.6	0.4
Other operating costs / (income)	(1.8)	(4.7)	2.9
Adjusted Gross Operating Result (EBITDA)	49.1	67.1	(18.0)
Write-downs of receivables from customers	10.3	14.6	(4.4)
Gross Operating Result (EBITDA)	38.8	52.4	(13.6)
Restructuring costs, provisions for risk reserves and write-downs	2.7	3.4	(0.7)
Amortisation/depreciation	36.4	39.8	(3.4)
Operating result (EBIT)	(0.3)	9.3	(9.6)
Net financial income (charges)	(15.7)	(13.2)	(2.5)
Pre-tax result	(16.0)	(3.9)	(12.1)
Income taxes	(0.4)	(0.8)	0.4
Net result from operating activities (on-going)	(16.4)	(4.8)	(11.7)
Result from assets disposed of and/or destined for disposal	0.0	0.0	0.0
Net result	(16.4)	(4.8)	(11.7)
Minority interests	0.0	0.0	0.0
Group Net Result	(16.4)	(4.8)	(11.7)

Tiscali Group revenues during 2014 came to EUR 212.8 million, down by 4.7% with respect to the balance of EUR 223.4 million in 2013. The net change, EUR 10.6 million, is essentially attributable to the following factors:

- a reduction of EUR 8.6 million (-5.3%) in revenues for the “Access and VOIP” segment essentially due to the drop in the ARPU relating to the ADSL segment, caused by the additional promotions on the prices of the services with respect to 2013, in an increasingly more competitive market scenario; within the sphere of the Access revenues, MVNO revenues rose by around 125.8%, passing from EUR 2.6 million in 2013 to EUR 5.8 million in 2014;
- BTB revenues rose by around EUR 1 million, with an increase of 5.4%;
- analogue Voice revenues declined by EUR 1.5 million (9.1%) mainly due to a decline in the volume of wholesale services (EUR -1.8 million, with a negative impact of 29.5% compared with 2013);

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		18	

- Media revenues declined by EUR 0.7 million (decrease of 2.8%) due to a sharp drop in the market which also affected the on-line segment.

During 2014, internet access and voice services – the Group's core business – represented around 79% of turnover.

Costs for purchases of materials and services totalling EUR 132.5 million, increased EUR 4 million with respect to last year.

The increase with respect to the previous year is attributable to additional costs relating to co-location and maintenance, additional costs relating to the MVNO services (linked to the rise in the corresponding revenues) and greater costs for promotional campaigns.

The effects illustrated above led to a drop in the Gross Operating Result (EBITDA) adjusted before provisions and write-downs on receivables, totalling EUR 49.1 million (EUR 67.1 million in 2013).

The net operating result (EBIT), net of provisions, write-downs and restructuring costs, was a loss of EUR 0.3 million, registering a decrease with respect to the positive result of EUR 9.3 million in 2013.

Charges for tax assessments, amounting to EUR 2.4 million, were recorded under provisions, write-downs and restructuring costs for 2014.

The result from operating activities (on-going), a loss of EUR 16.4 million, deteriorated with respect to the same figure in the previous year, presenting a negative balance of EUR 4.8 million.

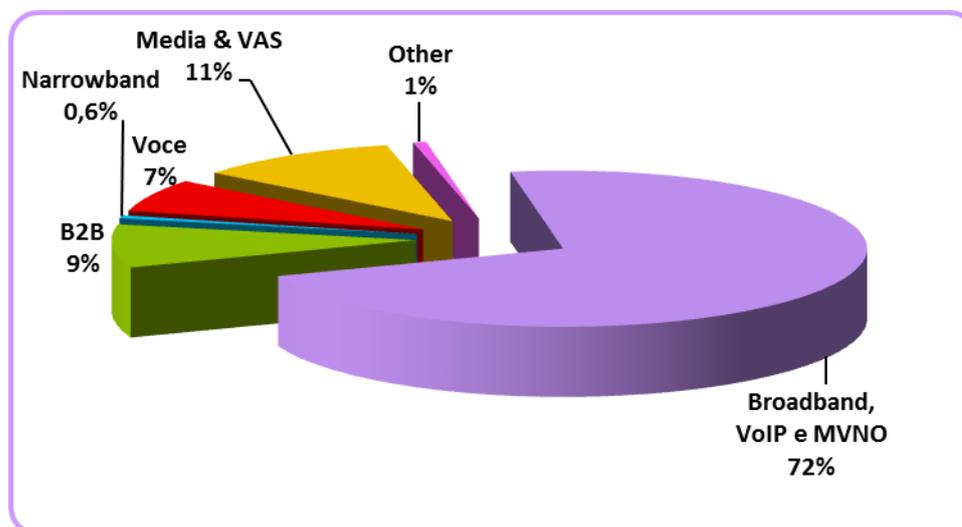
The Group's net result was a loss of EUR 16.4 million, a deterioration with respect to the comparable figure in the previous year, a loss of EUR 4.8 million.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		19	

The Group's Operational income statement

(EUR mln)	2014	2013
Revenues	212.8	223.4
Access revenues (including VoIP)	153.4	161.9
<i>of which: ADSL</i>	86.8	93.0
<i>of which VOIP</i>	60.9	66.4
<i>of which MVNO</i>	5.8	2.6
Dial Up revenues (narrowband)	1.4	2.0
Voice revenues	14.4	15.9
Business service revenues	19.1	18.1
Media and value added service revenues	23.1	23.8
Other revenues	1.5	1.7
Gross operating margin	105.7	117.2
Indirect operating costs	60.4	57.0
Marketing and sales	10.5	8.9
Payroll and related costs	35.1	34.6
Other indirect costs	14.8	13.4
Other (income) / expense	(3.9)	(6.8)
Adjusted Gross Operating Result (EBITDA)	49.1	67.1
Write-down of receivables	10.3	14.6
Gross Operating Result (EBITDA)	38.8	52.4
Amortisation/depreciation	36.4	39.8
Gross result (EBIT) before restructuring costs and provisions for risks	2.4	12.6
Operating result (EBIT)	(0.3)	9.3
Group Net Result	(16.4)	(4.8)

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		20	

Revenues by business segment**Fig. 3 - Breakdown of revenues by business line and access mode**

Source: Tiscali

Access

The segment in question, which includes revenues from Internet access services via broadband (ADSL) and narrowband (dial-up), the flat component of the bundled ranges (access fees) and mobile telephone revenues, in 2014 generated revenues of around EUR 153.4 million, down by 5.3% with respect to the figure in the same period in 2013 (EUR 161.9 million).

The decrease in revenues is mainly attributable to the ADSL access services (EUR 86.8 million as at 31 December 2014 compared with EUR 93 million as at 31 December 2013) and the VOIP segment (EUR 60.9 million as at 31 December 2014 compared with EUR 66.4 million at 31 December 2013).

Conversely, the MVNO segment showed an increase of 125.8%, from EUR 2.6 million in 2013 to EUR 5.8 million in 2014.

As at 31 December 2014, ADSL customers came to around 481.3 thousand of which 353.6 thousand under direct LLU (Local Loop Unbundling). Direct ADSL customers decreased by around 16.9 thousand with respect 31 December 2013.

The customers who use a dial-up access (narrowband) and analogical voice service stood at around 42.6 thousand users.

The customers using WLR showed an approximate 5 thousand unit increase, from 26.1 thousand units in 2013 to 31.2 thousand units in 2014.

The number of active and operating SIMs at the end of 2014 stood at 91.7 thousand, a sharp increase compared with the same figure in 2013 which stood at 38.7 thousand units.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		21

Evolution of the customer base

(000)	31 December 2014	31 December 2013
ADSL customers	481.3	498.2
<i>of which LLU</i>	353.6	357.9
Narrowband and Voice customers	42.6	43.3
Dual play customers	357.0	366.7
Active SIM with traffic data	91.7	38.7

The LLU network coverage at 31 December 2014 amounted to 688 sites.

Voice

The voice segment includes both the traditional telephone service and the variable traffic component generated by voice services on IP offered in bundled mode with access to internet.

During 2014, there was a decrease in revenues relating to analogue voice services, equating to EUR 1.5 million (-9.1% with respect to 2013), essentially attributable to the decrease in volumes of wholesale services (-29.5%).

Narrowband

The narrowband segment was naturally down and passed from EUR 2 million in 2013 to EUR 1.4 million in 2014.

Business services

Revenues from business services (VPN, housing, hosting services, domains and leased lines), excluding those from access and/or voice products for the same customer base already included in their respective business segments, amounted in 2014 to EUR 19.1 million, up 5.4% with respect to the EUR 18.1 million in 2013.

Media

During 2014, revenues for the Media and value added services segment (mainly concerning sales of advertising space) amounted to around EUR 23.1 million and were down slightly with respect to the previous year (EUR 23.8 million in 2013). The decline in revenue is however less than the average in the sector.

Indirect operating costs during 2014 came to EUR 60.4 million, an increase with respect to the same figure in 2013 (EUR 57 million). Within indirect operating costs, **marketing costs** amounted to around EUR 10.5 million and were up with respect to the previous year (EUR 8.9 million).

Payroll and related costs amounted to EUR 35.1 million (16.5% of revenues), up slightly with respect to 2013 (EUR 34.6 million, 15.5% of revenues). Other **indirect costs** include lease instalments and general operating expenses.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		22

The effect of the above led to an Adjusted Gross Operating Result (EBITDA), before provisions for risks, write-downs and amortisation/depreciation, totalling EUR 49.1 million (23.1% of revenues). This balance was down with respect to 2013, amounting to EUR 67.1 million.

The Gross operating result (EBITDA), net of write-downs of receivables and other provisions came to EUR 38.8 million in 2014 (18.3% of revenues), a decrease of 25.9% on the figure for 2013 (EUR 52.4 million, 23.5% of revenues).

The write-down of receivables and other provisions in 2014 totalled EUR 10.3 million (EUR 14.6 million in the same period of 2013).

Amortisation/depreciation came to EUR 36.4 million (EUR 39.8 million in the same period of 2013).

The operating result (EBIT) for 2014, net of provisions, write-downs and restructuring costs, was a loss of EUR 0.3 million (0.1% of revenues), with respect to the balance in 2013, a profit of EUR 9.3 million.

The Group's net result was a loss of EUR 16.4 million, compared with a loss in 2013 of EUR 4.8 million.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		23	

The Group's statement of financial position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in abridged form) (EUR mln)	31 December 2014	31 December 2013
Non-current assets	147.9	163.4
Current assets	60.1	59.3
Total Assets	207.9	222.7
Group shareholders' equity	(168.8)	(151.9)
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	(168.8)	(151.9)
Non-current liabilities	137.0	64.1
Current liabilities	239.8	310.5
Total Liabilities and Shareholders' equity	207.9	222.7

Assets

Non-current assets

Non-current assets at 31 December 2014 amounted in total to EUR 147.9 million (EUR 163.4 million at 31 December 2013). The net change is attributable to the amortisation and depreciation charge on tangible and intangible fixed assets during 2014. Investments, amounting to around EUR 20.8 million, essentially refer to the extension and development of the network, IT services and the connection and activation of new ADSL customers, as well as the purchase of machinery for the new Istella and Indoona projects.

Current assets

Current assets as at 31 December 2014 amounted to EUR 60.1 million (EUR 59.3 million at 31 December 2013) and mainly include receivables from customers which, as at 31 December 2014, came to EUR 43.5 million, with respect to EUR 45.2 million at 31 December 2013. In addition to cash and cash equivalents, the item in question also includes other receivables and other current assets, amounting to EUR 10.6 million, represented by prepaid expense for service costs, accrued income on access services and sundry receivables.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		24

Liabilities

Non-current liabilities

Non-current liabilities as at 31 December 2014 amounted to EUR 137 million, compared with a balance of EUR 64.1 million as at 31 December 2013 and include both the items pertaining to the financial position, with reference to which please see the comments made further on, the provision for risks and charges totalling EUR 1.6 million, the employee severance indemnity for EUR 5.5 million, and payables to customers for guarantee deposits amounting to EUR 0.4 million.

With regard to the long-term loans, it is hereby disclosed that as at 31 December 2014, the non-current liabilities included the long-term portion of the financial debt established on the basis of the Restructuring Agreements and recognised in accordance with the international accounting standards. The same item presented a zero balance as at 31 December 2013 since, further to failure to observe the financial covenants envisaged by the GFA loan agreement, the Group had taken steps to reclassify the entire financial debt for the GFA under current liabilities.

Current liabilities

Current liabilities amounted to EUR 239.8 million as at 31 December 2014 (compared with EUR 310.5 million as at 31 December 2013) and mainly include the current portion of financial payables, the current portion of the Sa Illetta Sale & Lease back payable, payables to suppliers, together with accrued expenses pertaining to the purchase of access services and line rental.

The change with respect to the previous year was mainly the result of the classification of the financial debt as per the GFA, as described in the section related to non-current liabilities.

The Group's financial position

At 31 December 2014, the Tiscali Group held cash and cash equivalents totalling EUR 4.8 million, against a net financial debt, at the same date, of EUR 192.6 million (EUR 191.6 million as at 31 December 2013).

<i>(EUR mln)</i>	Notes	31 December 2014	31 December 2013
A. Cash and Bank deposits		4.8	3.1
B. Other cash equivalents		0.0	0.0
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		4.8	3.1
E. Current financial receivables		0.1	0.1
F. Non-current financial receivables	(1)	6.9	6.9
G. Current bank payables	(2)	12.5	11.9
H. Current portion of non-current debt	(3)	52.8	131.8
I. Other current financial payables (*)	(4)	10.6	4.3
J. Current financial debt (G) + (H) + (I)		75.9	148.0

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		25	

K. Net current financial debt (J) – (E) – (D) - (F)		64.1	137.9
L. Non-current bank payables	(5)	80.5	0.0
M. Bonds issued		-	-
N. Other non-current payables (**)	(6)	48.0	53.7
O. Non-current financial debt (N) + (L) + (M)		128.5	53.7
P. Net Financial Debt (K) + (O)		192.6	191.6

(*) includes short-term financial leasing payables

(**) includes long-term financial leasing payables

Notes:

- (1) Essentially includes the interest-bearing restricted deposit relating to the financial Sale & Lease-back transaction on Sa Illetta.
- (2) Includes the bank payables of Tiscali Italia S.p.A., Tiscali S.p.A. and Vevisible S.r.l..
- (3) Includes the short-term component equal to EUR 52.8 million relating to payables to Senior Lenders (principal and interest portions repayable within 12 months); as already mentioned previously, the same item as at 31 December 2013 included the entire amount of the financial debt as per the GFA further to failure to observe the financial covenants envisaged by the loan agreement.
- (4) Essentially includes the short-term portion of the Sale & Lease Back – Sa Illetta payable.
- (5) Includes the long-term component equal to EUR 80.5 million relating to the payable due to Senior Lenders; as already mentioned previously, the same item as at 31 December 2013 presented a zero balance further to failure to observe the financial covenants envisaged by GFA.
- (6) Essentially includes the long-term portion of the Sale & Lease Back – Sa Illetta payable.

The above table includes guarantee deposits under other cash equivalents and non-current financial receivables. The table below provides a reconciliation of the above financial position with the same statement prepared in accordance with Consob communication No. DEM/6064293 dated 28 July 2006 as shown in the explanatory notes.

(EUR mln)	31 December 2014	31 December 2013
Consolidated net financial debt	192.6	191.6
Other cash equivalents and non-current financial receivables	6.9	6.9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	199.5	198.5

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		26

3.6 Analysis of the income statement, statement of financial position and cash flow statement of Tiscali S.p.A.

Introduction

The statements presented below have been drawn up on the basis of the statutory financial statements at 31 December 2014, to which reference should be made. In this connection, note that the 2014 statutory financial statements represent the separate financial statements of the Parent Company Tiscali S.p.A. and have been prepared in observance of the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as approved by the European Union, as well as the instructions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005. The IFRS are understood to be all the reviewed international accounting standards ("IAS") and all the interpretations by the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC").

The Parent Company's economic position

<i>(EUR 000)</i>	2014	2013
Revenues from services and other income	4,399	4,412
Payroll and related, service and other operating costs and revenues	(629)	(2,158)
Other write-downs and provisions	(1,580)	(1,285)
Net financial income (charges)	(1,590)	(1,666)
Income taxes	(49)	(81)
Result from assets disposed of and/or destined for disposal	-	-
Net result	550	(778)

Revenues from services and other income mainly refer to the fees deriving from 'Corporate' services for the subsidiary company Tiscali Italia S.p.A. including the payments for licences to use the Tiscali trademark.

The most significant cost component was represented by payroll and related costs, which amounted to EUR 1.7 million, as well as costs for external management consulting services and professional expenses amounting to EUR 0.8 million.

Other write-downs included restructuring charges relating to the restructuring process for the senior debt and to the closure and winding up of the German companies as well as the write-down of amounts due from the UK subsidiary.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		27	

The Parent Company's statement of financial position

<i>(EUR 000)</i>	31 December 2014	31 December 2013
<i>Non-current assets</i>	138,370	133,205
<i>Current assets</i>	1,666	4,246
Total Assets	140,036	137,451
Shareholders' equity	61,667	61,101
Total Shareholders' equity	61,667	61,101
<i>Non-current liabilities</i>	22,475	21,600
<i>Current liabilities</i>	55,895	54,751
Total Liabilities and Shareholders' equity	140,036	137,451

AssetsNon-current assets

Non-current assets include controlling equity investments for a total of EUR 136.2 million and other financial assets amounting to EUR 2.2 million essentially represented by financial receivables due to Group companies.

Current assets

Current assets include "Receivables from customers" for EUR 0.3 million, "Other receivables and other current assets" for around EUR 1 million, essentially relating to tax receivables, accrued income and prepayments on services, as well as cash and cash equivalents for EUR 0.4 million.

LiabilitiesNon-current liabilities

Non-current liabilities, in addition to items relating to the financial position for which reference should be made to the next note, include provisions for risks and charges of EUR 18.3 million generated from provisions set aside for potential liabilities, disputes and guarantees provided within the sphere of the Group's debt.

Current liabilities

Current liabilities not relating to the financial position are mainly represented by payables to suppliers of EUR 3.9 million (EUR 0.1 million of which due to Group companies).

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		28	

The Parent Company's financial position

The Parent Company's financial position is summarised in the table below.

(EUR 000)	31 Dec. 2014	31 Dec. 2013
A. Cash	-	-
B. Other cash equivalents	368	7
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	368	7
E. Current financial receivables	986	193
F. Current bank payables	-	-
G. Current portion of non-current debt	-	-
H. Other current financial payables	(33,640)	(33,992)
I. Current financial debt (F) + (G) + (H)	(33,640)	(33,992)
J. Net current financial debt (I) – (E) – (D)	(32,286)	(33,792)
K. Non-current bank payables	-	-
L. Bonds issued	-	-
M. Other non-current payables to Group companies	(3,918)	(4,245)
N. Other non-current payables to third parties	-	-
O. Non-current financial debt (K) + (L) + (M) + (N)	(3,918)	(4,245)
P. Net financial debt (J) + (O)	(36,204)	(38,037)

Other current financial payables relate mainly to financial payables to the subsidiary Tiscali International B.V., a sub-holding company of the Tiscali Group.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		29

Reconciliation between the Parent Company's financial statements and consolidated financial statements

As required by CONSOB Communication No. DEM/6064293 dated 28 July 2006, the following table shows the reconciliation between the net profit for the period and shareholders' equity of the Group with the corresponding values of the Parent Company.

EUR 000	31 December 2014	
	Net result	Shareholders' equity
Shareholders' equity and net profit (loss) of Tiscali S.p.A.	550	61,667
Net profit and Shareholders' equity of consolidated companies	(315,540)	(700,204)
Book value of consolidated equity investments and consolidation entries	298,556	469,719
Shareholders' equity and net profit (loss) for the year pertaining to the Parent Company	(16,434)	(168,818)
Shareholders' equity and net profit (loss) for the year pertaining to minority shareholders	-	-
Shareholders' equity and net profit (loss) for the year as per the Consolidated Financial Statements	(16,434)	(168,818)

3.7 Events subsequent to the end of the year

Authorisation granted by Tiscali's shareholders' meeting to the Board of Directors for the Share Capital Increase

In accordance with the Restructuring Agreements and the SEF Agreement, on 30 January 2015, Tiscali's extraordinary shareholders' meeting granted the Company's Board of Directors authority to increase the share capital, in tranches, by means of the issue of a maximum of 1,000,000,000 ordinary shares of the Company with exclusion of the purchase option pursuant to Article 2441.5 of the Italian Civil Code.

Approval of the Share Capital Increase by Tiscali's Board of Directors

On 16 February 2015, Tiscali's Board of Directors approved the Share Capital Increase transaction reserved for Société Générale in accordance with the SEF Agreement.

Tender for the supply of connectivity services to the Public Administration Authorities (BTB Services)

In relation to the Consip Tender, as already mentioned, on 17 February 2015 CONSIP informed the Group that, in consideration of the acceptances received, on the basis of the tender mechanism, Tiscali shall have to carry out the services for a portion of the supply equal to 60% of the overall maximum amount, while the other two companies who have accepted will be awarded 20% each. As

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		30

things stand, the Company is awaiting the completion of the formal controls, preparatory to the final assignment which is envisaged to take place by the end of the first half of 2015.

Preliminary non-binding agreement for a business combination transaction with Aria S.p.A.

On 19 March 2015, a non-binding memorandum of understanding was signed for a business combination transaction with Aria S.p.A., an Italian service provider which offers wireless broadband services, on the basis of the licence obtained during the auction in 2008 for use of the 3.5 GHz band throughout Italy. The possible transaction, which also envisages a capital contribution made by the shareholders of Aria S.p.A., would make it possible to strengthen the business and financial position of the company, consolidating Tiscali's coverage in the field of broadband access from the fixed and mobile networks and creating a sole operator on the Italian market potentially capable of offering high-capacity Broadband services throughout Italy thanks to the combination of the two network infrastructures.

3.8 Assessment of the business as a going-concern and future outlook

Events and uncertainties regarding the business continuity

The Tiscali Group closed 2014 with a consolidated loss of around EUR 16.4 million and negative consolidated shareholders' equity of EUR 168.8 million. Furthermore, as at 31 December 2014, the Group had a gross financial debt of EUR 204.3 million and current liabilities greater than current assets (non-financial) for EUR 108.9 million.

As of 31 December 2013, the consolidated loss amounted to EUR 4.8 million, with negative consolidated shareholders' equity of EUR 151.9 million. Furthermore, as at 31 December 2013, the Group had a gross financial debt of EUR 201.7 million and current liabilities greater than current assets (non-financial) for EUR 106.5 million.

As from 2009, the Group, after having completed the disposal of Tinet and the UK subsidiaries, allocating the proceeds of the sale to the repayment of part of the debt, implemented action with the aim of achieving economic, equity and financial balance over the long term, and launching a phase of recovery for the sales activities, which has been reflected in the business and financial plan.

In a recessionary context, the transformation under way for some years in the telecommunications market has led to greater competitiveness and erosion of the revenues and the margin for the operators.

Progressive saturation for the fixed network broadband market, the sharp competition of the data proposals on the mobile networks and the possibility for customers to migrate from one provider to another has generated a greater response from the customers to promotions and consequently a declining trend of the prices.

In the presence of such factors (and other collateral ones such as the progressive replacement of the fixed lines with mobile ones, the increasing weight of the costs linked to customer service, the establishment of the so-called Over-The-Top products), Tiscali, like the other telecommunications companies, has rationalised its internal processes implementing rigorous cost cutting programmes to preserve margins and maintain the competitive position, as well as to try and diversify its revenue streams in web and Over-The-Top services.

During 2014, from an operational perspective and within a context involving competitive pressure in the market of accesses from a fixed network, management continued to pursue the following:

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		31

- action aimed at reducing costs and rationalising the internal process for the purpose of improving profitability;
- the strategy for control of the incoming customer base and debt collection. As at 31 December 2014, the customers using automatic payment methods reached around 67% of total customers.

Highlights for the year 2014 reveal the following in particular:

- a drop in Group revenues of 4.7% with respect to the same figure in 2013, mainly attributable to the decrease in Access revenues (-5.3%), and in particular the ADSL and VOIP component, in turn linked - to a predominant extent - to the reduction of the ARPU caused by additional promotions on the prices of services when compared with 2013, in an increasingly competitive market context, and a slight drop in the customer base (-3.4%).
- an increase in the mobile telephone customer base (active and operating SIMs as at 31 December 2014 amounting to around 91,699, with average monthly growth of around 6,700 units);
- an increase of 5.4% in business-to-business revenues (VPN, housing, domains and leased lines) compared with the previous year;
- focus on innovation through a new strategy for the development of web and Over-the-Top services.

All the activities listed above made it possible to generate cash and cash equivalents from operating activities for around EUR 34.1 million.

Furthermore, Tiscali took part in 2014 in the tender called by Consip S.p.A. (hereinafter also "CONSIP") for the supply of connectivity services in favour of the Public Administration Authorities ("SPC2 Tender" or "Consip Tender"), and on 14 May 2014 turned out to be the company with the best economic bid. In the following months, Tiscali's bid was subject to close examination in terms of suitability by the CONSIP awarding commission, an examination successfully passed as per the communication dated 24 December 2014. On said date, CONSIP also invited the other bidders to adapt their bid to the price list presented by Tiscali. As confirmed by the communication sent by CONSIP on 17 February 2015, in consideration of the acceptances received, on the basis of the tender mechanism, Tiscali shall have to carry out the services for a portion of the supply equal to 60% of the overall maximum amount. The current tender configuration with no more than three awarded parties also makes it possible to develop important commercial action also on the parties of the Local Public Administrations. As things stand, the Company is awaiting the completion of the formal controls, preparatory to the final assignment which is envisaged to take place by the end of the 1st half of 2015.

Given the matters stated above, the Directors - when assessing the existence of the assumption of the Group as a going-concern in the current macro-economic context and the current competitive scenario, have identified in the unbalanced equity, financial and economic situation which the Group is headed into, as shown by the negative consolidated shareholders' equity for EUR 168.8 million, due to the negative economic performance over the years and the weight of the considerable indebtedness, factors which indicate the existence of significant uncertainties.

In this context, since the first few months of 2013, the Tiscali Group launched a negotiation process aimed at restructuring the senior financial debt on a consensual basis in accordance with the Group Facilities Agreement ("GFA") entered into on 2 July 2009 with a number of financiers (hereinafter "Senior Financiers" or "Lenders"), for the purpose of ensuring an equity and financial structure capable of permitting, over the long-term, the achievement of a balanced economic, equity and financial situation.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		32

The negotiations with the Senior Financiers continued until presentation by the Company, in 2014, of a preliminary and non-binding proposal concerning, amongst other aspects, a recapitalisation of the Group, a partial rescheduling of the debt and a reset of the financial covenants envisaged by the GFA.

Subsequent to presentation of this proposal, which received the general consent of the Senior Financiers, a multi-stage negotiation process was commenced, on the outcome of which the Tiscali Group:

- on 17 December 2014, approved the business plan (“Business Plan”) and obtained, on 23 December 2014, the related asseveration carried out by a professional appointed as per Article 67.3, letter d) of the Italian Bankruptcy Law;
- on 22 December 2014, accepted the offer made by a leading Italian real estate fund relating to the transfer of the leasing agreement concerning the property Sa Illetta where the Group’s headquarters are located (the “Leasing Agreement”), which may be finalised between the parties on verification of specific conditions which must take place by 31 March 2015. The agreements relating to this transaction envisage, among other aspects, that the Tiscali Group continue to use the Sa Illetta property under market conditions; furthermore, if the disposal transaction should not be completed by 15 April 2015, the leasing companies involved have agreed to: (i) redefine the repayment plan; (ii) not avail themselves, until 30 April 2015, of any of the remedies envisaged in accordance with the Leasing Agreement;
- on 23 December 2014, entered into - with the Senior Financiers - a financial debt restructuring agreement pursuant to the GFA (Restructuring Agreements”), for the purpose of achieving, amongst other things: (i) a partial rescheduling of the debt as per the GFA (which, as of that date, amounted to around EUR 140 million); as well as (ii) a redefinition of the financial covenants, for the purpose of bringing them in line with the Business Plan. Specifically, in short the afore-mentioned agreements envisage:
 - the division of the entire debt vis-à-vis the Senior Financiers, amounting to around EUR 140 million as of the date of entering into the Restructuring Agreements, into three separate credit facilities: (i) Facility A1, for an amount of around EUR 42.4 million, to be repaid by 30 November 2015, primarily by means of the use of the proceeds of any share capital increases of the Company; (ii) Facility A2, for an amount of around EUR 42.4 million, to be repaid in six-monthly instalments, the last of which falling due on 30 September 2017; (iii) Facility B, for an amount of around EUR 55 million, to be repaid in six-monthly instalments, the last of which falling due on 30 September 2017;
 - in the event of early repayment of Facility A1, the possibility of benefiting from a discount of up to 10% on the face value of the debt repaid, in relation to the repayment timescales;
 - the possibility for the Company, assessing other forms of funding, to resort to additional share capital increases and to negotiate with the financiers in accordance with Facility A1 possible conversion into equity - upon the initiative of said Company and subordinate to the occurrence of certain specific conditions - of the residual portion of this credit facility;
 - an interest rate of 6.5% for 2014, 7.5% for 2015, 9% for 2016 and 10% for 2017;
 - financial covenants in line with the performances of the Tiscali Group envisaged in the Business Plan.
- on 24 December 2014, established an agreement with Société Générale relating to the subscription by the latter of a share capital increase against payment for a maximum of 1,000,000,000 ordinary Tiscali shares, lacking par value, with exclusion of the purchase option pursuant to Article 2441.5 of the Italian Civil Code (“Share Capital Increase”). The agreement

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		33

(“SEF Agreement”) contains the terms and conditions for the subscription, by said Société Générale (hereinafter also “SG”), of the Share Capital Increase, summarised in short below:

- the subscription may take place in several tranches, on the basis of requests discretionally made by Tiscali in accordance with the terms and conditions contained in the SEF Agreement (the “Subscription Requests”). In accordance with the Agreement, SG has committed to subscribing - for each tranche - a number of Shares equating to the lower between: (i) the number of shares indicated in the Subscription Request; (ii) the difference between: the maximum number of shares to be issued to serve the Share Capital Increase and the number of shares already subscribed by SG for the previous Subscription Requests; and (iii) the guaranteed number of shares, equating to the lower between: (1) 100,000,000 shares; (2) a number of shares equal to twice the arithmetic average of the daily volumes of the transactions relating to the Tiscali shares (with exclusion of the transactions carried out in blocks) in the 15 stock market days open immediately prior to the date of conclusion of each Pricing Period, as defined in the SEF Agreement; and (3) a number of shares equal to the ratio between EUR 7,000,000 and the subscription price of the shares. SG will in any event have the faculty, at its discretion, to subscribe the number of Shares indicated by the Company in the Subscription Request, when this quantity of shares also should exceed the limits as per the previous points (ii) and (iii);
- in accordance with the SEF Agreement, Société Générale may subscribe ordinary Tiscali shares for a total maximum equivalent value of EUR 42,500,000;
- pursuant to the Restructuring Agreements, the proceeds deriving from the Share Capital Increase shall be allocated exclusively to repaying Facility A1 in advance;

In pursuance of the agreement indicated above:

- on 30 January 2015, Tiscali’s shareholders’ meeting granted the Company’s Board of Directors authority to increase the share capital, in tranches, by means of the issue of a maximum of 1,000,000,000 ordinary shares of the Company and by means of exclusion of the purchase option pursuant to Article 2441.5 of the Italian Civil Code;
- on 16 February 2015, Tiscali’s Board of Directors approved the Share Capital Increase, in accordance with the authority granted above.

In conclusion, on 19 March 2015, Tiscali’s Board of Directors approved the up-date of the Business Plan, so as to take into account the afore-mentioned forward-looking developments of the Consip Tender and the results for the first few months of 2015, extending the timescale to 2018 (“2015-2018 Plan”). The 2015-2018 Plan hypothesises, amongst other aspects, the ability of the Group to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017. On the basis of the market analysis on corporate bond issues in the TLC sector, the Directors believe that this prospective debt can be refinanced in relation to the level of net debt / EBITDA envisaged for 2017 in the 2015-2018 Plan.

The achievement of a situation of equity, economic and financial balance for the Group over the long-term is consequently subordinate to the achievement of the results envisaged in the 2015-2018 Plan, and therefore the realisation of the forecasts and the assumptions contained therein relating, in general, to the evolution of the telecommunications market and the accomplishment of the growth objectives set (in a market context characterised by strong competitive pressure) and in particular: (i) to the positive conclusion of the Share Capital Increase and the consequent repayment of Facility A1; (ii) the final awarding of the Consip Tender; (iii) the transfer of the Leasing Agreements by the envisaged deadlines or alternatively the redefinition of the related debt repayment plan as agreed with the same leasing companies; and (iv) the ability to refinance the final instalment of the debt as per the Restructuring Agreements falling due in 2017.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		34

Final assessment of the Board of Directors

The Board of Directors, after lengthy discussion, has highlighted how the Group:

- generated, during 2014, cash and cash equivalents amounting to approximately EUR 34.1 million;
- continued its strategy for the development of mobile phone services and the sectors with high-growth potential, such as the media sector and Over-The-Top products;
- presented the best economic bid relating to the afore-mentioned Consip Tender and has passed the close suitability examination carried out by the CONSIP awarding commission;
- finalised the Restructuring Agreements of the GFA with the Senior Financiers, after having obtained the asseveration of the Business Plan;
- launched all the formal processes for the finalisation of the Share Capital Increase transaction, and in particular: (i) called the Tiscali shareholders' meeting which in extraordinary session held on 30 January 2015 granted the Company's Board of Directors suitable authorisation; (ii) called the Company's Board of Directors which on 16 February 2015 approved the Share Capital Increase; and (iii) filed the Information Prospectus required for the Share Capital Increase transaction care of CONSOB;
- accepted the offer made by a leading Italian real estate fund relating to the transfer of the Leasing Agreement concerning the Sa Illetta property and launched the formal processes necessary for the finalisation of the transaction defining, at the same time, the rescheduling of the repayment plan of the same (for the period 2015-2017) if said transfer should not be completed within the envisaged timescale;
- updated the Group's financial and business plan having taken into account the results of the first few months of 2015, in line with the Restructuring Agreements and the matters described above;
- signed as of today's date, a non-binding memorandum of understanding for a merger transaction with the Aria Group, an Italian Service provider which offers telecommunications services under Wimax throughout Italy and which in February 2008 was awarded the licence at the auction by means of which the Ministry of Communications deregulated the 3.5 GHz frequencies, utilisable for Wimax and for LTE. A new capital contribution, *inter alia*, from the shareholders of the Aria Group, is envisaged within the sphere of this transaction. The proposed transaction, if completed, would make it possible to strengthen Tiscali's coverage in the field of broadband access from the fixed and mobile networks, creating a sole operator on the Italian market capable of offering the entire range of services thanks to the combination of the two network infrastructures. The 2015-2018 Plan does not include any impact in relation to this transaction.

The Directors - despite disclosing how the recapitalisation and restructuring transaction relating to the Group, and consequently the implementation of the 2015-2018 Plan, are subject to the occurrence of specific conditions, including in particular:

- the positive conclusion of the Share Capital Increase and the consequent repayment of Facility A1;
- the final awarding of the contract for the entrusting of the connectivity services within the sphere of the Public Connectivity System by CONSIP;
- the transfer of the Leasing Agreement by the envisaged deadline or alternatively the redefinition of the related debt repayment plan as agreed with the same leasing companies;

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		35

- the ability to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017;

as well as the achievement of the envisaged growth objectives, on the basis of the matters indicated above, believe that the positive conclusion of the Group restructuring and recapitalisation process is reasonable, so as to be able to proceed with the implementation of the 2015-2018 Plan, thereby permitting over the long-term the achievement of a balanced equity, financial and economic situation.

In conclusion, the Directors - analysing the aspects already achieved within the sphere of the process aimed at permitting the Group to achieve a situation of economic, equity and financial balance over the long-term, acknowledge that as of the current date, and as already indicated in the financial statements relating to 2013, uncertainties remain relating to events or circumstances which could lead to significant doubts as to the Group's ability to continue operating on the basis of the assumption of a going-concern. However, after making the necessary checks and after assessing the uncertainties found in light of the factors described above, taking into account the matters envisaged by the Restructuring Agreements with regard to the Group recapitalisation and debt restructuring transaction, they have the reasonable expectation that it is possible to achieve a financial structure for the Group in line with the expected cash flows and that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when preparing these financial statements.

This assessment is naturally the result of a subjective opinion, which has compared - with respect to the events indicated above - the degree of probability of their occurrence with the opposite situation. It must be noted that the prognostic opinion underlying the decision of the Board, is liable to be contradicted by the evolution of events. Precisely because it is aware of the intrinsic limits of its decision, the Board of Directors will constantly monitor the evolution of the factors taken into consideration (as well as any other additional circumstance which takes on significance), so as to be able to promptly adopt the necessary measures, also in terms of recourse to the procedures envisaged by the law for business crisis situations.

One-off transactions

Pursuant to Consob Resolution No. 15519 dated 27 July 2006, it is hereby disclosed, in particular, that during 2014 specific debt positions were written off following agreements with suppliers for a total of EUR 2.4 million. Provisions were also made for charges relating to tax assessments defined during the year for a total of EUR 2.4 million.

Atypical and/or unusual operations

Pursuant to Consob Communication dated 28 July 2006, it is hereby specified that during 2014 the Company did not enter into any atypical and/or unusual transactions, as defined by said Communication.

Transactions with related parties

During the year, the Tiscali Group had a number of dealings with related parties, under conditions considered normal on the respective reference markets, taking into account the characteristics of the goods and services provided.

Related parties with whom transactions were concluded in 2014 included:

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		36

- Studio Legale Racugno: the director Gabriele Racugno, member of Tiscali S.p.A.'s Board of Directors, since 21 December 2009, provides Tiscali Italia S.p.A. with legal and out-of-court assistance;
- Monteverdi S.r.l: a company invested in by the majority shareholder and Chairman of the Board of Directors Renato Soru. The transaction in question refers to a rental agreement for space used to store company documents.

Income statement and statement of financial position transactions with related parties are detailed in the section "Related Party transactions" in the explanatory notes to the 2014 financial statements.

Compliance with the Tax Consolidation scheme

The Company exercised the option for consolidated taxation headed up by the parent company Tiscali S.p.A. for the following companies:

- Tiscali S.p.A.
- Tiscali Italia S.p.A.
- Vevisible S.r.l.
- Indoona S.r.l.
- Istella S.r.l.

The dealings deriving from compliance with the consolidation scheme are disciplined by means a specific "Regulation" agreement, which envisages a common procedure for the application of the legislative and regulatory provisions.

Cagliari, Italy, 19 March 2015

The Chief Executive Officer



Renato Soru

The Executive appointed to draw up the corporate accounting documents



Pasquale Lionetti

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		37	

4 Corporate Governance Report and Ownership Structure

4.1 Introduction

Pursuant to Article 123 *bis* of Italian Legislative Decree No. 58/1998, as implemented by Article 89 *bis* of the Issuers' Regulations, adopted by Consob under resolution No. 11971 dated 14 May 1999, listed companies are obliged to draw up an annual disclosure report on their Corporate Governance system and on compliance with the Code's recommendations (as defined below). This report is made available to the shareholders at least 21 days before the shareholders' meeting for the approval of the annual financial statements and published in the "Investor Relations" section of the Company website, www.tiscali.com.

Fulfilling the prescribed obligation and with the intention of providing extensive corporate disclosure to the shareholders and the investors, Tiscali S.p.A.'s ("**Tiscali**" or the "**Company**") Board of Directors has drawn up this report (the "**Report**"), in compliance with the guidelines published by Borsa Italiana S.p.A. and in light of the indications provided by Assonime in this connection.

Therefore, the Report is split into two parts. The first part fully illustrates the corporate governance model adopted by Tiscali and describes the directors and officers, as well as the shareholding structure and provides other information as per the afore-mentioned Article 123 *bis* of Italian Legislative Decree No. 58/98. The second part by contrast provides detailed disclosure regarding compliance with the Code's recommendations by means of a comparison between the choices made by the Company and said recommendations of the Code. In accordance with the Code, on 19 March 2015 the Board of Directors assessed the size, composition and functioning of said Board and its Committees deeming them to be in line with the operational and organisational needs of the Company. The Board took into account the professional, experience-related and managerial characteristics of its members and examined the effective functioning of the corporate bodies during 2014. Of the five Directors, four are without powers delegated by said Board, three are non-executive and two are non-executive and independent. In this assessment, the Board also took into account the appointments covered by the Directors in other companies and the effective commitment of the Directors in corporate operations.

4.2 Corporate Governance structure

General principles

The term "Corporate Governance" defines the series of processes for managing the corporate activities with the aim of creating, protecting and increasing the value for the shareholders and investors over time. These processes must ensure the achievement of the corporate objectives, the maintenance of socially responsible conduct, transparency and responsibility vis-à-vis the shareholders and the investors.

In order to ensure the transparency of management's operations, correct market disclosure and protection of the socially relevant interests, the corporate governance system adopted by Tiscali fully draws on the recommendations of the Code of Conduct (the "**Code**"), approved by the Corporate Governance Committee in March 2006, with the latest up-date in July 2014 and available on the website at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>.

The Company adopts practices and principles of conduct, formalized in procedures and codes, in line with Borsa Italiana S.p.A.'s indications, CONSOB recommendations and with the best practice seen at national and international level; furthermore, Tiscali has equipped itself with an organizational structure

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		38

suitable for correctly handling business risks and potential conflicts of interest which may occur between Directors and shareholders, majorities and minorities and between the various stakeholders.

Adopted model

In relation to the system of management and control, the Company has adopted the traditional model, which envisages the presence of the Board of Directors and the Board of Statutory Auditors; the Company believes that this system permits a clear division of the roles and responsibilities entrusted to the directors and auditors and efficient management of the Company.

Directors and Auditors, and the company appointed to audit the accounts

The governing bodies are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

Board of Directors

At present, the Company's Board of Directors is made up of:

Director	Year of birth	Position	Date of current appointment	Executive - Non-executive - Independent	Date of expiry of the current appointment	Date of first appointment (*)	Participation Meetings BoD 2014	Audit and risk committee - role 2014 (***)	Appointments and remuneration committee - role 2014 (***)
Renato Soru	1957	Chairman and Chief Executive Officer	15 May 2012	Executive	approval of the financial statements as at 31 Dec. 2014	9 June 1997	10/11		
Luca Scano	1971	Director	15 May 2012	Non-executive	approval of the financial statements as at 31 Dec. 2014	21 December 2009	11/11	M 5/5	
Gabriele Racugno	1944	Director	15 May 2012	Non-executive	approval of the financial statements as at 31 Dec. 2014	5 May 2005	9/11		M 1/1
Assunta Brizio (**)	1950	Independent director	28 August 2012	Non-executive and Independent TUF	approval of the financial statements as at 31 Dec. 2014	28 August 2012	11/11	M 5/5	M 1/1
Franco Grimaldi	1955	Independent director	15 May 2012	Non-executive and Independent TUF	approval of the financial statements as at 31 Dec. 2014	21 December 2009	11/11	P 5/5	P 1/1

(*) The office may not have been covered continually as from the date of first appointment

(**) Director co-opted by the Board of Directors on 28 August 2012 further to the resignation of the director Victor Uckmar, and confirmed by the shareholders' meeting on 30 April 2013.

(***) This column indicates the participation of the directors in the meetings of the Committees and the capacity of the directors within the Committee: "P": chairman; "M": member.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		39

The Board currently in office was elected on the basis of the sole list presented to the shareholders' meeting on 15 May 2012 by the majority shareholder.

Board of Statutory Auditors

At present, the Company's Board of Statutory Auditors is made up of:

Auditor	Year of birth	Position	Date of current appointment	Date of first appointment (*)	Code Independence	Participation in the meeting of the Board of Statutory Auditors	No. of other appointments in listed companies
Paolo Tamponi	24 July 1962	Chairman	15 May 2012	21 December 2009	yes	14/14	-
Piero Maccioni	7 April 1962	Statutory Auditor	15 May 2012	30 June 1999	yes	14/14	-
Andrea Zini	31 January 1963	Statutory Auditor	15 May 2012	17 April 2000	yes	14/14	-
Rita Casu	7 November 1963	Alternate Auditor	15 May 2012	30 November 1998	yes	-	-
Giuseppe Biondo	27 September 1965	Alternate Auditor	15 May 2012	30 November 1998	yes	-	-

(*) The office may not have been covered continually as from the date of first appointment

The Board of Statutory Auditors currently in office was elected on the basis of the sole list presented to the shareholders' meeting on 15 May 2012 by the majority shareholder.

Executive in charge of drawing up the Company's accounting documents

As envisaged by Article 14 of the Articles of Association and in pursuance of the provisions of Italian Law No. 262/2005, on 15 May 2012 the Board of Directors took steps to appoint the Director Pasquale Lionetti, Company executive, as executive in charge of drawing up the Company's accounting documents, an individual who possesses the necessary requisites and proven experience regarding accounting and financial matters. The office of Mr. Lionetti will expire with the renewal of the Board of Directors following approval of the 2014 annual financial statements.

Independent Auditing Firm

The accounts auditing appointment was granted to Reconta Ernst & Young S.p.A. by the shareholders' meeting held on 29 April 2008. This appointment will expire with the approval of the 2016 annual financial statements by the shareholders' meeting.

Committees

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		40

During the Board Meeting held on 15 May 2012, following the appointment of the new Board of Directors, the following internal Committees were established, which replace the previous Internal Audit Committee and Remuneration Committee:

- *Audit and Risk Committee*, comprising Franco Grimaldi (Chairman), Victor Uckmar and Luca Scano. Following the resignation of Prof. Uckmar in August 2012, he was replaced by the independent director Assunta Brizio.
- *Appointments and Remuneration Committee*, comprising Franco Grimaldi (Chairman), Victor Uckmar and Gabriele Racugno. Following the resignation of Prof. Uckmar in August 2012, he was replaced by the independent director Assunta Brizio.

Furthermore, in accordance with the Regulations containing provisions relating to related party transactions, adopted by CONSOB by means of resolution No. 17221 dated 12 March 2010 and subsequently amended by means of resolution No. 17389 dated 23 June 2010, the Company had endowed itself with regulations for related party transactions, in relation to which the Committee for Related Party Transactions operates.

Obviously, these Committees will expire together with the Board of Directors at the time of approval of the financial statements as of 31 December 2014.

Supervisory Body

During the board meeting held on 15 May 2012, the new Supervisory Body of the Company was appointed, comprising Maurizio Piras (lawyer), external member acting as Chairman, Carlo Mannoni, head of the Company's regulatory affairs division, and Paolo Sottili, head of the Company's HR division. The Supervisory Body will remain in office until approval of the financial statements as of 31 December 2014 and carries out supervisory functions also for the subsidiaries Tiscali Italia SpA and Veesible Srl.

Lead Independent Director

In line with the matters recommended by the Code of Conduct for listed companies, during the board meeting held on 15 May 2012, the Board of Directors appointed Franco Grimaldi Lead Independent Director; this office is envisaged by the Code of conduct for listed companies in which the same party covers the office of Chairman of the Board and Chief Executive Officer or the latter is the reference shareholder. The office will expire with the renewal of the Board of Directors following approval of the 2014 annual financial statements.

Director in charge of the internal audit and risk management system

In line with the matters recommended by the Code of Conduct for listed companies, during the board meeting held on 15 May 2012, the Director Luca Scano was appointed as the Director in charge of the internal audit and risk management system (hereinafter also the Appointed Director). The office will expire with the renewal of the Board of Directors following approval of the 2014 annual financial statements.

Shareholding structure

As at the date of this Report, the authorized, subscribed and paid-in share capital totalled EUR 92,052,029.67, represented by 1,861,535,343 ordinary shares lacking par value, freely transferrable

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		41

under the terms of the law without there being securities which grant specific rights of control. It is hereby specified that as of the date of this report, only the authorised share capital changed with regard to the number of shares as per the resolution of the Board of Directors dated 16 February 2015. The Board, further to the authority granted by the extraordinary shareholders' meeting held on 30 January 2015, increased the share capital with the possibility of issuing, also in several tranches, a maximum of 1,000,000,000 ordinary shares lacking par value. This share capital increase, to be carried out by 31 December 2017, is dedicated to Société Générale with exclusion of the purchase option. The execution of the increase will be preceded by the publication of a specific information prospectus.

The following table contains indication of the name or corporate name of the shareholders with the right to vote who hold an equity investment of more than 2% and who have informed the Company and CONSOB of their equity investment. No restrictions on the right to vote or the transfer of the securities are envisaged.

<i>Shareholder</i>	Shares held	Percentage of ordinary and voting share capital
Renato Soru	331,133,617	17.79%
<i>directly*</i>	278,928,283	14.98%
<i>via Andalus Ltd</i>	1,483,109	0.08%
<i>via Monteverdi S.r.l.</i>	17,609,873	0.95%
<i>via Cuccureddus S.r.l.</i>	33,112,352	1.78%

The remaining 82.21% of the share capital is held by the market. The Company is not aware of the existence of any shareholders' or other similar agreements.

No restrictions are envisaged in the Articles of Association on the voting right nor on the transfer of securities, such as for example limits to the possession of securities or acceptance clauses. Furthermore, special exercise mechanisms for the voting rights are not envisaged in the event of shareholdings of employees, who exercise their right in compliance with the provisions of the Articles of Association.

Warrants

The shareholders' meeting held on 30 June 2009 had resolved a share capital increase with the issue of 1,799,819,371 warrants which assigned the holders the right to subscribe ordinary shares of Tiscali S.p.A. at a ratio of 1 ordinary share for every 20 warrants held. The exercise period expired on 15 December 2014. The following table shows the number of 2009-2014 Tiscali Warrants exercised in total:

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		42

Warrants issued	Total Warrants exercised as at 15 December 2014	Total conversion shares issued	Number of Tiscali shares in circulation as at 15 December 2014	Share capital as at 15 December 2014 (EUR)
1,799,819,371	1,228,480	61,424	1,861,535,343	92,052,029.67

Share Based Incentive Plans

There are no share-based incentive plans.

Delegated increases pursuant to Article 2443 of the Italian Civil Code

See above in relation to the delegated increase resolved by the Board on 16 February 2015.

Shareholders' agreements

No shareholders' agreements exist as of the date of this report, as far as the Company is aware.

Amendments to significant company agreements following the change of control.

In the case of a change of control in the Company or some of the Group companies significant in accordance with the loan agreements with the Senior Lenders, the amendment of these loan agreements is envisaged. In particular the change of control involves the obligation to make prepayments with reference to the loan agreements referred to above as described in further detail in the table in the note "*Non-current financial liabilities*" in the financial statements as at 31 December 2014.

4.3 Disclosure on compliance with the recommendations contained in the Code of Conduct for Listed Companies

Board of Directors

Role

The Board of Directors has a prominent role to play in Company life, being the body responsible for running the Company, providing strategic and organizational guidelines and, as such, for identifying Company objectives and monitoring their achievement.

This body is invested with all ordinary and extraordinary powers of administration pursuant to Article 14 (Powers of the Management Body) in the Company's Articles of Association. The Board of Directors examines and approves strategic, industrial and financial plans for the Company and the Group to which it belongs, and reports to the Board of Statutory Auditors on a quarterly basis on activities carried out by the Company or its subsidiaries and operations which are of major significance from an economic, financial and balance sheet perspective. The powers and duties exercised by the Company's Board of Directors in its role as provider of strategic guidelines, supervisor and monitoring

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		43

body for Company Activities, as set out in the Company's Articles of Associations and implemented in corporate codes of practice, are largely consistent with what is laid down by Article 1 of the Code.

Composition

Article 10 (Management of the Company) of the Articles of Association envisages that the Board of Directors may comprise between three and eleven members, as decided by the Shareholders' Meeting; however, the balance between genders as per current legislation is ensured. As at the date of this Report, the Board of Directors comprised five members. The Board of Directors also includes an Audit and Risk Committee and an Appointments and Remuneration Committee and has identified a Lead Independent Director and the Appointed Director.

Chairman of the Board of Directors and Chief Executive Officer

In accordance with the Company's Articles of Association, the Chairman of the Board of Directors calls and conducts board meetings and coordinates its activities. For Board meetings, the Chairman ensures that Directors receive all necessary documentation, well in advance, to allow the Board to knowledgeably discuss the business under examination.

The Articles of Association also state that the Board of Directors, within legal limits, may appoint one or more Chief Executives, establishing the powers within the sphere due to them and within legal limits. The Board of Directors has granted executive powers to the Chief Executive Officer. Generally, CEO powers may be exercised up to a maximum value of EUR 25 million.

The Chairman and CEO report to the other Directors and to the Board of Statutory Auditors during Board meetings and on other occasions, held at least once a quarter, on operations of significant economic or financial value performed by the Company or its subsidiaries. They also provide the Board of Directors meetings with adequate and on-going information on atypical or unusual transactions for which approval does not rest with the Board, and on significant operations implemented within the scope of powers and duties conferred upon the CEO. Except in cases of necessity or emergency, such matters are normally also submitted for prior examination by the Board of Directors so that they may decide upon them in a knowledgeable and considered manner.

Given the limited composition of the Board of Directors and the particular operating needs of the Company, the circumstance that the offices of Chief Executive Officer and Chairman of the Board of Directors are both covered by Renato Soru is deemed functional for management purposes. The existence of the situation of accumulation of the role of Chairman and Chief Executive Officer is, in fact, dictated by the need to seize - given the reduced size of the Company - better organisational synergies functional for optimising the speed of the decision-making/strategic-operative process, obtaining, as the objective, the maximisation of the operating efficiency. The constant presence of the Directors and the Auditors during board meetings, the valence of the Audit and Risk Committee and its on-going activities and participation in company operations along with the incisiveness and efficacy of the control action carried out by the independent directors, suggest that the co-existence of the two offices covered by the same Renato Soru cannot cause any detriment for the Company's governance.

The Chairman of the Board of Directors, controlling shareholder of the Company, does not cover the role of director in other listed companies.

Non-executive, minority and independent directors

In compliance with the provisions of Italian Law no. 262/2005 and subsequent amendments, the Articles of Association envisage the presence of at least one independent director if the Board is made up of up to seven members, and at least two independent directors if the Board is made up of more than seven members. The Company in any event complies with the Code and, at present, there are

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		44

two independent directors with a Board of 5 members of which just Renato Soru, Chief Executive Officer and Chairman, is in possession of the executive powers delegated by the Board. Furthermore, the list voting mechanism envisaged by the Articles of Association for the election of the members of the Board ensures the appointment of at least one director taken from the list which has obtained the second greatest number of votes and which is not in any way associated with the shareholders who have presented or voted for said list.

As envisaged by the Code should the same individual covers the office of Chairman of the Board and Chief Executive Officer or the latter is the reference shareholder, during the meeting on 15 May 2012, the Board of Directors appointed Franco Grimaldi Lead Independent Director. The latter represents the point of encounter and co-ordination for the requests and contributions of the non-executive Directors and, in particular, the independent ones. The Lead Independent Director: (i) works together with the Chairman of the Board for the best functioning of the Board and for a complete and prompt information flow, (ii) may call, independently or upon the request of other directors, meetings of just the independent directors regarding aspects pertaining to the governance of the Company.

At the time of appointment and in any event once a year when this Report is prepared, the Board evaluates the Directors' independence on the basis of information provided by the Directors themselves, and provides the market with appropriate information in this respect by publishing said Report. In light of such analysis, the existence of the independence requisites is confirmed with regard to Assunta Brizio and Franco Grimaldi. In line with the recommendations of the Code, the independent directors met in the absence of the other directors on 19 March 2015, upon calling by the Lead Independent Director. On this occasion, the existence of the independence requisites was examined and the Corporate Governance system and the related-party transactions entered into during 2014 assessed; and the existence of any conflicts of interest in relation to the executive directors was also examined.

In relation to the management and audit appointments in other companies, the Board did not consider it necessary to define general criteria regarding the maximum number of offices compatible with efficient performance of the role of director in the Company, without prejudice to the duty of each Director to assess the compatibility of the offices of director and auditor, possibly covered in other companies listed on organised markets, in finance, banking and insurance companies or those of a significant size, with the diligent performance of the duties undertaken as Company Director. The offices covered by the current Board members in their capacity as directors of other listed companies, banks or financial and insurance companies or businesses of a significant size, are listed below. It is hereby disclosed that none of the Directors cover roles in boards of statutory auditors of other listed companies, banks, financial or insurance companies or businesses of a significant size.

Roles in boards of directors of other listed companies, banks or financial or insurance companies and businesses of a significant size

Renato Soru: Chairman and Chief Executive Officer of Tiscali Italia S.p.A.

Luca Scano: Director of Tiscali Italia S.p.A., Chairman of Vevisible Srl *

Gabriele Racugno: Director Sogaer S.p.A.

Franco Grimaldi: Director and Deputy Chairman Tiscali Italia S.p.A.

Assunta Brizio -

*Tiscali Group Companies

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		45

In the specific “governance” section of the website, the Company publishes the professional résumés of its Directors, so that the shareholders and investors can assess the professional experience and the authoritativeness of the Board members.

Board meetings

The Board of Directors meets regularly and in any event at the time of the approval of the quarterly reports, the half year report and the draft annual financial statements. It is consolidated practice that also outside executives and consultants are called to take part in the meetings of the Board of Directors depending on the specificities of the matters dealt with, thus also for the purpose of encouraging an accurate and in-depth awareness of the activities of the Company and the Group, as well as increasing the Board of Directors’ ability to supervise the business activities. As summarised in the table which follows, during 2014 the Board of Directors met eleven times, while during 2015 the Board of Directors had met twice as of the date of this report. All the Directors and the members of the Board of Statutory Auditors took part in the majority of the meetings, as illustrated by the breakdown shown below.

Meetings 2014	28 March	29 April	16 May	29/30 May	4/5/6 June	9 June	13 June	27 June	29 August	14 November	17 December
Directors present	5	5	4	5	5	5	4	4	5	5	5
Percentage	100%	100%	80%	100%	100%	100%	80%	80%	100%	100%	100%
Statutory Auditors present	3	3	3	3	3	3	3	3	3	3	3
Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Meetings 2015	16 February	19 March			
Directors present	5	5			
Percentage	100%	100%			
Statutory Auditors present	3	3			
Percentage	100%	100%			

The average duration of the Board meetings in 2014 was approximately 70 minutes. The Board of Directors and the Board of Statutory Auditors are sent draft copies of the documents to be approved

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		46	

beforehand, together with all the disclosure documentation instrumental to the various resolutions. The sending of the documentation is seen to by the Company Secretariat which takes steps to collate the documents from the appointed sectors and forward them with the utmost notice possible. Tendentially the documentation is sent in one go together with the calling of the board meeting; by way of exception, if they are not available, certain documents can be sent after the calling but always with suitable notice before the meeting. Mention is made of the practice, consolidated in the event of particularly voluminous or complex documentation, of supporting the Directors with executive summaries specifically drawn up by the competent company divisions, which summarise the most significant and relevant points of the documents examined by the Board.

On 17 December 2014, the Board of Directors approved the calendar of its meeting for 2015:

- 19 March 2015 (Approval of the draft annual financial statements at 31 December 2014),
- 29 April 2015 (Annual shareholders' meeting),
- 14 May 2015 (Approval of the Quarterly Report at 31 March 2015),
- 28 August 2015 (Approval of the Half-year Report at 30 June 2015),
- 13 November 2015 (Approval of the Quarterly Report at 30 September 2015).

Appointment of Directors

Article 11 (Board of Directors) of the Articles of Association specifies a voting list for the appointment of Directors, guaranteeing the appointment of a certain number of Directors from those listed who have not obtained the majority of votes, and ensuring transparency and correctness of the appointment procedure. Shareholders are entitled to present lists if, alone or together with other shareholders, they represent at least the percentage of the share capital envisaged by applicable legislation; in particular, on 28 January 2015, by means of resolution No. 19109 Consob established that the holding necessary for the presentation of a list for 2015 was 4.5% of the share capital. The afore-mentioned mechanism ensures, therefore, that even minority Shareholders have the power to submit their own lists. Everyone with a voting right may vote for one list only. The Company took steps to adapt the appointment mechanisms in line with Italian Law No. 120/2011 regarding gender balance with regard to access to the management and audit bodies of companies listed on organised markets; therefore, each list must present a number of candidates belonging to the gender represented the least equal to the minimum number required by current legislation.

The appointment of the Directors takes place as follows (a) five sevenths of Directors are appointed from the list receiving the majority of votes expressed by Shareholders; (b) the remaining Directors are appointed from the other lists. For this purpose, the votes obtained by the lists are progressively divided by one, two, three, four, five, etc., according to the number of Directors to be elected. The quotients obtained thus are then progressively assigned to candidates on each list, in accordance with their respective order. The quotients assigned thus to candidates on the various lists are compiled into a single list in descending order. Those elected are the candidates with the highest quotients, in any event after appointment of the candidate first on the list receiving the second highest number of votes, and who is in no way connected with that first list, and after the appointment of one or two independent directors, depending on whether the Board comprises more or less than seven members, in accordance with Italian Law No. 262/2005, as amended by Italian Legislative Decree No. 303/2006.

In any event, if the Board of Directors elected as above does not permit the observance of the balance between genders envisaged by the afore-mentioned legislation, the last members elected from the majority list of the gender represented the most fall from office and are replaced by the first candidates not elected on the same list of the gender represented the least. In the absence of candidates of the gender represented the least on the majority list in a number sufficient to go ahead with replacement, the afore-mentioned criteria will apply to the minority lists progressively voted for the most from which the elected candidates have been taken. On a residual basis, the shareholders' meeting takes steps to

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		47

supplement the Board of Directors so as to ensure the satisfaction of the requirements of balance between genders envisaged by current legislation.

Pursuant to the aforementioned Article 11 (Board of Directors), the lists containing the proposals for appointment to the office of Director must be filed at the Company's registered office at least twenty-five days prior to the date envisaged for the Shareholders' Meeting, together with the professional CVs of individuals appearing on the lists and a declaration from each accepting their candidature and declaring the inexistence of reasons for ineligibility or incompatibility and that the honourable and professional qualifications required under applicable law and by the Articles of Association exist, as essentially in line with the principles and application criteria contained in Article 5 of the Code. The lists and the accompanying documentation must be made public in accordance with the legal formalities at least twenty-one days before the date envisaged for the Meeting. In the event of resolution to appoint individual members of the Board of Directors, the voting list appointment mechanism is not applicable, Article 11 (Board of Directors) of the Articles of Association specifying its use only in the event of integral renewal of the Board.

Even if on the basis of the provisions of the aforementioned Article 11 (Board of Directors) and the above considerations, the Directors' appointment mechanism ensures an impartial and fair system with respect to minority shareholders, the Board in any event deemed it appropriate that the Remuneration Committee adopt the functions also in relation to appointments, thereby becoming the Appointments and Remuneration Committee. The report on operations attached to the financial statements at 31 December 2013 contains an overview of the Board Members' remuneration system (see the note *"Remuneration of Directors, Statutory Auditors and managers with strategic responsibilities"* in the 2013 financial statements); for greater disclosure, also with reference to the information required by Article 123 *bis*, section 1, letter i and by the Code of Conduct, reference should be made to the Remuneration Report which will be submitted to the shareholders' meeting called to approve the financial statements as of 31 December 2014.

To-date, the Board has ascertained not to adopt a plan for the succession of the executive directors.

Shareholders' meetings

Consistent with the principles and application criteria contained in Article 9 of the Code, the Company encourages and facilitates the participation of shareholders in meetings, providing any Company-related information requested by the shareholders in accordance with regulations governing price-sensitive communications. To facilitate the receipt of information and attendance at meetings by its shareholders, and to facilitate access to documentation which, pursuant to and in accordance with law must be made available to them at the registered offices when meetings are due to be held, the Company has made said information available in a special "investor relations" section of its website at www.tiscali.com, allowing said information to be downloaded in electronic format.

As suggested in application criteria 3 of Article 9 of the Code, the Shareholders' Meeting adopted its own AGM Regulations, last version dated 29 April 2011, also available on the Company website. The AGM Regulations were adopted with the aim of ensuring an orderly and functional performance of the shareholders' meetings, precisely defining rights and duties of all the participants and establishing clear and unambiguous rules without wishing in any way to limit or prejudice the right of each shareholder to express their opinions and formulate requests for clarification on the business placed on the agenda. The Board of Directors believes that minority Shareholders' prerogatives have been respected when adopting resolutions, in so far as the current Articles of Association do not provide for majorities other than those laid down by law.

Pursuant to Article 2370 of the Italian Civil Code and Article 8 (Participation in shareholders' meetings) of the Articles of Association, shareholders can take part in meetings if they have provided

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		48

the Company with the communication sent by the authorised broker as per current provisions, proving ownership of the shares as of the so-called record dates, as well as any voting proxy.

Board of Statutory Auditors

Appointment and composition

Consistent with Article 8 of the Code, in relation to the appointment of Statutory Auditors, Article 18 (Board of Statutory Auditors) of the Articles of Association envisages a voting list system which guarantees the transparency and correctness of the appointment procedure and protects minority shareholders' rights.

Shareholders are only entitled to present lists if, alone or together with other shareholders, they can prove that they hold at least the percentage of the share capital envisaged by applicable legislation. Five candidates must be indicated on each list, by means of a consecutive number, in order of professional seniority of the candidates. In particular, on 28 January 2015, by means of resolution No. 19109 Consob established that the holding necessary for the presentation of a list for 2015 was 4.5% of the share capital. Each Shareholder may submit, or jointly submit, one list only and each candidate may be listed in one list only or be disqualified. The list of nominations must be filed at the Company's registered office at least twenty-five days prior to the date of the next Shareholders' Meeting, together with the professional CVs of individuals appearing on the lists and a declaration from each accepting the candidature and declaring the inexistence of reasons for ineligibility or incompatibility and that the honourable and professional qualifications required under applicable law and by the Articles of Association are met. The lists and the accompanying documentation must be made public in accordance with the legal formalities at least twenty-one days before the date envisaged for the Meeting.

Each shareholder may vote for just one list. The Auditors are elected as follows: a) two Statutory Auditors and two Deputy Auditors are elected, in the order in which they appear on the list receiving the most votes; b) the third Statutory Auditor is the first candidate on the list receiving the second highest number of votes. In accordance with Italian Law No. 262/2005, as amended by Italian Legislative Decree No. 303/2006, the person appearing first on the list receiving the second highest number of votes is appointed Chairman of the Board of Statutory Auditors. Also with regard to the Board of Statutory Auditors, the Company took steps to supplement the appointment mechanism so as to ensure, in any event, the observance of Italian Law No. 120/2011 on so-called gender balance.

Requisites

Article 18 (Board of Statutory Auditors) of the Articles of Association envisages that at least one of the Statutory Auditors and at least one Alternate auditor, must be chosen from those listed on the official register of auditors with at least three years' experience in the auditing of accounts. Auditors failing to meet the aforementioned condition must have a total of at least three consecutive years' experience in specific company purpose-related duties and, in any event, in the telecommunications sector. The aforementioned article also states that Auditors who are already Statutory Auditors for more than five listed companies may not be appointed.

In the specific "investor relations" section of the website at www.tiscali.com, the Company publishes the professional résumés of its Statutory Auditors, so that the shareholders and investors can assess the professional experience and the authoritative nature of the members of the Board of Statutory Auditors.

Activities

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		49

The members of the Board of Statutory Auditors operate independently, in constant liaison with the Audit and Risk Committee, regularly attending its meetings, and with the Internal Audit Department, in accordance with the principles and application criteria indicated in Article 8 of the Code.

During the year under review, the Board of Statutory Auditors met 14 times, with the presence of all the Auditors, and with an average duration of the meetings of around one hour and forty-five minutes. It is envisaged that at least 8 meetings will be held in 2015, of which 4 have already taken place. During 2014, the Board of Statutory Auditors also took part in 11 Board Meetings, one shareholders' meeting and 5 meetings of the Audit and Risk Committee.

Board of Directors internal committees and other governance bodies

As recommended by the principles as per Article 4 of the Code, the newly appointed Board of Directors, during the meeting on 15 May 2012, established an internal Audit and Risk Committee and the Appointments and Remuneration Committee; it also took steps to appoint the Lead Independent Director, the Director Appointed with the Internal Audit System, the Executive appointed to draw up the Company accounting Documents, the Internal Audit Coordinator and the Supervisory Body.

Audit and Risk Committee (reference)

With regard to the Audit and Risk Committee, reference should be made to the following section Internal Auditing.

Appointments and Remuneration Committee

Since March 2001 the Company's Board of Directors has set up its own Remuneration Committee, as recommended by the third principle of Article 6 of the Code and relevant application criteria. During the meeting held on 15 May 2012, the newly appointed Board of Directors established an internal Remuneration Committee, also assigning the same proposal-making and advisory functions regarding appointments. Therefore, the two independent Directors Franco Grimaldi and Victor Uckmar, as well as the Director Gabriele Racugno, who does not cover any executive position within the Company or the Group, were therefore appointed as members of the Appointments and Remuneration Committee. The Director Franco Grimaldi was appointed Chairman of the Committee. Following the resignation of Victor Uckmar, in August 2012, the independent director Assunta Brizio joined the Committee.

The Committee makes proposals to the Board of Directors for the remuneration of the Chief Executive Officer and the other Directors who cover specific offices, and in general makes general recommendations regarding the remuneration of the executives with strategic responsibility for the Group, aids the Board of Directors in the preparation and implementation of any remuneration plans based on shares or financial instruments, and assesses the adequacy and application of the Remuneration Policy. Furthermore, the Committee makes proposals with regard to the appointment of directors, in the event of co-opting, for the Company's senior management and other corporate figures. As part of its functions, the Committee may avail itself of outside consultants, at the Company's expense. The Committee meets when it considers it necessary, upon the request of one or more members. The provisions of the Articles of Association, in as far as they are compatible, apply for the calling of said committee and the business of its meetings.

During 2014 and as of the date of this report, the Appointments and Remuneration Committee had met twice: 28 March 2014 and 19 March 2015. The Appointments and Remuneration Committee examined and approved the annual reports on remuneration, subsequently approved by the Board of Directors and submitted to the shareholders' meeting, and the supplementary agreement to the

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		50

management contract with the Managing Director and the agreement which disciplines certain cases of termination of the business relationship with the General Manager Luca Scano were discussed and approved, submitting them therefore to the Board of Directors, as more fully described in the 2014 Report on Remuneration. All the members and the representatives of the Board of Statutory Auditors took part in the Committee meetings. The meetings had an average duration of 25 minutes. 2 meetings have been scheduled for 2015, of which 1 already held.

Committee for Related Party Transactions

The Committee for Related Party Transactions has the task of carrying out the functions envisaged by CONSOB legislation and the Regulations for Related Party Transactions, adopted by the Company on 12 November 2010 and which came into force on 1 January 2011 (hereinafter the "OPC Regulations"). The OPC Regulations define the rules, formalities and the principles aimed at ensuring transparency and essential and procedural correctness of the transactions entered into with related parties initiated by Tiscali. The Committee is made up of three non-executive directors with an independent majority, currently Franco Grimaldi, Assunta Brizio and Gabriele Racugno, and performs the following functions: (i) expresses a justified non-binding opinion in the Company's interests on the accomplishment of transactions of minor importance (as defined in the OPC Regulations) as well as on the appropriateness and essential correctness of the related conditions; (ii) in the event of transactions of greater importance (as defined in the OPC Regulations), it is also involved in the negotiations and preliminary phase and then expresses a justified and binding opinion, subject to particular approval procedures, on the interest of the Company in carrying out the transaction in questions, as well as the appropriateness and essential correctness of the related conditions.

Internal auditing

Back in October 2001, the Company formalized the internal audit organizational set-up. Following the amendments to the Code of Conduct for listed companies and the suggestions of Borsa Italiana S.p.A., on 25 March 2004 the Board of Directors took steps to up-date the organizational set-up of the Company's internal audit system; the structure was subsequently up-dated also to take into account the changes to the Code of Conduct. The current internal audit set-up is in line with the matters envisaged by the principles and applicative criteria contained in Article 7 of the Code.

Internal audit system

The internal audit system is the set of processes dedicated to monitoring efficiency of Company operations, the reliability of its financial data, the observance of laws and regulations, and the safeguarding of Company assets.

The internal audit system is the senior responsibility of the Board of Directors, which sets guidelines for the system and periodically verifies its adequacy and correct functioning, ensuring that the main business risks are identified and appropriately managed. In addition to discussion and a continual exchange between the various corporate bodies involved, every six months the Audit and Risk Committee draws up - at the time of approval of the draft annual financial statements and the interim report - a specific report on the governance system of the Company and the Group and on the activities carried out during the period; the disclosures issued by the Supervisory Body and by the Head of Internal Auditing are attached to the Committee's report. The Board of Directors examines the afore-mentioned disclosures and assesses the governance system together with the Internal Audit plans. With reference to 2014, during the meetings held on 13 June 2014 and 29 August 2014, respectively, at the time of approval of the draft financial statements as of 31 December 2013 and the interim report as of 30 June 2014, the Board deemed the internal audit system to be adequate for the Company's needs, as well as in line with current legislation and the Code's recommendations.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		51

The Audit and Risk Committee covers a fundamental role in the internal audit system; with regard to its duties and functioning, please refer to the following paragraph. The other bodies forming part of the internal audit system included the Appointed Director, the Internal Audit Co-ordinator and the Internal Audit division.

The Appointed Director operatively implements the indications of the Board of Directors concerning internal auditing proceeding, also, with the effective identification and handling of the main corporate risks submitting them for the assessment of the Board of Directors. He proposes the appointment of the Internal Audit Co-ordinator and the Head of the Internal Audit division to the Board of Directors, availing of the support of the same for the performance of his functions.

The Internal Audit Coordinator is equipped with means suitable for carrying out his functions and has no line manager; he reports directly to the CEO and the Board of Directors, as well as the Audit and Risk Committee and the Board of Statutory Auditors at least once every three months. The Internal Audit Coordinator has operational responsibility for coordinating activities within the Internal Audit department, since he has no direct line manager and is in possession of the professional skills necessary to perform his duties as recommended by the Code. For the purpose of further strengthening the independence requisite, the Internal Audit Coordinator, and, therefore, the Internal Audit division, reports to the Chairman of the Audit and Risk Committee while, from an administrative standpoint, reporting is made to the CEO whose powers include providing said coordinator and division with suitable means. The Audit and Risk Committee, when examining the work plan drawn up by the Internal Audit Coordinator, also assesses the suitability of the means and resources granted to the Internal Audit Coordinator and the Internal Audit division. Upon the proposal of the Appointed Director and subject to the opinion of the Audit and Risk Committee, the Appointments and Remuneration Committee and the Board of Statutory Auditors, the Board of Directors on 15 May 2012 appointed Carlo Mannoni, Group executive responsible for Regulatory Affairs and member of the Supervisory Body, as Internal Audit Coordinator and head of the Internal Audit division.

During the period covered by the previous Report, the main activities carried out with regard to the internal audit by the Coordinator, the Committee and the Internal Audit department, were as follows:

- appraisal of the Group's governance and the activities carried out by the various audit bodies;
- drafting of the interim reports on behalf of the Board of Directors with regard to governance activities;
- assessment of the activities of the Supervisory Body and the up-dating, disclosure and application of the Group's "Organisation, management and control model" pursuant to Italian Decree Law No. 231/2001;
- drawing up of the 2014 audit plan, in particular with the checking of the procedures overseeing the contract system and activation of the customers, the purchases of goods and services for the Company's requirements and the collection and recovery of amounts due from customers;
- drafting of the 2015 audit plan;

checking the adequacy of the administrative and accounting procedures for the formation of the half-year report and 2014 financial statements for the purpose of assessing the related efficacy. These activities are also aimed at the issue of the certificate as per Article 154 *bis* of the Consolidated Finance Law (TUF).

Audit and Risk Committee

In accordance with the recommendations of the Code, the Board of Directors has set up an Audit and Risk Committee to provide advice and recommendations, comprising three Directors without powers granted by the Board, of which two independent. The Audit and Risk Committee advises and

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		52

recommends, with the objective of improving the effectiveness and strategic guidance capacity of the Board of Directors with regard to the Internal Audit system. In particular:

- a) helping the Board of Directors to set guidelines for the internal audit system and periodically verify its adequacy and correct functioning, ensuring that the main business risks are identified and appropriately handled;
- b) assessing the work plan prepared by the Internal Audit Coordinator and receiving the Coordinator's periodic reports;
- c) together with the Company's administration managers and independent auditing firm, verifying adequacy of the accounting standards used and their uniformity for the purpose of drafting the consolidated financial statements;
- d) assessing proposals submitted by auditing firms for the role of independent auditor, and the proposed work plan for the independent audit and the results expressed in the report and letter of recommendations, along with the day-to-day contact with the independent auditing firm;
- e) assessing proposals of an advisory nature formulated by the independent auditing firm - or its affiliated companies - in favour of Group companies;
- f) assessing proposals of an advisory nature in favour of Group companies that are for significant amounts;
- g) reporting to the Board of Directors on tasks performed and on the adequacy of the internal audit system, at least once every six months on approval of the annual and half-year reports;
- h) performing additional tasks as assigned by the Board of Directors.

The entire Board of Statutory Auditors, its Chairman or a Statutory Auditor designated by the Chairman, take part in the Committee's work. Two of the members of the Committee are qualified as independent. Should it not be possible to guarantee that the composition of the Audit and Risk Committee has a majority of non-executive and independent Directors, the Committee will have just two members, including at least one who is independent. This solution is preferable to having a majority of non-independent Directors, albeit temporary. If for a certain period the Audit and Risk Committee is composed of two members only, the entire Board of Statutory Auditors is always invited to attend committee meetings. In addition, if for a certain period the Committee membership is reduced to two members only, and the number of votes is equal, then the independent Director has the casting vote. In light of the matters dealt with as and when, the Chairman of the Audit and Risk Committee may invite the CEO and other parties, e.g. the independent auditing firm, the General Manager, the CFO and the Executive in charge of drawing up the accounting and financial documents, etc. to Committee meetings.

Meetings of the Audit and Risk Committee are normally held prior to Board of Directors' meetings scheduled for approval of the quarterly, half-year and draft annual reports, and in any event at least once every six months. The Chairman of the Audit and Risk Committee ensures that the committee members receive the necessary documentation and information well in advance of the meeting, unless necessity and urgency prevail. The work of the meetings is in any event summarised in written minutes.

During the Board Meeting held on 15 May 2012, the newly appointed Board re-established the Audit and Risk Committee internally, comprising the two independent Directors Franco Grimaldi and Victor Uckmar, as well as the Director Luca Scano, who has proven experience with regard to accounting and finance as required by the Code. The Director Franco Grimaldi was appointed Chairman of the Committee. As from August 2012, the independent director Assunta Brizio took over from the outgoing director Victor Uckmar.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		53	

During 2014 and as of the date of this report, the Audit and Risk Committee met six times on the following dates: 28 March, 13 June, 27 June, 29 August and 14 November; in 2015, 19 March. All the members took part in all the Committee meetings, along with the entire Board of Statutory Auditors. In accordance with the business on the agenda, the following took part in the meetings: the Head of Internal auditing, the Supervisory Body and the Executive in charge of drawing up the Company's accounting documents and the representatives of the independent auditing firm or directors and advisors of the Company. All the meetings were duly called and minutes were taken and had an average duration of around 50 minutes.

4.4 Internal checking relating to accounting and financial information

Introduction

The Internal Audit System on company information must be understood as a process which, as it involves several company functions, provides reasonable assurances about the reliability of the financial information, the fairness of the accounting documents and compliance with the applicable regulations. The weighty correlation with the risk management process is evident, consisting in the process for identifying and analysing those factors that might prejudice the attainment of corporate goals; the main purpose is to determine how those risks can be handled and adequately monitored and made innocuous as far as possible. An ideal and effective risk management system can in fact mitigate any negative impact on company goals, amongst which the reliability, accuracy, fairness and timeliness of the accounting and financial information.

Description of the main features of the risk management and internal control systems in existence with regard to the financial information process

A) Stages of the risk management and internal control system in existence with regard to the financial information process.

Identifying risks on financial information

The work of identifying risks is carried out first and foremost by the selection of relevant entities (companies) at Group level and, subsequently, by the analysis of risks that reside in the corporate processes from which the financial information originates.

This work includes: i) defining the quantitative criteria with regard to the income and asset contributions provided by individual companies in the last accounting statement and the rules for selection with internal relevance thresholds. Considering qualitative elements is not excluded: ii) identifying significant processes, associated with material data and information, that is accounting items in relation to which a possibility exists that is not remote for the containment of errors with a potential significant impact on financial information.

For each significant account, the identification of the most relevant 'statements' is made, in constant compliance with assessments based on risk analysis. The account statements are represented by the existence, completeness, needfulness, valuation, rights and obligations and presentation and information. Risks thus refer to the possibility that one or more account statements may not be correctly represented, with a consequential impact on the information itself.

Assessment of risks on financial information

The assessment of risks is carried out both on an overall company basis and at the level of specific processes. The first sphere includes the risks of fraud, of incorrect functioning of the computer systems or other unintentional errors. At a process level, the risks connected with financial information

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		54

(underestimation, overestimation of items, inaccuracy of information, etc.) must be analysed at the level of the activities that make up the processes.

Identifying checks in relation to identified risks

First of all attention is paid to the checks at corporate level, which can be connected to information/data and to the related statements, which must be identified and assessed both through the monitoring of the repercussion at the process and at a general level. Checks at corporate level are aimed at preventing, identifying and offsetting any significant errors, even if not operating at a process level.

Assessment of checks in relation to identified risks

The assessment of the checking system used is carried out in accordance with various elements: timeliness and frequency; sufficiency; operational compliance; and organisation assessment. The overall analysis of checks for each risk is autonomously defined as a summary of the assessment process at the level of adequacy and compliance that corresponds to those checks. The analyses sum up considerations about the effectiveness and efficiency of the checks on each individual risk and the overall assessment of the management of risks is broken down into assessments of existence, appropriateness and compliance. The information flows with the results of the activity are supplied to the management bodies by the Executive in charge of drawing up the Company's accounting documents.

B) Roles and functions involved

The Executive in charge is in essence at the top of a system that supervises the formation of the financial information and takes steps to inform the senior management in this connection. With the purpose of pursuing his/her assignment, the Executive in charge has the option of specifying the organisational lines for an appropriate structure in the context of his/her own duties; he/she has the resources and tools to carry out the work; and has the option of working with other organisation units.

A multiplicity of corporate functions contributes to providing information of an economic-financial nature. Thus, the Executive in charge sets up a systematic and fertile relationship with said functions. The Executive in charge is required to inform the Board of Statutory Auditors in good time if any critical items of an accounting, asset or financial nature were to emerge.

The Consolidated Accounts Division serves as an intermediate level and as a link between the Executive in charge and the Administrative Reporters within the Tiscali Group, arranging to gather, check, assemble, and monitor the information received from the latter. The Consolidated Accounts Function cooperates with the Executive in charge with regard to the documentation of the accounting processes and their related updating over time. The Administrative Reporters of the Group gather the operating information, check it and guarantee the appropriate information flows with regard to compliance with the outside regulations involved from time to time.

A constant flow of information is expected between the three levels described above, by means of which the Reporters inform the Consolidated Accounts Division, and the Executive in Charge, in accordance with the formalities under which the work of management is carried out and the process of preparing accounting and financial documents is checked for any critical items emerging during the period and for the remedial action to overcome any problems.

It is believed that the model used will enable sufficient guarantees to be provided for correct accounting and financial information.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		55

4.5 Organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001

The Company has for some time adopted the “Organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001” (hereinafter the Model); during 2010, the up-dating process was concluded, mainly aimed at adapting the Model to the new legislative measures and the new Company and Tiscali Group set-up. The new Model and Code of Ethics were approved by the Board of Directors on 12 November 2010. Subsequently, during the meeting held on 14 May 2013, the Board approved the new Model up-dated with regard to the normative measures mainly regarding offences against Public Administration Authorities, individual status, safety in the workplace and the environment. The Model applies also to the other operating subsidiaries of the Group, Tiscali Italia SpA and Veesible Srl, in accordance with their specificity and risk profile.

The Board meeting held on 15 May 2012 appointed the new Supervisory Body which replaces that which had previously expired at the time of approval of the 2011 financial statements. Current members of the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001 include Maurizio Piras, an external member who acts as the Chairman, Carlo Mannoni, head of the Company’s Regulatory Affairs and Internal Audit Coordinator and Paolo Sottili, head of the Company’s HR division. The Body thus made up expires with the approval of the 2014 financial statements and until that date also operates on behalf of the subsidiaries Tiscali Italia S.p.A. and Veesible Srl.

4.6 Regulations for transactions with related parties

On 12 November 2010, further to the affirmative opinion of the independent directors, the Company’s Board of Directors approved the new Regulations for Transactions with Related Parties (the Regulations) as per Article 2391 *bis* of the Italian Civil Code and Consob Regulation No. 17221 dated 12 March 2010, available on the Company website www.tiscali.com in the section “Documents/Disclosure Documents”. The regulations which discipline Transactions with related parties carried out by Tiscali S.p.A. and its subsidiary or associated companies, came into force as from 1° January 2011. In 2014, the Group entered into two transactions with related parties of which one falling under those considered significant as per the Regulations. This transaction was approved by the Board of Directors on 19 March 2015 having been approved by the Committee for Minor Transactions made up of Franco Grimaldi, acting as Chairman, Gabriele Racugno and Assunta Brizio.

4.7 Handling of confidential information and market communications. Investor Relations

The Company has an Investor Relations Office responsible for communications with shareholders and institutional investors. The Investor relations office arranges, amongst other things, the wording of press releases and in accordance with the type of communiqué, it carries out the internal approval procedure jointly with the Legal and Company Affairs department. Furthermore, it concerns itself with publication, also by means of a network of qualified outside companies that carry out such work professionally.

Disclosure is ensured not only by means of press releases, but also via periodic encounters with institutional investors and the financial community, as well as by extensive documentation made available on the company website at www.tiscali.com in the “investor relations” section. Recourse to on-line communication, which is mainly used by the non-institutional public, is considered strategic by the Company, since it makes standardized disclosure of the information possible. Tiscali undertakes to systematically see to the accuracy, completeness, continuity and up-dating of the financial matters disclosed via the Company website. It is also possible to contact the Company using a special e-mail address (ir@tiscali.com).

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		56

The Directors, Statutory Auditors and top management of Tiscali and its subsidiaries are obliged to observe the confidentiality of the documents and information acquired during their activities. Any dealings between these parties and the press or other means of mass media, as well as with financial analysts or institutional investors, which involve confidential documents or information concerning Tiscali or the Group, may take place solely via the head of investor relations, unless they involve interviews or declarations made by the executive directors.

The company managers and, in any event, all the employees and collaborators are obliged to keep price sensitive information and documents acquired because of and during their activities confidential and not to communicate such information to others except for official or professional reasons, unless these documents or information have already been made public in the prescribed forms. The above parties are prohibited from giving interviews to press bodies, or making public declarations in general, which contain information on significant events, qualifiable as "privileged" as per Article 181 of Italian Legislative Decree No. 58/1998, unless such information has been included in press releases or documents already disclosed to the public, or expressly authorized by the Investor Relations office. In compliance with the matters indicated by Article 114.2 of Italian Legislative Decree No. 58/1998, the Company has established the procedures for the communication by the various company divisions of events deemed price sensitive to the Investor Relations office. In enactment of Article 115 *bis* of Italian Legislative Decree No. 58/1998 on keeping a register of persons with access to privileged information, the Company established a register of persons (held by the Investor Relations Office) who, based on their business or profession or in relation to duties performed, have access to such information. In accordance with the aforementioned legislation, the IT-managed register contains: the identity of each person with access to privileged information, the reason that person was entered on the register, the date of registration, and the date of any updates to information relating to that person.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		57	

Tiscali S.p.A. Consolidated financial statements at 31 December 2014

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		58	

5 Consolidated financial statements and explanatory notes

5.1 Income statement

	Notes	2014	2013
<i>(EUR 000)</i>			
Revenues	1	212,800	223,371
Other income	2	2,116	2,125
Purchase of materials and outsourced services	3	132,501	128,494
Payroll and related costs	4	35,059	34,627
Other operating (income) charges	5	(1,772)	(4,708)
Write-downs of receivables from customers	6	10,285	14,636
Restructuring costs and other write-downs	7	2,679	3,366
Amortisation/depreciation	13-14	36,439	39,797
Operating result		(274)	9,283
Net financial income (charges)	8	(15,723)	(13,226)
Pre-tax result		(15,997)	(3,943)
Income taxes	9	(437)	(839)
Net result from operating activities (on-going)		(16,434)	(4,782)
Result from assets disposed of and/or destined for disposal	10	-	-
Net result for the period	11	(16,434)	(4,782)
Attributable to:			
- Result pertaining to the parent company		(16,434)	(4,782)
- Minority interests		-	-
Earnings (Losses) per share			
Earnings per share from operating activities and those disposed of:			
- Basic		(0.01)	(0.00)
- Diluted		(0.01)	(0.00)
Earnings per share from operating activities:			
- Basic		(0.01)	(0.00)
- Diluted		(0.01)	(0.00)

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		59

5.2 Statement of comprehensive income

(EUR 000)	Notes	2014	2013
Result for the period		(16,434)	(4,782)
Other components of comprehensive income:			
Other components of comprehensive income which will be subsequently reclassified under profit/loss for the period		-	-
Other components of comprehensive income which will not be subsequently reclassified under profit/(loss) for the period		(517)	102
(Loss)/profit from revaluation on defined benefit plans		(517)	102
Total other components of comprehensive income:		(517)	102
Total statement of comprehensive income result		(16,951)	(4,680)
Attributable to:			
Shareholders of the parent company		(16,951)	(4,680)
Minority shareholders		-	-
		(16,951)	(4,680)

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		60

5.3 Statement of financial position

<i>(EUR 000)</i>	Notes	31 December 2014	31 December 2013
<i>Non-current assets</i>			
Intangible assets	13	59,990	67,792
Property, plant and machinery	14	77,107	84,934
Other financial assets	15	10,775	10,713
		147,871	163,440
<i>Current assets</i>			
Inventories	17	1,129	744
Receivables from customers	18	43,457	45,213
Other receivables and other current assets	19	10,518	10,128
Other current financial assets	20	162	97
Cash and cash equivalents	21	4,801	3,112
		60,066	59,293
Assets held for sale		-	-
Total Assets		207,938	222,733
<i>Share Capital and reserves</i>			
Share Capital		92,052	92,023
Results from previous periods and Other reserves		(244,437)	(239,136)
Result pertaining to the Group		(16,434)	(4,782)
Group shareholders' equity	22	(168,818)	(151,896)
Minority interests		-	-
Shareholders' equity pertaining to minority shareholders	23	-	-
Total Shareholders' equity		(168,818)	(151,896)
<i>Non-current liabilities</i>			
Payables to banks and to other lenders	24	80,535	-
Payables for financial leases	24	47,975	53,742
Other non-current liabilities	25	1,323	3,346
Liabilities for pension obligations and staff severance indemnities	26	5,550	5,146
Provisions for risks and charges	27	1,600	1,863
		136,982	64,097

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		61

<i>Current liabilities</i>			
Payables to banks and other lenders	28	65,351	143,730
Payables for financial leases	28	10,464	4,208
Payables to suppliers	29	91,348	94,001
Other current liabilities	30	72,611	68,592
		239,774	310,531
Liabilities directly related to assets held for sale		-	-
Total Liabilities and Shareholders' equity		207,938	222,733

5.4 Cash flow statement

	Notes	31 December 2014	31 December 2013
(EUR 000)			
OPERATIONS			
Result from operating activities		(16,434)	(4,782)
<i>Adjustments for:</i>			
Depreciation of tangible assets	13-14	11,624	13,541
Amortisation of intangible assets	13-14	24,815	26,256
Allowance for bad debt provision	6	10,285	14,636
Capital gain on disposal of non-current assets	2	(2,108)	(2,108)
Income taxes	9	437	839
Release of provisions for risks	7	(645)	(155)
Other changes	5-7-26	501	(7,548)
Financial income/charges	8	15,723	13,226
Cash flow from operations before changes in working capital		44,197	53,905
Change in receivables	18	(8,513)	(2,415)
Change in inventory	17	(386)	(435)
Change in payables to suppliers	29	(1,593)	(21,516)
Change in long-term payables to suppliers	25	(2,610)	(1,787)
Net change in provisions for risks and charges	27	0	(1,953)
Net change in provision for staff severance indemnities	26	(258)	(230)
Changes in other liabilities	30	3,676	5,108
Changes in other assets	19	(390)	853
Changes in working capital		(10,072)	(22,375)
CASH AND CASH EQUIVALENTS DERIVING FROM OPERATIONS		34,125	31,530

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		62

INVESTMENT ACTIVITIES			
Change in other financial assets	15	(126)	(612)
Purchases of tangible fixed assets	13-14	(4,115)	(3,702)
Purchases of intangible fixed assets	13-14	(16,695)	(21,199)
Payments for the sale of assets		(0)	0
NET CASH AND CASH EQUIVALENTS USED FOR THE INVESTMENT ACTIVITIES		(20,936)	(25,514)
FINANCIAL ACTIVITIES			
Change in loans from banks	24-28	(10,712)	(6,417)
of which:			
<i>Repayment of capital and interest on Senior loans</i>		(8,049)	(8,972)
<i>Increase/Decrease in current account overdrafts</i>		(2,663)	2,554
Repayment/Acceptance of finance leases	24-28	(800)	(924)
Exchange differences	22	(16)	28
UCI reserve	22	0	0
Changes in shareholders' equity	22	28	4
NET CASH AND CASH EQUIVALENTS GENERATED BY/(USED IN) FINANCIAL ACTIVITIES		(11,500)	(7,310)
Effect of changes in foreign currency exchange rates		-	-
Cash flow generated /Absorbed by assets sold/held for sale		-	-
NET CASH AND CASH EQUIVALENTS GENERATED BY/(USED IN) FINANCIAL ACTIVITIES including cash flow generated/absorbed by assets sold/held for sale		(11,500)	(7,310)
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS		1,689	(1,293)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		3,112	4,406
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		4,801	3,112

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		63

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		64	

5.5 Statement of changes in shareholders' equity

	Share Capital	Share premium reserve	Stock option reserve	Reserves for employee benefits	Accumulated losses and Other reserves	Group shareholders' equity	Minority interests	Total
Balance at 1 January 2014	92,023			(1,294)	(242,624)	(151,896)		(151,896)
Share capital increase								
Increases /(Decreases)	29				(1)	28		28
Statement of comprehensive income result				(517)	(16,434)	(16,951)		(16,951)
Balance at 31 December 2014	92,052			(1,811)	(259,059)	(168,818)		(168,818)

	Share Capital	Share premium reserve	Stock option reserve	Reserves for employee benefits	Accumulated losses and Other reserves	Group shareholders' equity	Minority interests	Total
Balance at 1 January 2013	92,020			(1,396)	(237,842)	(147,219)		(147,219)
Share capital increase		1				1		1
Increases /(Decreases)		2				2		2
Statement of comprehensive income result				102	(4,782)	(4,680)		(4,680)
Balance at 31 December 2013	92,023			(1,294)	(242,624)	(151,896)		(151,896)

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		65

5.6 Income Statement pursuant to Consob Resolution No. 15519 dated 27 July 2006

	Notes	2014	of which: related parties	2013	of which: related parties
<i>(EUR 000)</i>					
Revenues	1	212,800		223,371	16
Other income	2	2,116		2,125	
Purchase of materials and outsourced services	3	132,501	108	128,494	311
Payroll and related costs	4	35,059		34,627	
Other operating (income) charges	5	(1,772)		(4,708)	
Write-downs of receivables from customers	6	10,285		14,636	
Restructuring costs and other write-downs	7	2,679		3,366	
Amortisation/depreciation	13-14	36,439		39,797	
Operating result		(274)	(108)	9,283	(294)
Net financial income (charges)	8	(15,723)		(13,226)	
Pre-tax result		(15,997)	(108)	(3,943)	(294)
Income taxes	9	(437)		(839)	
Net result from operating activities (on-going)		(16,434)	(108)	(4,782)	(294)
Result from assets disposed of and/or destined for disposal	10				
Net result for the period	11	(16,434)	(108)	(4,782)	(294)
Attributable to:					
- Result pertaining to the parent company		(16,434)		(4,782)	
- Minority interests					
Earnings (Losses) per share					
Earnings per share from operating activities and those disposed of:					
- Basic		(0.01)		(0.00)	
- Diluted		(0.01)		(0.00)	
Earnings per share from operating activities:					
- Basic		(0.01)		(0.00)	
- Diluted		(0.01)		(0.00)	

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		66

5.7 Statement of financial position pursuant to Consob Resolution No. 15519 dated 27 July 2006

<i>(EUR 000)</i>	Notes	31 December 2014	of which: related parties	31 December 2013	of which: related parties
<i>Non-current assets</i>					
Intangible assets	13	59,990		67,792	
Property, plant and machinery	14	77,107		84,934	
Other financial assets	15	10,775		10,713	
		147,871		163,440	
<i>Current assets</i>					
Inventories	17	1,129		744	
Receivables from customers	18	43,457		45,213	
Other receivables and other current assets	19	10,518		10,128	
Other current financial assets	20	162		97	
Cash and cash equivalents	21	4,801		3,112	
		60,066		59,293	
Assets held for sale		-		-	
Total Assets		207,938		222,733	
<i>Share Capital and reserves</i>					
Share Capital		92,052		92,023	
Results from previous periods and Other reserves		(244,437)		(239,136)	
Result pertaining to the Group		(16,434)		(4,782)	
Group shareholders' equity	22	(168,818)		(151,896)	
<i>Minority interests</i>					
Shareholders' equity pertaining to minority shareholders	23				
Total Shareholders' equity		(168,818)		(151,896)	
<i>Non-current liabilities</i>					
Payables to banks and to other lenders	24	80,535		-	
Payables for financial leases	24	47,975		53,742	
Other non-current liabilities	25	1,323		3,346	
Liabilities for pension obligations and staff severance indemnities	26	5,550		5,146	

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		67

Provisions for risks and charges	27	1,600		1,863	
		136,982		64,097	
<i>Current liabilities</i>					
Payables to banks and other lenders	28	65,351		143,730	
Payables for financial leases	28	10,464		4,208	
Payables to suppliers	29	91,348	8	94,001	150
Other current liabilities	30	72,611		68,592	
		239,774	8	310,531	150
Liabilities directly related to assets held for sale		-		-	
Total Liabilities and Shareholders' equity		207,938	8	222,733	150

5.8 Explanatory Notes

Tiscali S.p.A. is a limited company incorporated under the laws of the Republic of Italy care of the Cagliari Companies' Register, with headquarters in Sa Illetta, Cagliari.

The Tiscali Group provides a wide range of services to its customers, both private individuals and companies, from dial-up and ADSL Internet access, along with high technology content telecommunications services and solutions.

This offer, which also includes voice services (such as mobile telephony) and portal services, enables Tiscali to compete effectively with the major operators on the market.

Thanks to its unbundling network (LLU), its range of innovative services and its strong brand, Tiscali has achieved an important position in the market of Italian telecommunications.

These consolidated financial statements (the financial statements) are drawn up using the Euro as the reporting currency since this is the currency used to conduct most of the Group's operations; all the balances are rounded off to thousands of EUR unless otherwise indicated. Foreign activities have been included in the consolidated financial statements according to the principles detailed below.

In preparing these financial statements, the directors have adopted the going-concern assumption and therefore have drafted the financial statements using the standards and policies that are applied to companies in operation.

The Board of Directors, on 19 March 2015, authorised the publication of these financial statements.

Assessment of the business as a going-concern and future outlook

Events and uncertainties regarding the business continuity

The Tiscali Group closed 2014 with a consolidated loss of around EUR 16.4 million and negative consolidated shareholders' equity of EUR 168.8 million. Furthermore, as at 31 December 2014, the Group had a gross financial debt of EUR 204.3 million and current liabilities greater than current assets (non-financial) for EUR 108.9 million.

As of 31 December 2013, the consolidated loss amounted to EUR 4.8 million, with negative consolidated shareholders' equity of EUR 151.9 million. Furthermore, as at 31 December 2013, the Group had a gross financial debt of EUR 201.7 million and current liabilities greater than current assets (non-financial) for EUR 106.5 million.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		68

As from 2009, the Group, after having completed the disposal of Tinet and the UK subsidiaries, allocating the proceeds of the sale to the repayment of part of the debt, implemented action with the aim of achieving economic, equity and financial balance over the long term, and launching a phase of recovery for the sales activities, which has been reflected in the business and financial plan.

In a recessionary context, the transformation under way for some years in the telecommunications market has led to greater competitiveness and erosion of the revenues and the margin for the operators.

Progressive saturation for the fixed network broadband market, the sharp competition of the data proposals on the mobile networks and the possibility for customers to migrate from one provider to another has generated a greater response from the customers to promotions and consequently a declining trend of the prices.

In the presence of such factors (and other collateral ones such as the progressive replacement of the fixed lines with mobile ones, the increasing weight of the costs linked to customer service, the establishment of the so-called Over-The-Top products), Tiscali, like the other telecommunications companies, has rationalised its internal processes implementing rigorous cost cutting programmes to preserve margins and maintain the competitive position, as well as to try and diversify its revenue streams in web and Over-The-Top services.

During 2014, from an operational perspective and within a context involving competitive pressure in the market of accesses from a fixed network, management continued to pursue the following:

- action aimed at reducing costs and rationalising the internal process for the purpose of improving profitability;
- the strategy for control of the incoming customer base and debt collection. As at 31 December 2014, the customers using automatic payment methods reached around 67% of total customers.

Highlights for the year 2014 reveal the following in particular:

- a drop in Group revenues of 4.7% with respect to the same figure in 2013, mainly attributable to the decrease in Access revenues (-5.3%), and in particular the ADSL and VOIP component, in turn linked - to a predominant extent - to the reduction of the ARPU caused by additional promotions on the prices of services when compared with 2013, in an increasingly competitive market context, and a slight drop in the customer base (-3.4%).
- an increase in the mobile telephone customer base (active and operating SIMs as at 31 December 2014 amounting to around 91,699, with average monthly growth of around 6,700 units);
- an increase of 5.4% in business-to-business revenues (VPN, housing, domains and leased lines) compared with the previous year;
- focus on innovation through a new strategy for the development of web and Over-the-Top services.

All the activities listed above made it possible to generate cash and cash equivalents from operating activities for around EUR 34.1 million.

Furthermore, Tiscali took part in 2014 in the tender called by Consip S.p.A. (hereinafter also "CONSIP") for the supply of connectivity services in favour of the Public Administration Authorities ("SPC2 Tender" or "Consip Tender"), and on 14 May 2014 turned out to be the company with the best economic bid. In the following months, Tiscali's bid was subject to close examination in terms of suitability by the CONSIP awarding commission, an examination successfully passed as per the communication dated 24 December 2014. On said date, CONSIP also invited the other bidders to adapt their bid to the price list presented by Tiscali. As confirmed by the communication sent by

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		69

CONSIP on 17 February 2015, in consideration of the acceptances received, on the basis of the tender mechanism, Tiscali shall have to carry out the services for a portion of the supply equal to 60% of the overall maximum amount. The current tender configuration with no more than three awarded parties also makes it possible to develop important commercial action also on the parties of the Local Public Administrations. As things stand, the Company is awaiting the completion of the formal controls, preparatory to the final assignment which is envisaged to take place by the end of the 1st half of 2015.

Given the matters stated above, the Directors - when assessing the existence of the assumption of the Group as a going-concern in the current macro-economic context and the current competitive scenario, have identified in the unbalanced equity, financial and economic situation which the Group is headed into, as shown by the negative consolidated shareholders' equity for EUR 168.8 million, due to the negative economic performance over the years and the weight of the considerable indebtedness, factors which indicate the existence of significant uncertainties.

In this context, since the first few months of 2013, the Tiscali Group launched a negotiation process aimed at restructuring the senior financial debt on a consensual basis in accordance with the Group Facilities Agreement ("GFA") entered into on 2 July 2009 with a number of financiers (hereinafter "Senior Financiers" or "Lenders"), for the purpose of ensuring an equity and financial structure capable of permitting, over the long-term, the achievement of a balanced economic, equity and financial situation.

The negotiations with the Senior Financiers continued until presentation by the Company, in 2014, of a preliminary and non-binding proposal concerning, amongst other aspects, a recapitalisation of the Group, a partial rescheduling of the debt and a reset of the financial covenants envisaged by the GFA.

Subsequent to presentation of this proposal, which received the general consent of the Senior Financiers, a multi-stage negotiation process was commenced, on the outcome of which the Tiscali Group:

- on 17 December 2014, approved the business plan ("Business Plan") and obtained, on 23 December 2014, the related asseveration carried out by a professional appointed as per Article 67.3, letter d) of the Italian Bankruptcy Law;
- on 22 December 2014, accepted the offer made by a leading Italian real estate fund relating to the transfer of the leasing agreement concerning the property Sa Illetta where the Group's headquarters are located (the "Leasing Agreement"), which may be finalised between the parties on verification of specific conditions which must take place by 31 March 2015. The agreements relating to this transaction envisage, among other aspects, that the Tiscali Group continue to use the Sa Illetta property under market conditions; furthermore, if the disposal transaction should not be completed by 15 April 2015, the leasing companies involved have agreed to: (i) redefine the repayment plan; (ii) not avail themselves, until 30 April 2015, of any of the remedies envisaged in accordance with the Leasing Agreement;
- on 23 December 2014, entered into - with the Senior Financiers - a financial debt restructuring agreement pursuant to the GFA ("Restructuring Agreements"), for the purpose of achieving, amongst other things: (i) a partial rescheduling of the debt as per the GFA (which, as of that date, amounted to around EUR 140 million); as well as (ii) a redefinition of the financial covenants, for the purpose of bringing them in line with the Business Plan. Specifically, in short the afore-mentioned agreements envisage:
 - the division of the entire debt vis-à-vis the Senior Financiers, amounting to around EUR 140 million as of the date of entering into the Restructuring Agreements, into three separate credit facilities: (i) Facility A1, for an amount of around EUR 42.4 million, to be repaid by 30 November 2015, primarily by means of the use of the proceeds of any share capital increases of the Company; (ii) Facility A2, for an amount of around EUR 42.4 million, to be repaid in six-monthly instalments, the last of which falling due on 30 September 2017; (iii) Facility B, for an amount of around EUR

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		70

55 million, to be repaid in six-monthly instalments, the last of which falling due on 30 September 2017;

- in the event of early repayment of Facility A1, the possibility of benefiting from a discount of up to 10% on the face value of the debt repaid, in relation to the repayment timescales;
 - the possibility for the Company, assessing other forms of funding, to resort to additional share capital increases and to negotiate with the financiers in accordance with Facility A1 possible conversion into equity - upon the initiative of said Company and subordinate to the occurrence of certain specific conditions - of the residual portion of this credit facility;
 - an interest rate of 6.5% for 2014, 7.5% for 2015, 9% for 2016 and 10% for 2017;
 - financial covenants in line with the performances of the Tiscali Group envisaged in the Business Plan.
- on 24 December 2014, established an agreement with Société Générale relating to the subscription by the latter of a share capital increase against payment for a maximum of 1,000,000,000 ordinary Tiscali shares, lacking par value, with exclusion of the purchase option pursuant to Article 2441.5 of the Italian Civil Code (“Share Capital Increase”). The agreement (“SEF Agreement”) contains the terms and conditions for the subscription, by said Société Générale (hereinafter also “SG”), of the Share Capital Increase, summarised in short below:
 - the subscription may take place in several tranches, on the basis of requests discretionally made by Tiscali in accordance with the terms and conditions contained in the SEF Agreement (the “Subscription Requests”). In accordance with the Agreement, SG has committed to subscribing - for each tranche - a number of Shares equating to the lower between: (i) the number of shares indicated in the Subscription Request; (ii) the difference between: the maximum number of shares to be issued to serve the Share Capital Increase and the number of shares already subscribed by SG for the previous Subscription Requests; and (iii) the guaranteed number of shares, equating to the lower between: (1) 100,000,000 shares; (2) a number of shares equal to twice the arithmetic average of the daily volumes of the transactions relating to the Tiscali shares (with exclusion of the transactions carried out in blocks) in the 15 stock market days open immediately prior to the date of conclusion of each Pricing Period, as defined in the SEF Agreement; and (3) a number of shares equal to the ratio between EUR 7,000,000 and the subscription price of the shares. SG will in any event have the faculty, at its discretion, to subscribe the number of Shares indicated by the Company in the Subscription Request, when this quantity of shares also should exceed the limits as per the previous points (ii) and (iii);
 - in accordance with the SEF Agreement, Société Générale may subscribe ordinary Tiscali shares for a total maximum equivalent value of EUR 42,500,000;
 - pursuant to the Restructuring Agreements, the proceeds deriving from the Share Capital Increase shall be allocated exclusively to repaying Facility A1 in advance;

In pursuance of the agreement indicated above:

- on 30 January 2015, Tiscali’s shareholders’ meeting granted the Company’s Board of Directors authority to increase the share capital, in tranches, by means of the issue of a maximum of 1,000,000,000 ordinary shares of the Company and by means of exclusion of the purchase option pursuant to Article 2441.5 of the Italian Civil Code;
- on 16 February 2015, Tiscali’s Board of Directors approved the Share Capital Increase, in accordance with the authority granted above.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		71

In conclusion, on 19 March 2015, Tiscali's Board of Directors approved the up-date of the Business Plan, so as to take into account the afore-mentioned forward-looking developments of the Consip Tender and the results for the first few months of 2015, extending the timescale to 2018 ("2015-2018 Plan"). The 2015-2018 Plan hypothesises, amongst other aspects, the ability of the Group to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017. On the basis of the market analysis on corporate bond issues in the TLC sector, the Directors believe that this prospective debt can be refinanced in relation to the level of net debt / EBITDA envisaged for 2017 in the 2015-2018 Plan.

The achievement of a situation of equity, economic and financial balance for the Group over the long-term is consequently subordinate to the achievement of the results envisaged in the 2015-2018 Plan, and therefore the realisation of the forecasts and the assumptions contained therein relating, in general, to the evolution of the telecommunications market and the accomplishment of the growth objectives set (in a market context characterised by strong competitive pressure) and in particular: (i) to the positive conclusion of the Share Capital Increase and the consequent repayment of Facility A1; (ii) the final awarding of the Consip Tender; (iii) the transfer of the Leasing Agreements by the envisaged deadlines or alternatively the redefinition of the related debt repayment plan as agreed with the same leasing companies; and (iv) the ability to refinance the final instalment of the debt as per the Restructuring Agreements falling due in 2017.

Final assessment of the Board of Directors

The Board of Directors, after lengthy discussion, has highlighted how the Group:

- generated, during 2014, cash and cash equivalents amounting to approximately EUR 34.1 million;
- continued its strategy for the development of mobile phone services and the sectors with high-growth potential, such as the media sector and Over-The-Top products;
- presented the best economic bid relating to the afore-mentioned Consip Tender and has passed the close suitability examination carried out by the CONSIP awarding commission;
- finalised the Restructuring Agreements of the GFA with the Senior Financiers, after having obtained the asseveration of the Business Plan;
- launched all the formal processes for the finalisation of the Share Capital Increase transaction, and in particular: (i) called the Tiscali shareholders' meeting which in extraordinary session held on 30 January 2015 granted the Company's Board of Directors suitable authorisation; (ii) called the Company's Board of Directors which on 16 February 2015 approved the Share Capital Increase; and (iii) filed the Information Prospectus required for the Share Capital Increase transaction care of CONSOB;
- accepted the offer made by a leading Italian real estate fund relating to the transfer of the Leasing Agreement concerning the Sa Illetta property and launched the formal processes necessary for the finalisation of the transaction defining, at the same time, the rescheduling of the repayment plan of the same (for the period 2015-2017) if said transfer should not be completed within the envisaged timescale;
- updated the Group's financial and business plan having taken into account the results of the first few months of 2015, in line with the Restructuring Agreements and the matters described above;
- signed as of today's date, a non-binding memorandum of understanding for a merger transaction with the Aria Group, an Italian Service provider which offers telecommunications services under Wimax throughout Italy and which in February 2008 was awarded the licence at the auction by means of which the Ministry of Communications deregulated the 3.5 GHz frequencies, utilisable for Wimax and for LTE. A new capital contribution, *inter alia*, from the

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		72

shareholders of the Aria Group, is envisaged within the sphere of this transaction. The proposed transaction, if completed, would make it possible to strengthen Tiscali's coverage in the field of broadband access from the fixed and mobile networks, creating a sole operator on the Italian market capable of offering the entire range of services thanks to the combination of the two network infrastructures. The 2015-2018 Plan does not include any impact in relation to this transaction.

The Directors - despite disclosing how the recapitalisation and restructuring transaction relating to the Group, and consequently the implementation of the 2015-2018 Plan, are subject to the occurrence of specific conditions, including in particular:

- the positive conclusion of the Share Capital Increase and the consequent repayment of Facility A1;
- the final awarding of the contract for the entrusting of the connectivity services within the sphere of the Public Connectivity System by CONSIP;
- the transfer of the Leasing Agreement by the envisaged deadline or alternatively the redefinition of the related debt repayment plan as agreed with the same leasing companies;
- the ability to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017;

as well as the achievement of the envisaged growth objectives, on the basis of the matters indicated above, believe that the positive conclusion of the Group restructuring and recapitalisation process is reasonable, so as to be able to proceed with the implementation of the 2015-2018 Plan, thereby permitting over the long-term the achievement of a balanced equity, financial and economic situation.

In conclusion, the Directors - analysing the aspects already achieved within the sphere of the process aimed at permitting the Group to achieve a situation of economic, equity and financial balance over the long-term, acknowledge that as of the current date, and as already indicated in the financial statements relating to 2013, uncertainties remain relating to events or circumstances which could lead to significant doubts as to the Group's ability to continue operating on the basis of the assumption of a going-concern. However, after making the necessary checks and after assessing the uncertainties found in light of the factors described above, taking into account the matters envisaged by the Restructuring Agreements with regard to the Group recapitalisation and debt restructuring transaction, they have the reasonable expectation that it is possible to achieve a financial structure for the Group in line with the expected cash flows and that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when preparing these financial statements.

This assessment is naturally the result of a subjective opinion, which has compared - with respect to the events indicated above - the degree of probability of their occurrence with the opposite situation. It must be noted that the prognostic opinion underlying the decision of the Board, is liable to be contradicted by the evolution of events. Precisely because it is aware of the intrinsic limits of its decision, the Board of Directors will constantly monitor the evolution of the factors taken into consideration (as well as any other additional circumstance which takes on significance), so as to be able to promptly adopt the necessary measures, also in terms of recourse to the procedures envisaged by the law for business crisis situations.

One-off transactions

Pursuant to Consob Resolution No. 15519 dated 27 July 2006, it is hereby disclosed, in particular, that during 2014 specific debt positions were written off following agreements with suppliers for a total of EUR 2.4 million. Provisions were also made for charges relating to tax assessments defined during the year for a total of EUR 2.4 million.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		73

Basis of preparation

The 2014 consolidated financial statements were drawn up by following both the International Accounting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and ratified by the European Union, and the measures issued in conformity with Article 9 of Italian Legislative Decree No. 38/2005. IFRS also include all the reviewed international accounting standards (“IAS”) and all the interpretations by the International Financial Reporting Interpretations Committee (“IFRIC”) previously called the Standing Interpretations Committee (“SIC”).

Preparation of the financial statements requires management to make accounting estimates and in certain cases assumptions in the application of accounting standards. The areas of the financial statements which, under the circumstances, presuppose the adoption of applicative assumptions and those more fully characterized by estimates made, are described in the note “*Critical decisions in applying accounting standards and in the use of estimates*”.

In accordance with applicable legal rules and provisions, the financial statements were drawn up on a consolidated basis and were audited by Reconta Ernst & Young S.p.A..

Financial statement formats

The methods for presentation of the consolidated financial statements as at 31 December 2014 in accordance with IAS 1 – “Presentation of Financial Statements” envisages:

- The statement of financial position: according to IFRS, assets and liabilities are to be posted as current and non-current or, alternatively, according to the order of their liquidity. The Group chose current and non-current classification with indication, in two separate items, of the “Assets sold/held for sale” and “Liabilities related to assets disposed of/held for sale”.
- Statement of comprehensive income: IFRS require that this includes all economic effects for the period, regardless of whether these were posted to the income statement or shareholders' equity, and a classification of items based on their nature or destination, in addition to separating the economic results of operating assets from the net result of “Assets sold/held for sale”. The Group decided to use two schedules.
 - *An income statement schedule* that reports only revenues and costs classified by nature;
 - *A statement of comprehensive income* that reports charges and income posted directly under shareholders' equity net of tax effects.
- The amendment to IAS 1, in force as from 1 January 2013 lays down that, in the section of the other comprehensive income components (OCI), a distinction must be made between the elements which in the future will be reclassified in the income statement (so-called “recycling”) and those which will not be reclassified in the income statement.
- Cash Flow Statement: IAS 7 prescribes that the cash flow statement should report cash flow classified between assets for operations, investment and financing and posting separately the total of the cash flows deriving from “Assets sold/held for sale”. Cash flow deriving from operating assets can be posted according to the direct method or using the indirect method. The Group decided to use the indirect method.
- With reference to Consob resolution No. 15519 of 27 July 2006 with regard to financial statement formats, it should be mentioned that specific sections were included to show significant relationships with associated parties, as well as specific notes in order to show, where existing, one-off significant transactions during regular operations.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		74

All figures shown in the statements and explanatory notes, unless otherwise specified, are in thousands of Euro.

Segment reporting

Under Regulation (EC) No. 1358/2007 dated 21 November 2007, the European Commission approved the introduction of IFRS 8 "Operating Segments" to replace IAS 14 "Segment Reporting". IFRS 8 lays down the information to provide in the financial statements concerning the operating segments where the company operates.

Operating segment means the unit of an entity:

- that undertakes business activities that generate revenues and costs (including revenues and costs related to transactions with other units of the same entity);
- whose operating results are regularly reviewed by upper level management in order to make decisions on the resources to allocate to the segment and assess results;
- who has separate financial statements.

Unlike the provisions of IAS 14, this standard essentially requires one to determine and report the results of operating segments according to the "management approach", i.e., according to methods used by management for internal reporting to assess performance and allocate resources to the various segments.

The Company applies the "management approach" for the definition of the segment reporting, on a consistent basis with the operating segments in which the Group's activities are in fact split into.

The operating segments identified are the following:

- Italy (BTC and BTB connectivity);
- Vevisible (Media & Advertising);
- Corporate.

Assets held for sale and discontinued operations

Non-current assets and/or groups of assets undergoing disposal ('Assets Held for Sale and Discontinued Operations'), as required by IFRS 5, were classified under a specific item in the statement of financial position and are assessed at the lower of the asset's previous book value and market value, net of any sales costs, until the disposal of the assets themselves.

The assets in this financial statement item are thus classified if it is estimated that their book value will be recovered by disposal rather than by continued use. This condition is observed only when the sale is highly probable, the asset is available for immediate sale in its present condition and the Board of Directors of the parent company is committed to the sale, completion of which should be expected within one year from the date of classification.

After the sale, the remaining values were reclassified in the different statement of financial position items.

Gains and losses on assets held for sale and/or assets disposed of were listed and continue to be listed under the item 'Results from assets disposed of and/or intended to be disposed of (discontinued operations) if the conditions listed below and established by IFRS 5 apply to such assets:

- a) they represent an important independent line of business or geographic business area;
- b) they are part of a single co-ordinated plan to dispose of an independent major line of business or geographic business area;

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		75	

c) they involve subsidiaries originally acquired exclusively with a view to resale.

The income statement item entitled 'Results from assets disposed of and/or destined to be disposed of' contains the following, in a single item and net of the related tax effects:

- the period results achieved by subsidiaries held for sale, including any adjustment of their net assets to market value (fair value);
- the result of the 'discontinued' operations, including the result for the period achieved by subsidiaries up to the date of transfer of control to third parties, together with gains and/or losses deriving from disposal.

Analysis of the composition of the overall results for the assets concerned is indicated in the explanatory notes.

The financial effects and effects on equity from the disposals described above are shown in the note *Operating assets sold and/or assets held for sale*.

Seasonal nature of revenues

Tiscali's activities are not affected to a significant extent by events linked to the seasonal nature of business.

Basis of consolidation

The consolidation area 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 or rather those companies in relation to which it is exposed and has the right to the variable results deriving from its involvement in said entities which it influences thanks to the power exercised over the same. In the specific circumstances relating to Tiscali, control involves the majority of voting rights exercisable at ordinary shareholders' meetings of the companies included in the consolidation area.

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.

When preparing the consolidated financial statements, the assets, liabilities, costs and revenues of the consolidated companies are consolidated line-by-line for the entire amount, allocating the portion of equity and results for the year due to minority shareholders in the specific balance sheet and income statement items. The book value of the equity investment in each of the subsidiaries is eliminated against the corresponding portion of the shareholders' equity of each of the subsidiaries inclusive of any adjustments to fair value as of the acquisition date. The positive difference emerging is recorded as goodwill under intangible assets, as illustrated further on, while the negative difference, if remaining after an appropriate remeasurement of the adjustments to fair value as of the acquisition date (negative goodwill), is recorded in the income statement.

All significant intra-company transactions within the Group and the relevant balances are eliminated on consolidation, as are unrealised gains and losses on intra-group operations.

Minority interests and net profit attributable to minority shareholders are classified separately from the Group's equity and results, on the basis of the percentage of net Group assets they possess.

If the losses attributable to the minority shareholders of a consolidated subsidiary are greater than the shareholders' equity pertaining to the minority shareholders of the subsidiary, the excess and any other loss attributable to the minority shareholders is allocated to the shareholders' equity pertaining to the shareholders of the parent company unless the minority shareholders are subject to binding obligations and they are able to make further investments so as to cover the losses.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		76

If, subsequently, the subsidiary reports profits, the profits attributable to the minority shareholders are attributable to the shareholders' equity pertaining to the parent company's shareholders until the portion of the losses of the minority shareholders, previously covered by the parent company's shareholders, have been recovered.

Equity investments in associated companies, as well as those subject to joint control, are reflected in the consolidated financial statements among non-current assets and carried at equity, as envisaged, respectively, by IAS 28 (Investments in associates) and by IFRS 11 (Joint arrangements).

Associated companies are those over which the Group has significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee, but without control or joint control however. Under the equity method, equity investments in associates are initially booked to the statement of financial position at acquisition cost, as adjusted for post-acquisition changes in the shareholders' equity of the associate companies, less any impairment in the value of individual equity investments. Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognised as goodwill. The goodwill is included in the book value of the investment and is subject to impairment testing. 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 of the associate at the date of acquisition is booked to the income statement in the financial year of acquisition. The consolidated financial statements include the Group's share in the results of the associated companies as well as those jointly controlled as from the date when significant influence commenced until the moment this influence ceases to exist. If the Group's share of the losses of the associated company exceeds the book value of the equity investment, steps are taken to write off the value of the equity investment and the portion of the additional losses is only recorded if the Group is obliged to be responsible for them.

Unrealized profits and losses deriving from transactions with associated companies or those jointly controlled, are eliminated against the value of the Group's investment in the companies.

With regard to transactions which concern interests in companies which are already subsidiaries, in the absence of a specific Standard or interpretation on the subject and referring to the provisions contained in IAS 8 "Accounting policies, changes in accounting estimates and errors", the Group has applied the following accounting approaches, identifying two types of transactions:

- acquisitions/disposals of interests in companies which are already subsidiaries: in the event of acquisitions, the Group pays the minority shareholders a cash amount or a consideration in new shares, thereby resulting in simultaneous elimination of related minority interests and recording of Goodwill equating to the difference between the purchase cost of the interests and the book value of the assets and liabilities acquired proportionally; in the event of disposal, the difference between the transfer value and the corresponding book value in the consolidated financial statements is recorded in the income statement (so-called Parent entity extension method);
- intragroup transfer of interests in subsidiary companies which lead to a change in the shareholding: the interests transferred are recorded at historic cost and the gain or loss emerging from the transfer is reversed in full. The shareholders' equity of minority shareholders that do not directly participate in the transaction, is adjusted to reflect the change with a corresponding opposite effect on the shareholders' equity pertaining to the shareholders of the Parent Company without recording any goodwill and without producing any effect on the result and the total shareholders' equity.

Changes in the consolidation area

The consolidation area of the Group includes the financial statements of Tiscali S.p.A. (parent company) and the companies the latter directly or indirectly controls starting from the date on which it

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		77

was acquired and until the date on which control ceases. These consolidated subsidiaries are listed below and in the note List of subsidiaries included in the consolidation area.

On 21 January 2014, the subsidiary Tiscali Financial Services SA acquired, at a price of EUR 1 for each share, the investment of the following German affiliated companies:

- Tiscali Deutschland GmbH (from Tiscali S.p.A);
- Tiscali Business GmbH (from Tiscali Business UK);
- Tiscali Verwaltungs GmbH (from Tiscali S.p.A);
- Tiscali GmbH (from Tiscali S.p.A).

Again in January 2014, the subsidiary Tiscali Financial Services S.A. was in turn sold by Tiscali S.p.A to Tiscali International B.V. for a price of EUR 1 per individual share.

Company name	Registered Offices	Investment held by	Balances as at 31 December 2014 (EUR 000s)			% direct investment	% Group investment (**)
			Share Capital	Shareholders' equity	Net result		
Tiscali S.p.A.	Italy	Parent Company	92,052	61,667	550	n.a.	n.a.
Tiscali Italia S.p.A.	Italy	Tiscali S.p.A.	18,794	3,279	(21,637)	100.0%	100.0%
Veesible S.r.l.	Italy	Tiscali Italia S.p.A.	600	1,178	692	100.0%	100.0%
Indoona S.r.l.	Italy	Tiscali Italia S.p.A.	10	4	(5)	100.0%	100.0%
Istella S.r.l.	Italy	Tiscali Italia S.p.A.	10	4	(3)	100.0%	100.0%
Tiscali Finance SA (in liquidation) (*)	Luxemburg	Tiscali S.p.A.	125	(36)	(6)	100.0%	100.0%
Tiscali Holdings UK Ltd (*)	UK	Tiscali S.p.A.	59	(317,762)	(12,755)	100.0%	100.0%
World Online International Nv (*)	The Netherlands	Tiscali S.p.A.	115,519			99.5%	99.5%
Tiscali International Bv (*)	The Netherlands	World Online International Nv	115,469	616	(276,775)	100.0%	99.5%
Tiscali International Network B.V (*)	The Netherlands	Tiscali International Bv	18	15,501	(895)	100.0%	99.5%
Tiscali Business UK Ltd (*)	UK	Tiscali International Bv	77		30	100.0%	99.5%
Tiscali Financial Services SA (*)	Luxemburg	Tiscali S.p.A.	31	(3,972)	(146)	100.0%	99.5%
Tiscali Deutschland GmbH (*)	Germany	Tiscali S.p.A.	555	(34,901)	(400)	100.0%	99.5%
Tiscali GmbH (*)	Germany	Tiscali Deutschland GmbH	26	(150,962)	(1,562)	100.0%	99.5%
Tiscali Business GmbH (*)	Germany	Tiscali Business UK Ltd	2,046	(213,126)	(2,127)	100.0%	99.5%
Tiscali Verwaltungs GmbH (*)	Germany	Tiscali Deutschland GmbH	25	(26)	(3)	100.0%	99.5%

(*) Data communicated by the companies via reporting packages for consolidation purposes as at 31 December 2014

(**) % Group investment

Business combinations and Goodwill

The acquisition of controlling interests is accounted for using the purchase method, in accordance with IFRS 3 – (Business combinations). The cost of the acquisition is measured as the aggregate of the fair values, at the date of the exchange, of assets, liabilities incurred or undertaken concerning the acquired company, and the financial instruments possibly issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		78

The acquiree's identifiable assets, liabilities and contingent liabilities (including the respective portions pertaining to minority shareholders) 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 fair value of the identifiable assets, liabilities and contingent liabilities recognised represents the goodwill arising on acquisition that is stated as an asset and initially valued at cost. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, exceeds the cost of the business combination, the excess is booked directly to the income statement.

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

Following initial statement, goodwill is recorded at cost less any accumulated impairment losses. In compliance with IFRS 3, goodwill is not amortised, but subject to impairment tests in order to identify any reductions in value.

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

The impairment, if any, is identified by means of assessments referring to the ability of each 'unit', identifiable in this case with the subsidiary, to generate cash flows sufficient to recover the goodwill allocated to the unit. The recoverable amount is the higher between the 'fair value' less sales costs and its utilisation value. The utilization value is determined starting from expected future cash flows discounted at a rate that reflects the current market estimate of the cost of money, the cost of capital and the risks specific to the unit. If the estimated recoverable amount of the unit concerned is lower than the relevant book value, it is decreased to the least recoverable value. Impairments are booked to the income statement under write-down costs and are not subsequently reversible.

On first time adoption of the IFRS and in accordance with the exemption envisaged by IFRS 1, it was not considered necessary to avail of the option of 'reconsidering' the acquisition transactions carried out prior to 1 January 2004. Consequently, the goodwill deriving from the business acquisitions which took place prior to this date, has been stated at the value recorded for this purpose in the last set of financial statements drawn up on the basis of the previous accounting standards (1° January 2004, date of changeover to the IFRS), subject to checking and statement of any impairment losses which arose as of the date this document was drawn up.

On disposal of a subsidiary, the net book value of the goodwill is calculated as the expected capital gain or loss on disposal.

Foreign currency transactions

The financial statements of foreign subsidiaries are presented in the currency of the primary economic environment in which they operate (operating currency). When preparing the financial statements of the individual companies, transactions in currencies other than Euro are initially recognised at the exchange rate prevailing at the time. At the reference date, the monetary assets and liabilities expressed in the above-mentioned currencies are retranslated at the rates prevailing at that date. Non-monetary items recognised at 'fair value' and expressed in foreign currency are retranslated at the rates prevailing on the date of the fair value calculation.

Exchange differences arising from settlement of monetary items and retranslation of monetary items using current exchange rates at year end, are booked to the income statement for that period.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of foreign subsidiaries with operating currencies other than Euro, are translated into Euro at the rates prevailing at the financial year end date. Revenues and costs are translated at the average exchange rates for the period. The exchange differences arising from the application of this method are classified

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		79

as equity under the Translation reserve. This reserve is booked to the income statement as income or expense in the period in which disposal of the foreign subsidiary is completed.

The exchange differences emerging from intra-group receivable/payable transactions of a financial nature are recorded in the shareholders' equity special conversion reserve.

The main exchange rates used for translation of the 2014 and 2013 financial statements for foreign companies into Euro were:

	31 December 2014		31 December 2013	
	average	final	average	final
GB pound	0.78830	0.77890	0.83639	0.83370

Other intangible assets

Computer software – Development costs

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

Internally-generated intangible assets arising from costs supported for the development of applications software under Group control and directly associated with the production of services, in particular with regard to 'technological platforms' for access and management of the Tiscali network, are recognised if:

- the following general conditions indicated by IAS 38 are observed for the capitalization of the intangible assets: (a) the asset created can be identified; (b) it is likely that the asset created will generate future economic benefits; (c) the development cost of the asset can be reliably gauged;
- the Group can demonstrate the technical possibility of completing the intangible asset so as to make it available for use or for sale, its intention to complete said asset so as to use or sell it, the ways in which it will generate probable future economic benefits, the availability of technical, financial or other resources for completing its development and its ability to reliably assess the cost attributable to the asset during its development.

During the development period, the asset is reviewed annually for the purpose of revealing any impairment losses. Subsequent to initial statement, the development costs are valued at the decreased cost of the amortisation and any other accumulated loss. Amortisation of the asset commences when the development has been completed and the asset is available for use. The cost is amortised with reference to the period when it is expected that the related project will generate revenues for the Group.

Costs associated with the development and the ordinary maintenance of software not meeting the above mentioned requirements, and with research costs, are charged in full to the income statement in the period in which they are incurred.

Broadband service activation costs

Acquisition and activation costs for customers were amortised over a period of 36 months.

IRU

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		80

The IRU are classified in the category “concessions and similar rights” and comprise costs sustained for the purchase of long-term rights of use for the fibre optics network, i.e. the ‘transmission capacity’ and related charges. Amortisation is calculated using the straight-line method, either over the remaining life of the agreement or the estimated utilisation period of the right, whichever is the shorter. The amortisation period varies on average between 12 and 15 years.

Properties, plant and machinery

Properties, plant and machinery are stated at purchase or production cost, including accessory charges, less accumulated depreciation and any write-downs for impairment. No revaluations have been provided for such tangible assets.

Depreciation is calculated using the straight-line method on the cost of each asset less the relevant residual value, if any, over its estimated useful life. Land, including that pertaining to buildings, is not depreciated.

The depreciation rates are reviewed annually and are amended if the current estimated useful life differs from that estimated previously. The effects of these changes are reflected in the income statement on a forecast basis.

The minimum and maximum depreciation rates applied during 2014 are those indicated below:

Buildings	3%
Plant	12%-20%
Equipment	12%-25%

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 allocated to relevant assets and are depreciated over the residual useful life.

Gains and losses arising on disposals of items of property, plant and machinery are calculated as the difference between sales revenue and net book value and are booked to the income statement for the year.

Assets held under finance lease

Leases are classified as financial leases if all the risks and benefits of ownership are transferred to the lessee. All other leases are considered operating leases.

Assets held under financial leases are recognised as Group assets at their fair value at the time of stipulation of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a financial lease obligation, under financial payables. Lease payments are divided into their capital and interest elements. Financial charges are directly booked to the income statement for the year.

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

Moreover, as for asset disposal and backdating operations on the basis of financial lease contracts, the accomplished capital gains are deferred for the duration of contracts or the residual life of the asset (if lower).

Operating lease payments are booked to the income statement as costs on an accruals basis.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		81

Losses in value in assets (Impairment)

Goodwill and financial statement assets are subject to an impairment test each year or more frequently if there is indication of impairment. The book value of intangible assets with an unspecified useful life and of property, plant and machinery, is checked each time there is indication that the asset has suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. 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 between the 'fair value' less sales costs and its utilisation value. When assessing the utilisation value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments on the value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its book value, the latter is written down to its recoverable amount. The relevant impairment is booked to the income statement under write-downs. If the reasons for impairment are considered to no longer apply in the current year, the book value of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but not beyond the net book value that would have been determined had no impairment been recognised for the asset in previous years. An impairment reversal is booked to the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Considering the circumstances and characteristics of the Group's assets, the cost refers to direct materials. The cost is calculated by using the average cost method. The net realisable value is the selling price less the costs considered necessary for achieving the sale.

Financial instruments*Loans and receivables*

Group receivables are stated in the items "other non-current financial assets", "receivables from customers", "other receivables and other current assets" and "other current financial assets", and include guarantee deposits, trade receivables, and receivables from third parties generated as part of core business activities.

If they have a fixed maturity, they are stated at amortised cost, using the effective interest rate method. When financial assets have no fixed expiry, they are estimated at the acquisition cost. Receivables maturing beyond 12 months, unprofitable receivables, and receivables accruing interest at lower rates with respect to the market, are updated by using market rates.

Estimates are regularly carried out with the aim of making sure whether there is objective evidence that a financial asset or a group of assets have been subject to impairment. If there is objective evidence, the impairment must be recorded as a cost in the income statement for the period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, on-demand and short-term deposits, in the latter case with an original maturity envisaged of no more than three months.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		82

Payables and financial liabilities

The Group's payables and financial liabilities are stated in the items "bonds", "payables to banks and other lenders", "payables for finance leases", "other non-current liabilities", "payables to suppliers", and include trade payables, payables to third parties, financial payables, inclusive of payables for loans received for advances on the factoring of receivables and for financial lease transactions.

Trade payables and other payables are stated at face value. Financial payables are initially stated at cost, equating to the fair value of the amount received, net of related charges. Subsequently, these payables are stated at amortised cost using the effective interest rate method, calculated considering the issue costs and any other premium or discount envisaged on settlement.

Reduction in value of financial assets

For each period the financial statements refer to (annual or half-year), appraisals are made to check whether objective evidence exists that a financial asset or group of assets has suffered impairment. If there is objective evidence, the impairment is recorded in the income statement for financial assets valued at cost or at amortized cost, while for "financial assets available for sale", the matters already illustrated above should be referred to.

Derivative financial instruments

The Group does not use derivative instruments.

Liabilities for pension obligations and staff severance indemnities

Defined benefit schemes (as classified by IAS 19), in particular the Staff Severance indemnities relating to employees of the parent company and the subsidiaries with registered offices in Italy, are based on valuations performed at the end of each financial year by independent actuaries. The liability recognised in the statement of financial position is the current value of the obligation payable on retirement and accrued by employees at the statement of financial position date. It should be specified that no assets are held in support of the above scheme.

As from 1 January 2007, the 2007 Finance Bill and the related implementing decrees introduced significant amendments to the regulation of staff severance indemnities (TFR), including the worker's choice regarding the allocation of their accruing TFR to supplementary welfare funds or to the "Treasury Fund" managed by INPS (national insurance institute for social security).

Therefore, the obligation vis-à-vis INPS and the contribution to the supplementary pension schemes takes on the form, as per IAS 19, of "Defined contribution schemes", while the portions recorded in the staff severance indemnity (TFR) remain "Defined benefit schemes".

Furthermore, the law changes taking place starting from 2007 implied a new calculation of actuarial assumptions, and of the consequent methods used to calculate staff severance indemnities, whose effects were directly booked to the income statement.

As from 1 January 2013 with retrospective efficacy, the Company adopted the new version of the accounting standard IAS 19 "employee benefits".

Remuneration schemes involving interests in the share capital

At present, there are no remuneration schemes involving interests in the share capital

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		83

Provisions for risks and charges

Provisions for risks and charges relating to potential legal and tax liabilities are established following estimates performed by Directors on the basis of judgements developed by the Group legal and tax advisors, concerning the charges that are reasonably deemed to be incurred in order to settle the obligation. If in relation to the final result of such judgements, the Group is called upon to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Treasury shares

Treasury shares are booked to reduce the shareholders' equity.

Revenue recognition

Revenues are stated to the extent that it is probable that the Group will receive the economic benefits and their amount can be determined reliably. They are stated net of discounts, rebates and returns.

Revenues for the provision of services are stated in the income statement with reference to the stage of completion of the service and only when the result of the service can be reliably estimated.

In particular, recognition in the income statement for revenues from internet access services (narrowband and broadband) and voice services, is based on the actual traffic produced at the reference date and/or the periodic service fee payable at that date.

The revenues related to the activation of broadband services (ADSL) are booked to the income statement on a straight-line basis over 36 months. Amounts relating to other financial periods are recorded under other current liabilities as deferred income.

Financial income and charges

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

Research and advertising costs

Research and advertising costs are charged directly to the income statement in the period they are incurred.

Taxes

Income taxes include all the taxation calculated on the taxable income of Group companies.

- The *tax currently payable* is based on taxable income for the year. Taxable income differs from the result reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible. Liability for current tax is calculated using tax rates applicable at the statement of financial position date.
- *Deferred taxes* are taxes which are expected to be paid or recovered on timing differences between the book value of the statement of financial position assets and liabilities and the corresponding value for tax purposes used to calculate the taxable amounts, as well as on those items which, despite not being allocated in the statement of financial position, lead to potential future tax credits, such as for example the losses for the year which can be used for tax purposes in the future, and are calculated according to the statement of financial position and liability method.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		84

Deferred tax liabilities are generally recognised for all taxable timing differences relating to the Group companies and to equity investments in associated companies, except where the Group is able to control the reversal of these timing differences and it is unlikely that the timing difference will reverse in the foreseeable future.

Deferred tax assets, arising from timing 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 timing differences and/or previous losses can be utilised. The provisions are based on taxable income likely to be generated in light of the approved business plans. Such assets and liabilities are not recognised if the timing differences derive from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the accounting result nor taxable income. The book value of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer likely that sufficient taxable income will be available to allow all or part of the assets to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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.

Earnings per share

The basic result per ordinary share is calculated by dividing the portion of the Group's economic result attributable to ordinary shares by the weighted average of the ordinary shares in circulation during the financial year, excluding treasury shares.

For calculating the diluted result per ordinary share, the weighted average of shares in circulation is changed by assuming the subscription of all potential shares deriving, for instance, from the conversion of bonds, from exercising rights on shares with diluting effects, or from the potential diluting effect due to the allocation of shares to the beneficiaries of already accrued stock option plans.

Critical decisions in applying accounting standards and in the use of estimates

In the process of applying the accounting standards disclosed in the previous section, Tiscali's directors made some significant decisions in view of the recognition of amounts in the financial statements. The directors' decisions are based on historical experience as well as on expectations associated with the realisation of future events, considered reasonable under the circumstances.

Assessment of whether primary assets reported can be recovered is based on the estimate of income and financial flows the Group feels it will be able to generate in the future. As more fully described in the note "*Assessment of the business as a going-concern and future outlook*", achieving the results set forth in the business and financial plan, used for the assessment, depends on whether the forecasts and assumptions contained therein are reached, in an extremely competitive market.

Assumptions for the application of accounting standards

Activation costs and customer acquisition costs

The costs incurred for customer activation (Subscriber Acquisition Costs – SACs) were capitalised and amortised over a period of 36 months.

Losses in value on assets (Impairment)

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		85

The impairment test is carried out annually or more frequently during the financial year, as disclosed in the preceding section, 'Business combinations and goodwill'. The ability of each 'unit' to generate cash flows such as to recover the goodwill allocated to the unit, is determined on the basis of the economic and financial data concerning the unit to which the 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 the use of estimates and assumptions to a significant extent. Deferred tax assets, arising from timing 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 timing differences and/or previous losses can be utilised. The provisions are based on taxable income likely to be generated in light of the approved business plans. Such assets and liabilities are not recognised if the timing differences derive from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the accounting result nor taxable income. The book value of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer likely that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Provisions relating to employees

The provisions associated with employees, and in particular the Provisions for staff severance indemnities, are determined based on actuarial assumptions. The changes in these assumptions could have significant effects on these provisions.

Receivable write-down provision

The recoverability of the receivables is assessed taking into account the risk of not collecting them, their ageing and the significant losses on receivables in the past for similar receivables.

Provisions for risks and charges

Provisions for risks and charges relating to potential legal and tax liabilities are established following estimates performed by Directors on the basis of judgements developed by the Group legal and tax advisors, concerning the charges that are reasonably deemed to be incurred in order to settle the obligation. If in relation to the final result of such judgements, the Group is called upon to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Fair value calculation

Depending on the instrument or financial statements item to be estimated, the directors identify the most suitable method, by taking into consideration objective market data as much as possible. In absence of market values, that is, quotations, estimating techniques are used, with reference to the ones which are most commonly used.

Accounting standards, amendments and interpretations effective from 1 January 2014

The international accounting standards, the changes to the existing standards and the interpretations, relevant for the Group, adopted for the first time as from 1 January 2014, are presented below:

IFRS 10 - Consolidated Financial Statements, IAS 27 (2011) - Separate Financial Statements

IFRS 10 introduces one single control model to be applied to all companies, including special purpose entities. IFRS 10 supersedes the section of IAS 27 - Consolidated and separate financial statements which regulates the accounting of the consolidated financial statement and SIC-12 - Consolidation – Special Purpose Vehicles. IFRS 10 changes the definition of control by stating that an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		86

investee and has the ability to affect these returns through its power over the investee. An investor controls an investee if and only if the investor has all of the following elements at the same time: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The accounting treatment and consolidation procedures are by contrast unchanged with respect to that currently envisaged by IAS 27. IFRS 10 did not have any impact on the consolidation of the investments held by the Group.

IFRS 11 – Joint arrangements and IAS 28 (2011) – Investments in associates and joint ventures

IFRS 11 supersedes IAS 31 - Interests in joint ventures - and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers and eliminates the option of recognising the jointly controlled companies using the proportionate consolidation method. Jointly controlled companies that comply with the definition of a joint venture must be carried at equity.

Following the introduction of the new IFRS 10 and 12, IAS 28 was renamed *Investments in associates and joint ventures* and describes the application of the shareholders' equity method for investments in jointly-controlled companies, in addition to associates.

There are no significant impacts on the Group's consolidated financial statements following the application of these amendments.

IFRS 12 - Disclosure on interests in other entities

IFRS 12 indicates the disclosure requirements for interests in subsidiaries, joint-control arrangements, associated companies and structured entities. The requirements of IFRS 12 are more complete with respect to the previous disclosure requirements for subsidiaries, for example in the case where an entity exercises control with less than the majority of the voting rights. The Group does not hold interests in subsidiary companies in which significant minority interests are present, furthermore it does not hold interests in non-consolidated structured entities. The information required by IFRS 12 is presented in the explanatory notes.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities

These amendments - which must be applied retrospectively - apply to a particular class of business that qualifies as investment entities pursuant to IFRS 10 - Consolidated Financial Statements. This exception to the consolidation requires that an investment entity must evaluate the performance of its subsidiaries on a fair value basis through the income statement. These amendments did not impact the Group since no entity belonging to the Group qualifies as an investment entity pursuant to IFRS 10.

Amendments to IAS 32 – Offsetting financial assets and liabilities

These amendments, which apply retrospectively, clarify the meaning of “*currently has a legally enforceable right to set off the recognised amounts*” and the offsetting criteria in the case of settlement systems (such as centralised clearing houses) which apply mechanisms for non-simultaneous gross settlements.

These amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IAS 36 - Supplementary information on the recoverable value of the non-financial assets.

These amendments remove the consequences unintentionally introduced by IFRS 13 on the disclosure requirements set by IAS 36. In addition, these amendments require disclosure of the recoverable amount of any assets or CGU for which, during the period, an impairment loss has been

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		87

recognised or “reversed”. There have been no impacts on the disclosures provided in the notes to the consolidated financial statements of the Group.

Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting

Under these amendments, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met. These amendments did not have any impact on the Group's consolidated financial statements.

2010-2012 annual improvement project – As part of the 2010-2012 annual improvement project, the IASB issued seven amendments to six accounting standards, which include the amendments to IFRS 13 - Fair value measurement. The amendment to IFRS 13, which came into force immediately, and therefore as from 1 January 2014, clarifies, in the Basis for conclusions, that short-term receivables and payables which do not have a declared interest rate, can be recognised at the value emerging from the invoice if the amount of the discounting back is irrelevant. This amendment to IFRS 13 has not had any impact on the Group.

2011-2013 annual improvement project – As part of the 2011-2013 annual improvement project, the IASB issued four amendments to four accounting standards, including IFRS 1 - *First time adoption of the IFRS*. The amendments to IFRS 1, which is in force as from 1 January 2014, clarifies in the Basis for Conclusions that an entity may choose to apply the accounting standard already in force or a new accounting standard not yet obligatory but whose early adoption is permitted, provided that this standard is applied on a consistent basis in all the periods subject to presentation in the first set of IFRS financial statements of the entity. This amendment to IFRS 1 has not had any impact on the Group, since the Group is not a first time adopter.

International accounting standards and/or interpretations issued but not yet in force and/or approved

The new standards and interpretations significant for the Group, already issued but not yet in force or not yet approved by the European Union as of 31 December 2014, and therefore not applicable, are listed briefly below. None of these standards or interpretations have been adopted by the Group in advance. The preliminary analysis carried out does not envisage significant impacts on the consolidated financial statements from the application of these standards and interpretations.

Standards approved but not yet in force

- **IFRIC 21 - Levies** - The interpretation defines the accounting treatment of the liabilities for government taxes and levies other than income taxes in relation to the moment when an entity can recognise these liabilities. The interpretation was approved by the European Union in June 2014 (Regulation EU 634/2014) and will apply in the financial statements which commence as from 17 June 2014, or after.
- **Amendments to IAS 19 - Employee benefits - defined-benefit plans: contribution by employees or third parties** - These amendments introduce the distinction between types of contributions envisaging a different accounting approach. These changes were approved by the European Union in December 2014 (EU Regulation No. 2015/29) and apply in the financial statements which commence as from 1 July 2014, or subsequently.
- **Annual improvements to IFRS cycle 2010-2012** (issued by the IASB in December 2013) - These amendments, whose applicability is envisaged as from the financial statements which commence as from 1 July 2014, or subsequently, with the exception of the amendments to IFRS 13 which apply immediately, were approved by the European Union in December 2014 (Regulation EU 2015/28).
- **Annual improvements to IFRS cycle 2011-2013** (issued by the IASB in December 2013) - These amendments, whose applicability is envisaged as from the financial statements which

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		88

commence as from 1 July 2014, or subsequently (with the exception of the amendment to IFRS 1 which is in force as from 1 January 2014), were approved by the European Union in December 2014 (Regulation EU 1361/2014).

Standards issued, but not yet approved

- **IFRS 9 - Financial Instruments** (issued in July 2014) - IFRS 9 will ultimately replace IAS 39 Financial instruments: Recognition and Measurement, and its main objective is to reduce the complexity. IFRS 9 and all the related amendments have not yet been approved. At the moment, the impacts deriving from the future application of the standard are not quantifiable (envisaged as from 1 January 2018).
- **IFRS 15 - Revenue from Contracts with Customers** – Published jointly by the IASB and FASB in May 2014, the standard should improve the quality and uniformity of the recognition of the revenues as well as the comparability of the financial statements drawn up according to the IFRS and the US GAAP. At the moment, the impacts deriving from the future application of the standard have not yet been quantified (envisaged as from 1 January 2017, with the possibility of early adoption).
- **Annual improvements to IFRS cycle 2012-2014** (issued by the IASB in September 2014) - These amendments, whose applicability is envisaged as from 1 January 2016, have not yet been approved by the European Union. They involve a series of amendments to the IFRS, in response to the queries which emerged in 2012-2014. The standards subject to amendment are four: IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 - *Financial Instruments: Disclosures*, IAS 19 - *Employee Benefits* and IAS 34 - *Interim Financial Reporting*.
- **Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** – The amendments have the aim of clarifying the accounting treatment, both in the case of loss of control over a subsidiary (disciplined by IFRS 10) and in the cases of downstream transactions disciplined by IAS 28, depending on whether the subject matter of the transaction is (or is not) a business, as defined by IFRS 3. These amendments, which could come into force as from 1 January 2016 (with possibility of early application), have not yet been approved by the European Union.
- **Amendments to IAS 27 - Equity Method in Separate Financial Statements** – The amendments to IAS 27 will permit the entities to use the equity method for recording investments in subsidiaries, joint ventures and associates in the separate financial statements. These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.
- **Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation** – these amendments have the aim of clarifying that an amortisation or depreciation method based on revenues generated by the asset (so-called revenue-based method) is not considered appropriate since it exclusively reflects the flow of revenues generated by this asset and not, by contrast, the method of consumption of the economic benefits incorporated in the asset. These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.
- **Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations** – these amendments have the aim of clarifying the accounting treatment for the acquisitions of interests in a joint operation which represents a business. These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.
- **Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the Consolidation Exception** – the amendments have the aim of clarifying certain applicative aspects on the fair value measurement of the investment entity subsidiaries. These amendments,

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		89

which will come into force as from 1 January 2016, have not yet been approved by the European Union.

- **Amendments to IAS 1 - Disclosure Initiative** - These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		90	

Revenues (note 1)

(EUR 000)	2014	2013
Revenues	212,800	223,371

Revenues during 2014 decreased with respect to those in 2013. For greater details on the drop in revenues, please refer to the Report on operations.

Other income (note 2)

(EUR 000)	2014	2013
Other income	2,116	2,125

Other income includes the release, totalling EUR 2.1 million, of the portion pertaining to 2014 of the capital gain generated via the Sale and lease back transaction on the Cagliari headquarters (Sa Illetta).

Purchase of materials and outsourced services (note 3)

(EUR 000)	2014	2013
Line/traffic rental and interconnection costs	74,356	76,839
Costs for use of third party assets	6,914	7,637
Portal services	9,815	9,431
Marketing costs	10,549	8,944
Other services	30,868	25,643
Total	132,501	128,494

The increase with respect to the previous year is attributable to additional costs relating to co-location and maintenance, additional costs relating to the MVNO services (linked to the rise in the corresponding revenues) and greater costs for promotional campaigns.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		91

Payroll and related costs (note 4)

(EUR 000)	2014	2013
Wages and salaries	23,147	22,793
Other personnel costs	11,912	11,834
Total	35,059	34,627

Payroll and related costs are essentially in line with the previous year; just a minor saving is reported deriving from the use of the solidarity agreement achieved by the Group in 2014, with respect to the previous year.

At 31 December 2014, the Tiscali Group had 893 employees. The breakdown by category and the corresponding balance at 31 December 2013 are presented below.

Number of employees

	31 December 2014	31 December 2013
Executives	18	19
Middle managers	75	79
Office staff	797	797
Blue-collar workers	3	3
Total	893	898

Other operating (income) charges (note 5)

(EUR 000)	2014	2013
Other operating (income) charges	(1,772)	(4,708)
Total	(1,772)	(4,708)

Other net operating income mainly includes the impacts deriving from the write-offs of specific debt positions of a trade nature following agreements with suppliers.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		92

Write-downs of receivables from customers (note 6)

(EUR 000)	2014	2013
Write-downs of receivables from customers	10,285	14,636
Total	10,285	14,636

Please refer to the note "Receivables from customers" for further details.

Restructuring costs and other write-downs (note 7)

(EUR 000)	2014	2013
Restructuring costs and other write-downs	2,679	3,366
Total	2,679	3,366

The item "restructuring costs and other write-downs" mainly refers to provisions for charges relating to final tax assessments during the year for a total of EUR 2.4 million.

Net financial income (charges) (note 8)

A breakdown of net financial income (charges) for the year, presenting a negative balance of EUR 15.7 million, is provided below.

(EUR 000)	2014	2013
Financial income		
Interest on bank deposits	32	18
Other financial income	90	153
Total	122	171
Financial charges		
Interest and other charges due to banks	10,494	9,230
Other financial charges	5,350	4,168
Total	15,845	13,398
Net financial income (charges)	(15,723)	(13,226)

The item Financial charges amounting to around EUR 15.7 million mainly includes the following elements:

- interest expense, relating to the loan from Senior Lenders ("Group Facility Agreement") amounting to EUR 9.6 million;

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		93

- interest expense on current accounts for EUR 0.8 million;
- default interest expense totalling EUR 0.6 million;
- interest expense for sundry payables amounting to EUR 1 million;
- interest expense on financial leasing and IRU for around EUR 1.3 million;
- bank charges for EUR 2.4 million.

Income taxes (note 9)

(EUR 000)	2014	2013
Current taxes	437	839
Total	(437)	(839)

The balance includes the cost of the current taxes for the year represented by IRAP (regional business tax) and IRES (company earnings' tax) payable by the Italian companies. The lower tax liability is due to a minor taxable base recorded in 2014 when compared with 2013.

Operating assets disposed of and/or assets held for sale (note 10)

The "Result from operating assets disposed of and/or assets held for sale" was nil as of 31 December 2014.

Earnings (Losses) per share (note 11)

The result per share of "operating activities" was close to zero and was calculated by dividing the net loss for the year attributable to the ordinary shareholders of the parent company, amounting to EUR 16.4 million, by the weighted average number of ordinary shares in circulation during the year, totalling 1,861,535,343.

The result per share from "operating activities and those disposed of" was close to zero and was calculated by dividing the loss from operating activities and those disposed of, amounting to EUR 16.4 million, by the weighted average number of ordinary shares in circulation during the year.

Impairment test on assets (note 12)

In consideration of the presence of impairment indicators, an impairment test was performed on assets, in accordance with IAS 36 and prescribed in the joint Bank of Italy / Consob / ISVAP document.

The impairment test on assets was performed by comparing the value of assets reported at 31 December 2014 and their utilization value, determined based on the following essential elements.

(i) Definition of Cash Generating Units

The Group identified the Cash Generating Units with the segments set forth in the segment reporting. The impairment test on assets was performed with respect to the Cash Generating Units identified;

(ii) Criteria for estimating the recoverable amount

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		94	

The utilization value of the Cash Generating Units (CGU) was determined by discounting the cash flows deriving from the 2015-2018 Plan approved by the Board of Directors.

With regard to the economic/financial objectives, the main assumptions concern:

- explicit forecast period equating to the remaining plan duration;
- EBITDA emerging from market and business development hypothesis;
- investments to maintain the expected development of the business and the pre-established level of profitability;
- determination of the terminal value calculated as perpetuity based on the projection of the last year of the plan;
- the WACC rate determined on the basis of market valuations of the cost of money and specific risks related to the company's core business;
- terminal growth rate (Long-Term Growth LTG) equal to 1.5%.

The cost of the capital was estimated considering the calculation criteria provided by the CAPM (Capital Asset Pricing Model). In particular in the determination of the WACC:

- the beta coefficient was valued considering both the value of Tiscali over various timescales for a period of more than twelve months;
- the spread of the credit on the risk free element was valued in line with the conditions of current debt;
- the risk premium was valued within a prudent range with respect to the current conditions of financial markets.

Based on these parameters, the WACC used for the impairment tests was 8.59%.

The result of the impairment test shows a positive difference between the recoverable value and book value, thus the Group feels that it is not necessary to write down any of the balance sheet assets.

(iii) Sensitivity analysis of the impairment test results

In consideration of the current scenario and the results of the impairment tests performed for the period ended 31 December 2014, an analysis was made on the sensitivity of the recoverable value estimated using the discounted cash flow method. The discount rate is considered a key parameter in the estimate of recoverable value. An increase of 1% would lower the positive difference between estimated recoverable value and book value. This difference would continue to be positive.

(iv) Considerations on the presence of external impairment indicators

Considering the current market situation, certain considerations on the presence of external impairment indicators were made especially with regard to evidence from the financial market. For that purpose, the market capitalization of the Tiscali Group does not give rise to elements departing from the results of the impairment tests.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		95

Intangible assets (note 13)

Intangible asset movements for the year 2014 were as follows:

Intangible assets (EUR 000)	Computers, software and development costs	Concessions and similar rights	Broadband service activation costs	Other intangible assets	Intangible assets in course of acquisition and prepayments	Total
<u>HISTORIC COST</u>						
1 January 2014	4,639	114,281	114,102	19,344	700	253,065
Increases		3,418	11,639	547	1,093	16,696
Other changes		(1)				(1)
Reclassifications		125	410		(217)	318
31 December 2014	4,639	117,823	126,150	19,890	1,576	270,078
<u>ACCUMULATED AMORTISATION</u>						
1 January 2014	4,639	71,514	90,597	18,522		185,273
Increases in amortisation		9,476	9,424	5,915		24,815
Other changes						
Reclassifications			5,515	(5,515)		-
31 December 2014	4,639	80,991	105,537	18,922		210,088
<u>NET VALUE</u>						
31 December 2013	-	42,767	23,504	821	700	67,792
31 December 2014	-	36,832	20,613	969	1,576	59,990

The intangible fixed assets mainly concern the operating subsidiary Tiscali Italia S.p.A. and are analysed as follows.

The item "Computers, software and development costs" included the capitalisation of development costs for applications software personalized for the exclusive use of the Group.

The balance of "Concessions and similar rights", amounting to EUR 36.8 million, includes about EUR 28.6 million relating to rights and costs connected with the acquiring of conveying ability, on a long-term basis, in the shape of concession contracts for the use of the same (IRU/Indefeasible Rights of Use), licences and software for EUR 6.8 million and EUR 1.4 million for patents. The overall increase of EUR 3.4 million is attributable to software licences for EUR 3.1 million and patents for EUR 0.3 million.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		96

The item “Broadband service activation costs”, equalling EUR 20.6 million, increased EUR 11.6 million, in relation to the acquisition and activation costs of customers concerning the ADSL service.

“Other intangible fixed assets”, amounting to EUR 1 million include investments relating to the activation of the bitstream ethernet network for EUR 0.5 million.

“Intangible assets in course of construction and prepayments” amounted to EUR 1.6 million and include software development projects not yet completed at 31 December 2014.

Properties, plant and machinery (note 14)

Changes during the financial year are shown in the following table:

Tangible assets (EUR 000)	Properties	Plant and machinery	Other tangible assets	Tangible assets in course of construction	Total
HISTORIC COST					
1 January 2014	64,260	266,840	5,162	809	337,071
Increases		2,623	251	1,241	4,115
Other changes					
Reclassifications		92		(410)	(318)
31 December 2014	64,260	269,556	5,413	1,639	340,868

ACCUMULATED DEPRECIATION

1 January 2014	15,595	232,885	3,657		252,137
Increases in depreciation	1,868	9,478	277		11,624
Other changes					
Reclassifications					
31 December 2014	17,463	242,363	3,935		263,761

NET VALUE

31 December 2013	48,665	33,956	1,504	809	84,934
31 December 2014	46,797	27,193	1,478	1,639	77,107

The tangible fixed assets mainly concern the operating subsidiary Tiscali Italia S.p.A. and are analysed as follows.

The item “Properties”, amounting to EUR 46.8 million, mainly relates to the Cagliari headquarters (Sa Illetta), which was subject to a Sale & Lease back financial transaction in 2007.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		97

“Plant and machinery” (EUR 27.2 million) include specific network equipment such as routers, DSLAM, servers, and transmission devices installed at the LLU sites. The overall increase of EUR 2.6 million reflects the investment pertaining to the development of the network infrastructure mainly for EUR 1.6 million inherent to the purchase of servers, EUR 0.6 million for transmission equipment and EUR 0.3 million for DSLAM installed as part of the project for developing the network which started to be depreciated during 2014.

“Other tangible assets”, whose balance amounts to EUR 1.5 million, include furniture and furnishings, electronic and electromechanical office equipment as well as motor vehicles.

The item “Tangible assets in course of construction and prepayments” whose balance comes to EUR 1.6 million, mainly include investments in network infrastructure.

Other non-current financial assets (note 15)

(EUR 000)	31 December 2014	31 December 2013
Guarantee deposits	6,944	6,944
Other receivables	1,848	1,670
Equity investments in other companies	1,982	2,099
Total	10,775	10,713

Guarantee deposits mainly relate to the Sale and lease back contract on the property in Cagliari (Sa Illetta).

The item Equity investments in other companies mainly comprises the equity investment held by Tiscali Italia S.p.A. in Janna S.c.p.a., a consortium company which is involved in the management of an underwater fibre optics cable between Sardinia and the mainland and between Sardinia and Sicily.

Deferred tax assets (note 16)

At 31 December 2014, there were no prepaid tax assets recorded in the financial statements.

As at the balance sheet date, the Group had tax losses, which could be carried forward to subsequent years for a total of EUR 758.2 million and timing differences for EUR 104.4 million. The taxes losses refer to:

- the Parent company and the Italian subsidiaries for a total of EUR 244.8 million;
- Tiscali International B.V. and the Dutch subsidiaries for a total of EUR 35.1 million;
- the German subsidiaries for a total of EUR 274.5 million;
- Tiscali UK Holdings for a total of EUR 203.7 million;

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		98

The maturity of the tax losses is shown in the following table.

(EUR 000)	Total as at 31 December 2014	Year of maturity		
		2015	After 2015	Indefinite
Total previous tax losses	758,159	26,321	8,797	723,041

The tax losses have an indefinite expiry, with the exception of the losses relating to Tiscali International BV and the Dutch subsidiaries.

The Group does not record prepaid taxes, while the theoretical tax benefit as at 31 December 2014 calculated on the basis of an estimated average rate of 28.4% would amount to EUR 244.6 million. The eventual process for the liquidation/merger of the foreign companies could reduce these theoretical tax benefits. Despite the Group's business plan having indicated profits for the next five years, Tiscali S.p.A.'s Directors have not provided for prepaid taxes in the financial statements as at 31 December 2014.

Inventories (note 17)

At 31 December 2014, inventories totalled EUR 1.1 million, mainly represented by work in progress on projects in the B2B area.

Receivables from customers (note 18)

(EUR 000)	31 December 2014	31 December 2013
Receivables from customers	66,875	67,305
Write-down provision	(23,419)	(22,092)
Total	43,457	45,213

At 31 December 2014, receivables from customers totalled EUR 43.5 million, after write-downs of EUR 23.5 million. These receivables accrued from the sale of internet services, billing of network access services, inverse interconnection traffic, advertising revenues and business customer and telephone services provided by the Group.

The analysis of receivables is carried out periodically, adopting a specific policy for calculating the receivable write-down provision, with reference to experience and historical trends.

As the Group's credit exposure is spread over a very large customer base, there is no particular credit concentration risk.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		99

The following table illustrates the ageing (gross of the receivables write-down provision) at 31 December 2014 and 31 December 2013, respectively:

(EUR 000)	31 December 2014	31 December 2013
not due	22,914	22,703
1 – 180 days	13,631	15,352
181 – 360 days	8,528	9,108
over 360 days	21,802	20,143
Total receivables from customers	66,875	67,305
Receivable write-down provision	(23,419)	(22,092)
Total Receivables from customers net of provision	43,457	45,213

The following table shows aging net of the receivable write-down provision at 31 December 2014:

(EUR 000)	31 December 2014	31 December 2013
not due	22,363	21,372
1 – 180 days	10,676	11,427
181 – 360 days	4,486	4,693
over 360 days	5,931	7,721
Total	43,457	45,213

The following table illustrates the changes in the receivable write-down provision during respective financial years:

(EUR 000)	31 December 2014	31 December 2013
Write-down provision at start of period	(22,092)	(20,207)
Exchange differences		
Disposals/Consolidation area change		
Provision	(10,285)	(14,636)
Utilisation	8,958	12,751
Write-down provision at end of period	(23,419)	(22,092)

The item provisions and uses includes the write-down made during the current years and the uses for the write-off of the credit positions no longer recoverable.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		100

Other Receivables and other Current Assets (note 19)

(EUR 000)	31 December 2014	31 December 2013
Other receivables	1,773	276
Accrued income	53	53
Prepaid expense	8,692	9,799
Total	10,518	10,128

Other Receivables, amounting to about EUR 1.7 million, include amounts due from the tax authorities for EUR 0.5 million, receivables for insurance compensation (EUR 0.3 million), amounts due for the issue of an escrow inherent to the sale of Tinet S.p.A. (EUR 0.5 million), advances to suppliers for EUR 0.2 million, and amounts due for operating grants related to Tiscali Italia S.p.A. for EUR 0.2 million.

Accrued income (EUR 0.1 million) mainly relates to portions of revenues for the sale of ADSL services pertaining to the period but not yet invoiced.

Prepaid expenses, whose balance comes to EUR 8.7 million, include costs already incurred and pertaining to the following years, mainly associated with multi-year line rental contracts, hardware and software maintenance costs, insurance and advertising costs.

Other current financial assets (note 20)

(EUR 000)	31 December 2014	31 December 2013
Guarantee deposits	60	-
Other receivables	102	97
Total	162	97

Cash and cash equivalents (note 21)

Cash and cash equivalents at 31 December 2014 amounted to EUR 4.8 million and include the Group's cash, essentially held in bank current accounts. There are no restricted deposits. For greater details, please refer to the cash flow statement.

Shareholders' equity (note 22)

(EUR 000)	31 December 2014	31 December 2013
Share capital	92,052	92,023
Accumulated losses and other reserves	(244,437)	(239,136)
Result for the period	(16,434)	(4,782)
Total Shareholders' equity	(168,818)	(151,896)

Changes in the various shareholders' equity items are detailed in the relevant table.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		101

At 31 December 2014, the share capital amounted to EUR 92.1 million corresponding to 1,861,535,343 ordinary shares lacking par value. The increase during the year, equating to 36,563 shares, was justified by the issues consequent to the exercise of the Tiscali S.p.A. 2009 - 2014 warrants convertible into Tiscali shares combined with the share capital increase in November 2009.

Shareholders' equity pertaining to minority shareholders (note 23)

The shareholders' equity pertaining to minority shareholders as at 31 December 2014 was nil.

Current and non-current financial liabilities (note 24)

Net financial position

The Group's net financial position is illustrated in the following table:

EUR 000	31 December 2014	31 December 2013
A. Cash and Bank deposits	4,801	3,112
B. Other cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	4,801	3,112
E. Current financial receivables	102	97
F. Non-current financial receivables		
G. Current bank payables	12,534	11,940
H. Current portion of non-current debt	52,817	131,791
I. Other current financial payables (*)	10,551	4,264
J. Current financial debt (G) + (H) + (I)	75,901	147,994
K. Net current financial debt (J) – (E) – (D) - (F)	70,999	144,786
L. Non-current bank payables	80,535	-
M. Bonds issued		
N. Other non-current payables (**)	47,975	53,742
O. Non-current financial debt (N) + (L) + (M)	128,510	53,742
P. Net Financial Debt (K) + (O)	199,509	198,528

(*) includes short-term financial leasing payables

(**) includes long-term financial leasing payables

With regard to the long-term loans, it is hereby disclosed that as at 31 December 2014, the item "L. Non-current bank payables" included the long-term portion of the financial debt established on the basis of the Restructuring Agreements and recognised in accordance with the international accounting standards. The same item presented a zero balance as at 31 December 2013 further to failure to observe the financial covenants envisaged by the GFA loan agreement; in accordance with the

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		102

indications of IAS 39, the Group had taken steps to reclassify the entire financial debt for the GFA under current liabilities (item H).

The table above has been drawn up in light of Consob Communication No. DEM/6064293 dated 28 July 2006

The table below shows the reconciliation between the net financial position drawn up on the basis of the Consob communication and the net financial position as show in the Report on operations.

<i>(EUR mln)</i>	31 December 2014	31 December 2013
Consolidated net financial debt	192.6	191.6
Other cash equivalents and non-current financial receivables	6.9	6.9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	199.5	198.5

Financial indebtedness comprises:

- bank payables mainly represented by the new Restructuring Agreements signed on 23 December 2014, relating to the restructuring of the financial debt deriving from the contract entitled "Group Facilities Agreement", in turn entered into on 3 July 2009.
- amounts for financial leasing contracts mainly in relation to the sale and lease back agreement stipulated for the Cagliari office (Sa Illetta).

Payables to banks

Bank payables, amounting in total to EUR 145.9 million, relate to the Group Facility Agreement as redefined by the Restructuring Agreements entered into on 23 December 2013 and to current bank payables for current account overdrafts.

The amount owed to banks represented by the senior loan deriving from the new Restructuring Agreements was as follows as at 31 December 2014 (face values of the debt):

- **Tranche A1:** nominal residual amount of EUR 42.4 million (maturing in November 2015);
- **Tranche A2:** nominal residual amount of EUR 38.2 million (maturing in September 2017);
- **Tranche B:** nominal residual amount of EUR 54.4 million (maturing in September 2017).

The liability is recorded in the consolidated financial statements at amortised cost.

On 3 January 2014, cash interest on the senior debt was paid for EUR 0.5 million.

At the same time as the signing of the new Restructuring Agreements, on 23 December 2014, EUR 5 million were paid in principal and EUR 0.4 million in interest.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		103	

The following table summarizes the main elements of the loan.

Loan	Amount	Maturity	Financial institution	Borrower	Guarantors
Facility A1	EUR 42.4 million	November 2015	BG Master Fund Plc	Tiscali UK Holdings Ltd	Tiscali S.p.A.
			Silver Point Lux Plat SARL		Tiscali Italia S.p.A.
			Sothic Cap Euro Opp Loan Fund		Tiscali International BV
			SVP Capital Funding Lux		Tiscali Financial Services SA Veesible S.r.l.

Loan	Amount	Maturity	Financial institution	Borrower	Guarantors
Facility A2	EUR 38.2 million	September 2017	BG Master Fund Plc	Tiscali UK Holdings Ltd	Tiscali S.p.A.
			Silver Point Lux Plat SARL		Tiscali Italia S.p.A.
			Sothic Cap Euro Opp Loan Fund		Tiscali International BV
			SVP Capital Funding Lux		Tiscali Financial Services SA Veesible S.r.l.

Loan	Amount	Maturity	Financial institution	Borrower	Guarantors
Facility B	EUR 54.4 million	September 2017	Intesa Sanpaolo London	Tiscali UK Holdings Ltd	Tiscali S.p.A.
					Tiscali Italia S.p.A.
					Tiscali International BV Tiscali Financial Services SA Veesible S.r.l.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		104	

Restructuring Agreements

On 23 December 2014, Tiscali UK, in the capacity of borrower, entered into - together with the Company and its subsidiaries Tiscali Italia S.p.A., Tiscali International B.V., Tiscali Financial Services S.A. and Veesible S.r.l., in the capacity of guarantors (the “**Guarantors**”), with the Senior Financiers - the Restructuring Agreements, aimed at the restructuring of the senior debt of the Tiscali Group deriving from the Group Facilities Agreement entered into on 2 July 2009.

The Restructuring Agreements envisage that the debt subject to restructuring, amounting to around EUR 140 million, as of the date of entering into the restructuring, is divided up into the following credit facilities:

- Facility A1, vis-à-vis all the Funds, for an amount totalling around EUR 42.44 million, to be repaid by 30 November 2015;
- Facility A2, likewise vis-à-vis all the Funds, for an amount totalling around EUR 42.44 million, to be repaid in six-monthly instalments, the last of which falling due on 30 September 2017;
- Facility B, vis-à-vis Intesa, for an amount totalling around EUR 55.14 million, to be repaid in six-monthly instalments, the last of which falling due on 30 September 2017.

It must also be disclosed that, as per the Restructuring Agreements, the liquidity deriving from the Share Capital Increase transaction described in the section “Assessment of the business as a going-concern and future outlook” will be used in full to repay Facility A1, without prejudice to the possibility for the Company, assessing other forms of funding, to proceed with the repayment of any residual portion of these credit facility by means of recourse to additional share capital increases and/or to negotiate with the Senior Financiers the possible conversion into equity, upon the initiative of the Company and subordinate to the occurrence of certain specific conditions.

Interest

In accordance with the Restructuring Agreements, Tiscali UK shall have to pay interest to the Senior Financiers at a fixed rate as per the matters indicated below:

- in relation to Facility A1: (i) 6.5% *per annum* for 2014; (ii) 7.5% *per annum* for 2015;
- in relation to Facility A2: (i) 6.5% *per annum* for 2014; (ii) 7.5% *per annum* for 2015; (iii) 9% *per annum* for 2016; (iv) 10% *per annum* for 2017;
- in relation to Facility B: (i) 6.5% *per annum* for 2014; (ii) 7.5% *per annum* for 2015; (iii) 9% *per annum* for 2016; (iv) 10% *per annum* for 2017;

The first interest period will mature on 31 March 2015, after which each interest period shall have a six-month duration.

Financial covenants

As is common practice in this type of agreement, the Restructuring Agreements envisage the observance by the companies party to the same of financial requisites (“financial covenants”) on a consolidated basis, defined on the basis of the Tiscali Business Plan and related to the Debt Service Cover Ratio (as defined in the Restructuring Agreements), the net indebtedness/EBITDA and the EBITDA/net interest ratios.

The following table shows the levels of said financial covenants envisaged by the Restructuring Agreements with reference to 31 December 2015 and 31 December 2016.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		105

Financial covenants	Balance as at 31 December 2015	Balance as at 31 December 2016
Debt Service Cover Ratio	1.10:1(*)	1.10:1(*)
Net indebtedness/EBITDA	1.70x(**)	0.98x
EBITDA/net interest	3.15x	5.18x

(*) The covenant in question will not be understood as violated if, at the time of two non-consecutive verification dates, the ratio should be lower than 1.10:1, but in any event higher than 1.05:1.

(**) For the purpose of calculating the covenants, the EBITDA is taken gross of the provisions and other write-downs, while in the calculation of the financial indebtedness the payable for property leases is not considered.

Furthermore, the Tiscali Group companies shall not have to exceed specific investment thresholds (CAPEX), established in accordance with the Restructuring Agreements to the extent of EUR 14.0 million with reference to the last quarter of 2015 and EUR 11.9 million with reference to the last quarter of 2016.

These indicators are what is more consistent with the dynamics envisaged in the Business Plan approved by the Company on 19 March 2015.

The check with regard to the afore-mentioned financial covenants shall take place on a quarterly basis, 31 March, 30 June, 30 September and 31 December of each year, with the last verification dated envisaged for 30 September 2017.

The first recognition of the covenants will take place on 31 March 2015. However, on the basis of the Restructuring Agreements any possible overrun of said covenants at that date shall not be considered to be an event of default.

Commitments of Tiscali UK, Tiscali and the Guarantors

Furthermore, the Restructuring Agreements envisage that Tiscali, Tiscali UK and the Guarantors, as well as their subsidiary companies as identified in the same agreements, be responsible for observing, amongst other aspects, non-financial commitments, which - subject to the contractual exceptions envisaged - involve limitations, including: (i) the payment of dividends; (ii) the acquisition or execution of investments; (iii) the realisation of payments which are not subordinate to the claims of the Senior Financiers as per the Restructuring Agreements or the related guarantees; (iv) the granting of secured guarantees; (v) the achievement of extraordinary transactions; (vi) the undertaking of debt and the granting of the related guarantees; (vii) the creation of assigned assets as per Article 2447 ter of the Italian Civil Code; (viii) the amendment of the Business Plan.

In conclusion, in accordance with the Restructuring Agreements, it is envisaged that Tiscali transfer to Tiscali Italia - within 6 months of the date of efficacy of said agreement and in any event subordinate to the recurrence of certain conditions - its entire holding in Tiscali UK.

Events of default

The Restructuring Agreements also envisage a number of events of default, including: (a) the breach of the obligations to repay the debt; (b) the breach of the commitments contractually envisaged (some of which indicated above); (c) the failure to observe the financial covenants (in this connection it being understood that any violation of said covenants recognised as at 31 March 2015 shall not represent an event of default); (d) the start of bankruptcy proceedings against any of the main Group companies indicated in the agreements; (e) the breach of the obligations deriving from any debt or guarantee instrument of Tiscali and any of its subsidiaries for an amount greater than EUR 1 million.

On occurrence of an event of default, the agent may also - via notification to Tiscali - immediately declare all the sums due in accordance with the Restructuring Agreements as payable.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		106

Guarantees

Pursuant to the Restructuring Agreements, Tiscali and the Guarantors - without prejudice to certain limitations envisaged contractually - irrevocably and unconditionally:

- jointly and severally guarantee the accurate fulfilment of the obligations undertaken in accordance with said agreements; and
- jointly and severally undertake to pay any sum owed by Tiscali UK should the same be in breach.

In addition to the above, in order to guarantee the amounts owed as per the Restructuring Agreements, the following guarantees are envisaged:

- pledge on the entire holding in Tiscali Italy held by Tiscali S.p.A.;
- pledge on the entire holding in Vevisible held by Tiscali Italia;
- pledge on the entire holding in Tiscali UK held by Tiscali S.p.A.;
- pledge on the entire holding in Tiscali International B.V. held by World Online International B.V.;
- pledge on the entire holding in Tiscali International Network B.V. held by Tiscali International B.V.;
- pledge on the Tiscali trademarks;
- pledge on the current accounts of Tiscali and Tiscali UK;
- assignment as collateral or pledge on receivables deriving from the intercompany loans;
- so-called fixed and floating charge on Tiscali UK assets.

Recognition:

For the purpose of the correct recognition of the Restructuring Agreements in the accounts, the Group has taken steps to check, following the provisions of IAS 39, if the rescheduling transaction takes on the form of discharge transaction and subsequent granting of a new loan (so-called exchange) or if it can be considered to be an amendment of the original terms of the existing loan (so-called modification).

In light of the qualitative and quantitative analysis carried out, the Restructuring Agreements have been recognised as modifications.

The amount recognised in accordance with the Restructuring Agreements has been stated net of the accessory costs incurred for the finalisation of the transaction, amounting to EUR 2.1 million.

Payables for financial leases

The Group's financial leases refer to agreements stipulated by the subsidiary Tiscali Italia S.p.A. and concern:

- the "Sales & Lease Back" financial lease on the Sa Illetta property, head offices of the company, whose debt at the date of the financial statements amounted to EUR 58.2 million;
- other financial leases for a total of EUR 0.3 million.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		107

In relation to the "Sales & Lease Back" financial payable on the Sa Illetta property, you are hereby informed that the recognition in the financial statements reflects the debt repayment plan outstanding.

Assets under financial leases are recorded under fixed assets in accordance with the applicable international accounting standards, as shown in the table below.

(EUR 000)	Minimum payments due		Current value of minimum payments due	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Less than 1 year	14,314	7,101	10,464	4,208
Between 1 and 5 years	37,424	38,291	28,369	27,756
More than 5 years	20,563	28,136	19,606	25,986
Total	72,301	73,527	58,439	57,950
Less future financial charges	13,862	15,577	-	-
Current value of minimum payments	58,439	57,950	58,439	57,950
Included in the statement of financial position				
Payables due to current finance leases			10,464	4,208
Payables for non-current financial leases			47,975	53,742
	-	-	58,439	57,950

Assets under financial leases are recorded under fixed assets in accordance with the applicable international accounting standards, as shown in the table below.

Leasing included in Tangible assets	Properties	Plant and machinery	Other assets	Total
(EUR 000)				
NET VALUE				
31 December 2013	48,660	1,348		50,008
31 December 2014	46,818	688		47,506

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		108

Payments envisaged by the operating lease contracts are indicated below:

(EUR 000)	31 December 2014	31 December 2013
Minimum payments due for leasing	3,019	3,266
Subleasing payments		
Total	3,019	3,266

Total commitments relating to payments due for operating lease transactions, which cannot be cancelled, are presented in the following table.

(EUR 000)	31 December 2014	31 December 2013
Less than 1 year	931	3,032
Between 1 and 5 years	505	855
More than 5 years		
Total	1,436	3,886

Breakdown of current and non-current debt

As per the following table:

	Debt as at 31 December 2014	Current debt	Non-current debt
Senior indebtedness	133,352	52,817	80,535
Total amounts owed to banks for loans	133,352	52,817	80,535
Total current bank payables (*)	12,534	12,534	-
Total GFA payables and other payables to banks	145,885	65,351	80,535
Amounts owed to leasing firms			
<i>Sale and lease back – Sa Illetta</i>	58,183	10,286	47,898
<i>Other financial leases</i>	256	179	78
Total amounts owed to leasing firms	58,439	10,464	47,975
Total indebtedness	204,324	75,815	128,510

(*) Amounts owed for bank overdrafts

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		109

Other non-current liabilities (note 25)

(EUR 000)	31 December 2014	31 December 2013
Payables to suppliers	-	1,935
Other payables	1,323	1,411
Total	1,323	3,346

The item other payables includes EUR 0.9 million due to Janna S.c.p.a. (which is involved in the management of an underwater fibre optics cable between Sardinia and the mainland and between Sardinia and Sicily) and EUR 0.4 million for guarantee deposits from customers.

Liabilities for pension obligations and staff severance indemnities (note 26)

The table below shows the changes during the period:

(EUR 000)	31 December 2013	Provisions	Utilisation	Payments to Funds (**)	Actuarial (Gain)/loss	31 December 2014
Staff severance indemnities	5,146	2,160	(257)	(2,015)	517	5,550
Total	5,146	2,160	(257)	(2,015)	517	5,550

(*) These are payments made to the treasury funds and other supplementary pension funds

The staff severance provision, which comprises the indemnities accrued in favour of employees, amounts to EUR 5.5 million as at 31 December 2014 and refers to the Parent Company and the subsidiaries operating in Italy.

In accordance with Italian Law No. 297/1982, the amount due to each employee accrues depending on the service provided, and has to be immediately disbursed when the employee leaves the company. On termination of the employment contract, the amount due is calculated based on the duration of the contract and the taxable salary of each employee. The liability is annually adjusted in compliance with the official cost of living index, and with the interest established by law. It is not associated with any condition or period of accrual, or with any financial funding obligation; therefore, there are no assets serving the provision. In compliance with IAS 19, the provision was recorded under "Defined benefit plans".

In compliance with the new rules introduced by Italian Legislative Decree No. 252/2005, and by Italian Law No. 296/2006 (Finance Act 2007), for the companies with at least 50 employees, the staff severance indemnities accrued from 2007 are assigned either to the Social Security Institute (INPS) Treasury Fund (from 1 January) or to the supplementary pension forms (from the option month), and acquire the nature of "Defined contribution plans". However, the revaluations of the provision existing at 31 December 2006 (carried out on the basis of the official cost of living index and the legal interest) and the quotas accrued with companies with less than 50 employees remain as staff severance indemnities.

Date	File Name	Status	Page
-	Annual Report as at 31 December 2014		110

Further to IAS 19, for estimating staff severance indemnities, the following methods were used: the Traditional Unit Credit Method for companies with at least 50 employees, and the Projected Unit Credit Cost – service pro rate for the other companies, in accordance with the following stages:

- on the basis of a series of financial hypotheses (increase in living cost, remuneration, etc.), the possible future benefits which might be disbursed in favour of each employee registered in the programme in the case of retirement, decease, disability, resignation, etc. were projected. The estimate of the future performances takes into account any foreseeable increases corresponding to a further length of service, and to the alleged growth of the remuneration received at the date of estimate, only for the employees of companies with less than 50 employees;
- the current average value of future performances was calculated at the date of estimate, on the basis of the adopted annual interest rate, and of the probability of each performance to be really disbursed;
- the liability was established for each company concerned, to an extent equating to the average current value of the future benefits which will be generated by the provision existing as of the valuation date, without considering any future provision (for companies with at least 50 employees) or identifying the portion of the current average value of the future benefits which refer to the service already accrued by the employee as of the value date (for the other companies).

Financial assumptions

Inflation rate:	2%
Discount rate:	3%

Demographic assumptions:

Mortality:	SIM 2012 mortality tables M/F
Disability:	INPS 1998 M/F disability tables
<i>Resignation:</i>	<i>3.50% from 20 to 65 years of age</i>
Advance payments:	3% from 20 to 65 years of age
Retirement:	65 for men and 60 for women, with maximum length of service of 40 years

As from 1 January 2013 with retrospective efficacy, the Company adopted the new version of the accounting standard IAS 19 “employee benefits”. The most significant amendment made to the standard concerned the obligation to state all the actuarial gains/losses within the sphere of the OCIs, with consequent elimination of the so-called corridor approach.

Provisions for risks and charges (note 27)

(EUR 000)	31 December 2013	Provisions	Utilisation	31 December 2014
Provisions for risks and charges	1,863	79	(342)	1,600

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		111

Total	1,863	79	(342)	1,600
--------------	--------------	-----------	--------------	--------------

The provision for risks and charges as at 31 December 2014 essentially includes provisions for disputes with employees.

Current financial liabilities (note 28)

<i>(EUR 000)</i>	31 December 2014	31 December 2013
Payables to banks	65,351	143,730
Payables for financial leases (short-term)	10,464	4,208
Total	75,815	147,938

Payables to banks and to other lenders

The item "Payables to banks", amounting to around EUR 65.4 million, essentially includes bank debts owed by the Italian subsidiary Tiscali Italia S.p.A. and Veesible S.r.l. (EUR 12.5 million) and Tiscali UK Holding for EUR 52.8 million (short-term portion of Senior loan, see note 24 for details).

Payables for financial leases

Payables for financial leases, amounting to EUR 10.5 million, refer to the short-term portion of payables due to leasing companies for financial lease agreements. For further details, see note 24.

Payables to suppliers (note 29)

<i>(EUR 000)</i>	31 December 2014	31 December 2013
Payables to suppliers	91,348	94,001
Total	91,348	94,001

Payables to suppliers, which disclose a decrease with respect to last year, refer to trade payables for the supply of telephone traffic, data traffic, materials, technology and services of a commercial nature.

Other current liabilities (note 30)

<i>(EUR 000)</i>	31 December 2014	31 December 2013
Accrued expenses	3,691	3,337
Deferred income	39,018	38,837
Other payables	29,902	26,417
Total	72,611	68,592

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		112

Accrued expenses mainly refer to charges for staff.

Deferred income mainly refers to:

- the capital gain on disposal relating to the Sale & Lease back transaction on the Sa Illetta property, amounting to around EUR 15 million which is released pro-rata depending on the duration of the lease agreement;
- the deferral of the revenues deriving from the sale of transmission capacity pertaining to future periods, for around EUR 8.7 million;
- the deferral of the revenues for the activation of the ADSL and VoIP services in relation to the non-pertinent portion, for around EUR 15.2 million.

The item other payables, EUR 30 million, essentially includes:

- the balance of VAT payable for EUR 12.4 million.
- payables to the tax authorities and social security institutions for around EUR 8.6 million;
- amounts for the employees for EUR 1.5 million;
- payables relating to the ministerial grants concerning the Italian subsidiary for EUR 2.7 million;
- payables for AGCOM sanctions and IMU fine for EUR 1.9 million;
- amounts due for IRAP and other taxes with regard to the Italian subsidiaries for EUR 3.3 million.

Financial instruments

Financial risk management objectives

The Group's Corporate Treasury division provides business services, co-ordinates access to the financial markets, and monitors and handles the financial risk associated with Group operations by means of internal risk reports which analyse the exposures by degree and magnitude of the risk. These risks include market risks (inclusive of currency risks, fair value interest rate risks and price risks), credit risks and risks in cash flow interest rates.

Risk management linked with interest rate

In relation to the outstanding debt, mainly fixed rate, the Company does not feel that the risk related to fluctuating rates is significant, therefore it has not entered into any risk hedging transactions.

Handling of the liquidity risk

The following table considers the maturity of the financial investments for the next five years with particular indication of the amounts to be paid in 2014.

The cash flows shown in the table refer to the nominal amounts due on outstanding loans:

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		113

31 December 2014	Book value	Outgoing cash flows	less than 1 year	between 1 and 5 years	more than 5 years
(EUR 000)					
Secured bank loans - Senior Loan	133,352	157,050	60,667	96,383	-
Payables for financial leases - Sa Illetta	58,183	62,783	10,798	32,085	19,900
Payables for financial leases - other	256	256	256		
Payables for financial leases	58,439	63,039	11,054	32,085	19,900
Payables to suppliers and other payables	122,592	122,592	1,323	121,270	
Bank account overdrafts	12,534	12,534	12,534		

31 December 2013	Book value	Outgoing cash flows	less than 1 year	between 1 and 5 years	more than 5 years
(EUR 000)					
Secured bank loans - Senior Loan	131,791	136,701	107,761	28,939	-
Payables for financial leases	57,950	63,937	5,626	31,401	26,910
Payables to suppliers and other payables	123,762	123,762	3,346	120,416	
Bank account overdrafts	11,940	11,940	11,940		

Fair value

The following tables show the valuations respectively at 31 December 2014 and at 31 December 2013, of financial instruments present as of the balance sheet date:

(EUR 000)	31 December 2014	
	Book value	Fair value
Secured bank loans	133,352	135,644
Unsecured bank loans	12,534	12,534
Payables for financial leases	58,439	59,303

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		114

(EUR 000)	31 December 2013	
	Book value	Fair value
Secured bank loans	131,791	131,180
Unsecured bank loans	11,940	11,940
Payables for financial leases	57,950	50,749

The fair value of the financial instruments as indicated above was determined using the discounted cash flow method and taking as reference the market interest rates, in addition to contractual spreads (where applicable).

Stock options

There are no stock option or share incentive plans outstanding.

Disputes, contingent liabilities and commitments

During the normal course of its business, the Tiscali Group is involved in a number of legal and arbitration proceedings, as well as being subject to tax assessments.

A summary of the main proceedings to which the Group is a party, is presented below.

Civil and administrative proceedings

Dispute open with TeleTu

In June 2011, Tiscali Italia summonsed TeleTu S.p.A. before the Milan Court, requesting compensation of damages for EUR 10 million due to illegal conduct implemented by the defendant during the migration of users in the period January 2009-April 2011. The defendant made a counterclaim for alleged similar conduct adopted by Tiscali Italia, in turn requesting damage compensation for more than EUR 9 million. The outcome of the proceedings is not predictable.

Telecom dispute

In December 2014, Tiscali Italia summonsed Telecom Italia before the Milan Court, so as to obtain compensation for the damages suffered due to the excluding conduct adopted by Telecom to the damage of competitors which formed the subject matter of the ruling of the Anti-trust Authority No. 24339 dated May 2013 issued on conclusion of proceedings A-428 dated June 2010. The AGCM believed that Telecom Italia adopted abusive conduct in the three-year period 2009-2011, in detail: (i) the opposition of a significantly high number of KO (or rather negative responses) to the requests for activation of access services carried out by other operators, thereby establishing discriminatory treatment with respect to the same requests by the internal Telecom Italia S.p.A. divisions; (ii) the adoption of conduct for the unlawful squeezing of the profit margins of the competitors with reference to certain services dedicated to business customers. By virtue of the afore-mentioned ruling of the AGCM, Tiscali took steps to quantify, via a specific expert opinion, the damage suffered as a consequence of the conduct adopted by Telecom Italia S.p.A.; a value of over EUR 285 million emerged. To-date, it is not possible to make any prediction with regard to the outcome of the proceedings.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		115

Consob proceedings

On 29 October 2014, CONSOB notified Tiscali, pursuant to Articles 193.1 and 195.1 of the Consolidated Finance Law (TUF), of the failure to make the following available to the general public; by the legal deadlines: (i) the annual financial report as at 31 December 2013 (as well as the reports of the Board of Statutory Auditors and the independent auditing firm pertaining to this document); as well as (ii) the interim management report as at 31 March 2014. By the legal deadlines, the Company formulated its defence briefs, pleading, amongst other things, the absence of its responsibility for the subjective element or in any event the fact that its conduct cannot be found fault with, since the alleged delay was due to the extension of the negotiations with the Senior Financiers and the consequent uncertainty regarding the possibility of approving the accounting documentation in question with a view to the business as a going-concern. It being understood that the outcome of the proceedings cannot be predicted, in the event that the Company should be held responsible in any way, the possible fine would range between a minimum of EUR 5,000.00 and a legal maximum of EUR 500,000.00.

WOL dispute

In relation to the holding in World Online International BV, acquired by the Group in 2000, in July 2001, the Dutch association Vereniging van Effectenbezitters and the Stichting VEB-Actie WOL foundation, which represent a group of around 10,000 former minority shareholders of World Online International NV (hereinafter "WOL"), summonsed WOL (currently 99.5% owned by Tiscali) and the financial institutions tasked with the stock market listing of the Dutch subsidiary, disputing, in particular, the incomplete and incorrect nature, as per Dutch law, of certain information contained in the WOL listing prospectus and of certain public statements made by WOL and its Chairman immediately prior to and after the listing.

By means of provision dated 17 December 2003, the first level Dutch court deemed that in certain press releases issued by WOL prior to 3 April 2000, sufficient clarity was not provided regarding the declarations made public by its former chairman at the time of listing relating to his shareholding. Consequently, WOL was held responsible vis-à-vis the parties who had subscribed the shares of the company at the time of the IPO on 17 March 2000 (start date of trading) and who acquired shares on the secondary market up to 3 April 2000 (date on which the press release was issued, specifying the effective shareholding held by the former chairman of WOL). WOL appealed against this decision, citing the correctness of the listing prospectus.

On 3 May 2007, the Amsterdam Court of Appeal partially amended the decision of the first level court, deeming that the prospectus used at the time of listing was incomplete in some of its parts and that WOL should have corrected certain information relating to the shareholding held by its former chairman, reported by the media before said listing; furthermore, it was deemed that WOL had created optimistic expectations regarding its activities.

On 24 July 2007, the Dutch association and the foundation mentioned above proposed an appeal before the Dutch Supreme Court against the sentence of the Court of Appeal. On 2 November 2007, WOL and the financial institutions tasked with the stock market listing filed their counter-appeal. In November 2009, the Dutch Supreme Court pronounced its final sentence confirming the ruling of the Court of Appeal and ruled that the listing prospectus was not complete under certain aspects and that WOL management should have provided additional information during listing. It should be mentioned that the ruling is limited to ascertaining certain aspects of WOL's responsibility and that of the financial institutions handling the listing with regard to the obligations on disclosure during an IPO and defines certain principles that might be considered applicable to future court decisions (e.g. on the proof of cause), while it did not rule on the actual damages, which should be the object of new, separate and independent proceedings at the competent courts petitioned by investors. At present no such petition has been initiated.

A dispute of a similar nature to that described above was forwarded by another Dutch foundation, Stichting Van der Goen WOL Claims, in August 2001, and letters were subsequently received from

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		116

other parties, in which the hypothesis of proceeding with similar action was furthered, if the conditions should apply.

In August 2013, the Tiscali Group - having also taken into account the existing insurance coverage - entered into a settlement agreement with the financial institutions, on the basis of which the same financial institutions waive all compensatory action vis-à-vis WOL relating to the transactions carried out by them with the shareholders' associations indicated above.

The agreement envisaged an outlay, by WOL, of a sum amounting to EUR 1.75 million, made in September 2013.

You are also hereby informed that Stichting Van der Goen WOL Claims in December 2011 made an additional request for compensation representing a further 28 shareholders or those entitled, in which the hypothesis of proceedings with legal action was furthered. This request for compensation does not fall within the afore-mentioned settlement agreement which the Tiscali Group has finalised with the financial institutions. The same Stichting Van der Goen WOL Claims confirmed its claims by means of letter dated 6 March 2013 and, subsequently, launched legal proceedings, served on 19 June 2014, vis-à-vis WOL and the financial institutions tasked with the listing of said WOL.

On 1 October 2014, WOL filed the defence briefs, which was followed by the filing of the briefs by Van der Goen on 7 January 2015. WOL expects to present its counterclaims on 1 April 2015. With regard to the *petitum* of the dispute, the residual amount requested from WOL and the financial institutions involved comes to EUR 111 million. Also supported by the assessments of their legal advisors, the Directors believe that the risk of losing is not probable as things stand.

Criminal proceedings

In September 2013, Tiscali S.p.A. received notification, pursuant to Italian Legislative Decree No. 231/2001, of the conclusion of the preliminary investigations for alleged false corporate communications relating to the financial statements between 2008 and 2012; the subsidiary Tiscali Italia received the same notification in January 2014. The preliminary hearing has been fixed for 28 May 2015. The offence refers to the alleged erroneous accounting entries with reference to the provision made for the write-down of receivables. Pursuant to Article 25 *ter*, letter c) of Italian Legislative Decree No. 231/2001, in the event of conviction just a monetary fine would be applicable of 400 to 800 penalty units. The Company has undertaken the necessary defence action.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		117	

Segment reporting

Segment reporting is presented on the basis of the following segments:

- Italy (BTC and BTB connectivity);
- Vevisible (Media & Advertising);
- Corporate.

Income statement 2014

2014 (EUR 000)	Italy	Vevisible	Corporate	Other	Cancellation adjustments	Total
Revenues						
From third parties	190,388	22,277	135	-	-	212,800
Intra-group	7,670	3,845	4,084	-	(15,599)	-
Total revenues	198,058	26,122	4,219	-	(15,599)	212,800
Operating result	(13,383)	1,091	13,513	(111)	(1,384)	(274)
Portion of results of equity inv. carried at equity						-
Net financial income (charges)						(15,723)
Pre-tax result						(15,997)
Income taxes						(437)
Net result from operating activities (on-going)						(16,434)
Result from assets disposed of and/or destined for disposal						-
Net result						(16,434)

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		118	

Income statement 2013

2013 (EUR 000)	Italy	Vevisible	Corporate	Other	Cancellation adjustments	Total
Revenues						
From third parties	200,291	22,947	133	-	-	223,371
Intra-group	8,377	3,670	4,279	-	(16,326)	-
Total revenues	208,669	26,617	4,412	-	(16,326)	223,371
Operating result	9,754	256	(852)	128	(4)	9,283
Portion of results of equity inv. carried at equity						-
Net financial income (charges)						(13,226)
Pre-tax result						(3,943)
Income taxes						(839)
Net result from operating activities (on-going)						(4,782)
Result from assets disposed of and/or destined for disposal						-
Net result						(4,782)

Statement of financial position

31 December 2014 (EUR 000)	Italy	Vevisible	Corporate	Other	Cancellation adjustments	Total
Assets						
Segment assets	188,957	15,339	1,588	71		205,955
Equity investments carried at equity	-		-	-		-
Equity investments in other companies	1,982	-	-	-		1,982
Goodwill	-		-	-		-
Total consolidated assets	190,939	15,339	1,588	71		207,938
Liabilities						
Segment liabilities	247,171	15,300	737,739	1,652	(625,106)	376,756
Total consolidated liabilities	247,171	15,300	737,739	1,652	(625,106)	376,756

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		119

31 December 2013	Italy	Vevisible	Corporate	Other	Cancellation adjustments	Total
(EUR 000)						
Assets						
Segment assets	204,141	15,397	905	191		220,634
Equity investments carried at equity	-		-	-		-
Equity investments in other companies	2,099	-	-	-		2,099
Goodwill	-		-	-		-
Total consolidated assets	206,239	15,397	905	191		222,733
Liabilities						
Segment liabilities	243,358	14,835	329,999	344	(213,908)	374,628
Total consolidated liabilities	243,358	14,835	329,999	344	(213,908)	374,628

Commitments and other guarantees

A breakdown of guarantees given during 2014 is shown in the table below.

(EUR 000)	31 December 2014	31 December 2013
Guarantees given to third parties (sureties)	209,315	234,587
Commitments	1,600	1,600
Total	210,915	236,187

Sureties given mainly refer to the guarantee given for the loans granted by financial institutions as part of the restructuring of the Group's debt carried out during the year.

The same item includes the surety given by Tiscali S.p.A. to guarantee the amount of the loan associated with the Sale & lease back transaction on the Sa Illetta property, totalling EUR 59 million, carried out by the subsidiary Tiscali Italia S.p.A. and the amount of EUR 33.2 million for other guarantees. Other guarantees mainly include:

- EUR 20.9 million for guarantees given by the parent company for credit facilities and leasing to the subsidiary Tiscali Italia S.p.A..
- EUR 12.3 million for guarantees given by Tiscali Italia S.p.A., of which EUR 10.5 million in favour of Telecom Italia Spa to guarantee contractual commitments, EUR 1.1 million in favour of the Janna consortium to guarantee commitments undertaken when subscribing the share capital increase and EUR 0.5 million in favour of the Italian Inland Revenue.

The item commitments includes EUR 1.6 million for the maintenance of credit facilities granted to the subsidiary Tiscali Italia S.p.A..

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		120

One-off transactions

Pursuant to Consob Resolution No. 15519 dated 27 July 2006, it is hereby disclosed, in particular, that during 2014 specific debt positions were written off following agreements with suppliers for a total of EUR 2.4 million. Provisions were also made for charges relating to final tax assessments during the year for a total of EUR 2.4 million.

Atypical and/or unusual operations

Pursuant to Consob Communication dated 28 July 2006, it is hereby specified that during 2014 the Company did not enter into any atypical and/or unusual transactions, as defined by said Communication.

Transactions with related parties*Dealings with non-consolidated Group companies*

The Group has no significant dealings with non-consolidated companies.

Dealings with other related parties

During the year, the Tiscali Group had a number of dealings with related parties, under conditions considered normal on the respective reference markets, taking into account the characteristics of the goods and services provided.

The table below summarises the balance sheet and income statement values recorded in the Tiscali Group's consolidated financial statements at 31 December 2014 arising from transactions with related parties.

The most significant balances, at 31 December 2014, summarized by supplier of the services, are as follows:

INCOME STATEMENT VALUES			
(EUR 000)	Notes	2014	2013
Studio Racugno	1	(72)	(72)
Nuova Iniziativa Editoriale S.p.A. (*)	2	-	(222)
Monteverdi S.r.l.	3	(36)	-
TOTAL SUPPLIERS OF MATERIALS AND SERVICES		(108)	(294)
TOTAL		(108)	(294)

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		121

STATEMENT OF FINANCIAL POSITION VALUES			
(EUR 000)	Notes	31 December 2014	31 December 2013
Studio Racugno	1	(8)	(36)
Nuova Iniziativa Editoriale S.p.A. (*)	2		(114)
Monteverdi S.r.l.	3		
TOTAL SUPPLIERS OF MATERIALS AND SERVICES		(8)	(150)
TOTAL		(8)	(150)

- (1) *Studio Legale Racugno: the director Gabriele Racugno, member of Tiscali S.p.A.'s Board of Directors, since 21 December 2009, provides Tiscali Italia S.p.A. with legal and out-of-court assistance.*
- (2) *Nuova Iniziativa Editoriale S.p.A.: investee company of the majority shareholder, Renato Soru; the dealings during 2013 refer to an advertising concession and the provision of telecommunications services. It should be mentioned that the investment held by Renato Soru was in the name of Gabriele Racugno by virtue of a deed of trust. The latter was appointed member of the Board of Directors of Tiscali S.p.A. from 21 December 2009 to January 2010.*
- (3) *Monteverdi S.r.l.: a company invested in by the majority shareholder Renato Soru. The transaction in question refers to a rental agreement for space used to store company documents.*
- (*) *During 2014 Nuove Iniziative Imprenditoriali S.p.A no longer satisfied the definition of related party as per IAS 24.*

Remuneration of the directors, statutory auditors and executives with strategic responsibility

The remuneration due to the directors and statutory auditors of Tiscali S.p.A. and Tiscali Italia S.p.A. in 2014 in relation to the performance of their functions, in the parent company and other consolidated subsidiaries, is presented below:

(EUR 000)	2014	2013
Directors	765	721
Statutory Auditors	207	206
Total remuneration	972	927

The total value of the cost incurred in 2014 for the remuneration due to executives with strategic responsibility amounted to roughly EUR 1.4 million. This liability also includes the Group's contributions to public and corporate welfare funds for EUR 0.4 million.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		122

List of subsidiaries included in the consolidation area

A list of the subsidiary companies included within the consolidation area is presented below.

Company name	Registered Offices	% investment
Tiscali S.p.A.	Italy	
Tiscali Italia S.p.A.	Italy	100.00%
Veesible S.r.l.	Italy	100.00%
Indoona S.r.l.	Italy	100.00%
Istella S.r.l.	Italy	100.00%
Tiscali Holdings UK Ltd	UK	100.00%
Tiscali Finance SA (in liquidation)	Luxemburg	100.00%
World Online International NV	The Netherlands	99.50%
Tiscali International BV	The Netherlands	99.50%
Tiscali Financial Services SA	Luxemburg	99.50%
Tiscali Deutschland GmbH	Germany	99.50%
Tiscali GmbH	Germany	99.50%
Tiscali Verwaltungs GmbH	Germany	99.50%
Tiscali Business GmbH	Germany	99.50%
Tiscali International Network B.V.	The Netherlands	99.50%
Tiscali Business UK Ltd	UK	99.50%

List of equity investments in other companies recognised under other non-current financial assets.

Mix S.r.l.	Italy
Janna S.c.p.a.	Italy
Cosmolab Consortium	Italy
Tiscali Poland Sp Z.O.O.	Poland

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		123

Annex - Information pursuant to Article 149 *duodecies* of the Consob Issuers' Regulations

Type of service	Party providing the services	Beneficiary	Fee (EUR 000)
Accounts auditing	Reconta Ernst & Young S.p.A.	Parent Company - Tiscali S.p.A.	272
	Reconta Ernst & Young S.p.A.	Subsidiary companies	172
Other professional services	Reconta Ernst & Young S.p.A.	Parent Company - Tiscali S.p.A.	35
Total			479

Fees inclusive of the audit of the consolidated financial statements and the limited audit on the interim report.

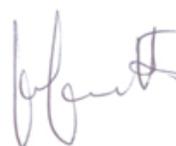
Cagliari, Italy, 19 March 2015

The Chief Executive Officer



Renato Soru

The Executive appointed to draw up the corporate accounting documents



Pasquale Lionetti

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		124

2014 consolidated financial statements certification pursuant to Article 81 *ter* of CONSOB Regulation No. 11971 dated 14 May 1999 and subsequent amendments and additions

The undersigned, Renato Soru in his capacity as Chief Executive Officer, and Pasquale Lionetti, in his capacity as Executive appointed to draw up the corporate accounting documents of Tiscali S.p.A., hereby certify, also taking into account the provisions of Article 154 bis (3 and 4), of Italian Legislative Decree No. 58 dated 24 February 1998:

- the adequacy in relation to the Company's characteristics;
- the effective application of the administrative and accounting procedures for the formation of the financial statements during 2014.

It is also hereby certified that the financial statements at 31 December 2014:

- were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union as well as the legislative and regulatory provisions in force in Italy;
- are consistent with the results of accounting books and entries;
- are suitable for providing a true and fair view of the equity, economic and financial situation of the issuer and all the companies included in the consolidation area.

In conclusion, it is hereby certified that the Report on operations includes a reliable analysis of the references to important events which have taken place during the year and their effect on the consolidated financial statements, together with a description of the main risks and uncertainties.

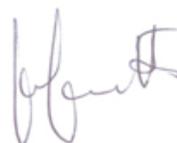
Cagliari, Italy, 19 March 2015

The Chief Executive Officer



Renato Soru

The Executive appointed to draw up the corporate accounting documents



Pasquale Lionetti

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		125

Tiscali S.p.A. financial statements as at 31 December 2014

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		126	

6 Tiscali S.p.A. – Accounting Statements and Explanatory Notes

6.1 Income statement

(EUR)	Notes	2014	2013
Revenues	1	4,399,062	4,411,665
Other income	1	-	-
Purchase of materials and outsourced services	2	(1,376,347)	(1,214,930)
Payroll and related costs	3	(1,923,718)	(1,699,399)
Other operating income/ (costs)	4	2,671,288	756,548
Write-down of receivables	5	(164,662)	(372,143)
Restructuring costs and other write-downs	5	(1,415,681)	(912,823)
Amortisation/depreciation		-	-
Operating result		2,189,942	968,918
Portion of result of equity investments carried at equity		-	-
Net financial income (charges)	6	(1,590,091)	(1,665,586)
Pre-tax result		599,851	(696,668)
Income taxes	7	(49,379)	(81,044)
Result from operating activities (on-going)		550,471	(777,711)
Result from assets disposed of and/or destined for disposal	8	-	-
Result for the year		550,471	(777,711)

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		127

6.2 Statement of comprehensive income

<i>(EUR 000)</i>	Notes	2014	2013
Result for the period		550	(778)
Other components of comprehensive income:			
Other components of comprehensive income which will be subsequently reclassified under profit/loss for the period			
Other components of comprehensive income which will not be subsequently reclassified under profit/(loss) for the period		(14)	(36)
<i>(Loss)/profit from revaluation on defined benefit plans</i>			
Total other components of comprehensive income:			
Total statement of comprehensive income result		536	(814)
Attributable to:			
<i>Shareholders of the parent company</i>		536	(814)
<i>Minority shareholders</i>			
		536	(814)

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		128	

6.3 Statement of financial position

(EUR)	Notes	31 December 2014	31 December 2013
<i>Non-current assets</i>			
Intangible assets		-	-
Properties, plant and machinery		-	-
Equity investments	9	136,169,734	130,987,422
Other financial assets	10	2,200,758	2,217,503
		138,370,492	133,204,925
<i>Current assets</i>			
Receivables from customers	11	311,781	4,045,954
Other receivables and other current assets	12	985,977	192,924
Cash and cash equivalents	13	367,968	7,292
		1,665,726	4,246,169
Total Assets		140,036,218	137,451,094
<i>Share Capital and reserves</i>			
Share Capital		92,052,030	92,022,779
Results from previous periods and Other reserves		(30,935,936)	(30,144,168)
Result for the year		550,471	(777,711)
Total Shareholders' equity	14	61,666,564	61,100,900
<i>Non-current liabilities</i>			
Other non-current liabilities	15	3,917,817	4,244,625
Liabilities for pension obligations and staff severance indemnities	16	208,196	204,063
Provisions for risks and charges	17	18,349,058	17,150,885
		22,475,071	21,599,572
<i>Current liabilities</i>			
Payables to banks and other lenders	18	-	-
Payables to suppliers	19	3,889,171	4,583,937
Other current liabilities	20	52,005,412	50,166,686
		55,894,582	54,750,623
Total Liabilities and Shareholders' equity		140,036,218	137,451,094

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		129

6.4 Statement of changes in shareholders' equity (EUR)

(EUR)	Share Capital	Legal reserve	Stock option reserve	Loss coverage reserve	Other reserves	Accumulated losses and Loss for the period	Total
Balance at 1 January 2013	92,019,514	90,734	-	-	(3,522,413)	(26,647,909)	61,939,927
Increases /Decreases	3,266				(35,918)	(28,663)	(61,315)
Transfers covering losses							-
Result for the year						(777,711)	(777,711)
Balance at 31 December 2013	92,022,779	90,734	-	-	(3,558,331)	(27,454,283)	61,100,900
Increases /Decreases	29,250				(14,057)		15,193
Transfers covering losses							-
Result for the year						550,471	550,471
Balance at 31 December 2014	92,052,030	90,734	-	-	(3,572,388)	(26,903,812)	61,666,564

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		130

6.5 Cash flow statement

CASH FLOW STATEMENT (EUR)	31 December 2014	31 December 2013
OPERATIONS		
Result from operating activities	550,471	(777,711)
<i>Adjustments for:</i>		
Depreciation of tangible assets	-	-
Amortisation of intangible assets	-	-
Receivable write-down provision	137,857	367,496
Release of provisions for risks previously provided	-	(155,000)
Other changes	(1,193,543)	(728,344)
Cash flow from operations before changes in working capital	(505,215)	(1,293,559)
(Increase)/Decrease in receivables	(248,577)	(2,460,455)
Increase/(Decrease) in payables to suppliers	1,312,454	240,962
Net changes in the provisions for risks and charges	1,198,173	(72,547)
Net change in provision for staff severance indemnities	-	-
Changes in other liabilities	(497,188)	3,220,524
Changes in other assets	(793,053)	(489)
Changes in working capital	971,809	927,995
CASH AND CASH EQUIVALENTS DERIVING FROM OPERATIONS	466,594	(365,564)
INVESTMENT ACTIVITIES		
- Changes in other financial assets	(121,113)	505,078
- Purchases of tangible fixed assets	-	-
- Purchases of intangible fixed assets	-	-
- Payments for the sale of financial fixed assets	1	-
NET CASH USED IN INVESTING ACTIVITIES	(121,112)	505,078
FINANCING ACTIVITIES		
Changes in financial assets	-	-
Increase (decrease) in other non-current liabilities	-	(76,273)
Changes in shareholders' equity	15,194	(61,316)
NET CASH DERIVING FROM/(USED IN) FINANCING ACTIVITIES	15,194	(137,589)
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	360,676	1,925
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	7,292	5,367
CASH AND CASH EQUIVALENTS	367,968	7,292

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		131

6.6 Explanatory Notes

Tiscali S.p.A. is a limited company incorporated under the laws of the Republic of Italy at the Cagliari Companies' Register. Tiscali S.p.A. is the Parent Company of the Tiscali Group which offers integrated Internet access services, telephony and multimedia services in particular positioning itself in the segment of IP technology services which makes it possible to provide voice and internet traffic on the same technological platform.

The financial information included in these statements is presented in euro (EUR) which is the currency used to conduct most of the parent company's operations.

The income statement and statement of financial position, cash flow statement, statement of changes in shareholders' equity are presented in Euro while the values indicated in the explanatory notes are presented in thousands of Euro.

Assessment of the business as a going-concern and future outlook

Events and uncertainties regarding the business continuity

Tiscali S.p.A. closed its financial statements as at 31 December 2014 with a profit of EUR 0.5 million and shareholders' equity of EUR 61.7 million; the company heads up a group (the "Tiscali Group") which, as at the same date, closed the financial statements with a consolidated loss of EUR 16.4 million and negative consolidated shareholders' equity of EUR 168.8 million. Furthermore, as at 31 December 2014, the Group had a gross financial debt of EUR 204.3 million and current liabilities greater than current assets (non-financial) for EUR 108.9 million.

As of 31 December 2013, the consolidated loss amounted to EUR 4.8 million, with negative consolidated shareholders' equity of EUR 151.9 million. Furthermore, as at 31 December 2013, the Group had a gross financial debt of EUR 201.7 million and current liabilities greater than current assets (non-financial) for EUR 106.5 million.

As from 2009, the Group, after having completed the disposal of Tinet and the UK subsidiaries, allocating the proceeds of the sale to the repayment of part of the debt, implemented action with the aim of achieving economic, equity and financial balance over the long term, and launching a phase of recovery for the sales activities, which has been reflected in the business and financial plan.

In a recessionary context, the transformation under way for some years in the telecommunications market has led to greater competitiveness and erosion of the revenues and the margin for the operators.

Progressive saturation for the fixed network broadband market, the sharp competition of the data proposals on the mobile networks and the possibility for customers to migrate from one provider to another has generated a greater response from the customers to promotions and consequently a declining trend of the prices.

In the presence of such factors (and other collateral ones such as the progressive replacement of the fixed lines with mobile ones, the increasing weight of the costs linked to customer service, the establishment of the so-called Over-The-Top products), Tiscali, like the other telecommunications companies, has rationalised its internal processes implementing rigorous cost cutting programmes to preserve margins and maintain the competitive position, as well as to try and diversify its revenue streams in web and Over-The-Top services.

During 2014, from an operational perspective and within a context involving competitive pressure in the market of accesses from a fixed network, management continued to pursue the following:

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		132

- action aimed at reducing costs and rationalising the internal process for the purpose of improving profitability;
- the strategy for control of the incoming customer base and debt collection. As at 31 December 2014, the customers using automatic payment methods reached around 67% of total customers.

Highlights for the year 2014 reveal the following in particular:

- a drop in Group revenues of 4.7% with respect to the same figure in 2013, mainly attributable to the decrease in Access revenues (-5.3%), and in particular the ADSL and VOIP component, in turn linked - to a predominant extent - to the reduction of the ARPU caused by additional promotions on the prices of services when compared with 2013, in an increasingly competitive market context, and a slight drop in the customer base (-3.4%).
- an increase in the mobile telephone customer base (active and operating SIMs as at 31 December 2014 amounting to around 91,699, with average monthly growth of around 6,700 units);
- an increase of 5.4% in business-to-business revenues (VPN, housing, domains and leased lines) compared with the previous year;
- focus on innovation through a new strategy for the development of web and Over-the-Top services.

All the activities listed above made it possible to generate cash and cash equivalents from operating activities for around EUR 34.1 million.

Furthermore, Tiscali took part in 2014 in the tender called by Consip S.p.A. (hereinafter also "CONSIP") for the supply of connectivity services in favour of the Public Administration Authorities ("SPC2 Tender" or "Consip Tender"), and on 14 May 2014 turned out to be the company with the best economic bid. In the following months, Tiscali's bid was subject to close examination in terms of suitability by the CONSIP awarding commission, an examination successfully passed as per the communication dated 24 December 2014. On said date, CONSIP also invited the other bidders to adapt their bid to the price list presented by Tiscali. As confirmed by the communication sent by CONSIP on 17 February 2015, in consideration of the acceptances received, on the basis of the tender mechanism, Tiscali shall have to carry out the services for a portion of the supply equal to 60% of the overall maximum amount. The current tender configuration with no more than three awarded parties also makes it possible to develop important commercial action also on the parties of the Local Public Administrations. As things stand, the Company is awaiting the completion of the formal controls, preparatory to the final assignment which is envisaged to take place by the end of the 1st half of 2015.

Given the matters stated above, the Directors - when assessing the existence of the assumption of the Group as a going-concern in the current macro-economic context and the current competitive scenario, have identified in the unbalanced equity, financial and economic situation which the Group is headed into, as shown by the negative consolidated shareholders' equity for EUR 168.8 million, due to the negative economic performance over the years and the weight of the considerable indebtedness, factors which indicate the existence of significant uncertainties.

In this context, since the first few months of 2013, the Tiscali Group launched a negotiation process aimed at restructuring the senior financial debt on a consensual basis in accordance with the Group Facilities Agreement ("GFA") entered into on 2 July 2009 with a number of financiers (hereinafter "Senior Financiers" or "Lenders"), for the purpose of ensuring an equity and financial structure capable of permitting, over the long-term, the achievement of a balanced economic, equity and financial situation.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		133

The negotiations with the Senior Financiers continued until presentation by the Company, in 2014, of a preliminary and non-binding proposal concerning, amongst other aspects, a recapitalisation of the Group, a partial rescheduling of the debt and a reset of the financial covenants envisaged by the GFA.

Subsequent to presentation of this proposal, which received the general consent of the Senior Financiers, a multi-stage negotiation process was commenced, on the outcome of which the Tiscali Group:

- on 17 December 2014, approved the business plan (“Business Plan”) and obtained, on 23 December 2014, the related asseveration carried out by a professional appointed as per Article 67.3, letter d) of the Italian Bankruptcy Law;
- on 22 December 2014, accepted the offer made by a leading Italian real estate fund relating to the transfer of the leasing agreement concerning the property Sa Illetta where the Group’s headquarters are located (the “Leasing Agreement”), which may be finalised between the parties on verification of specific conditions which must take place by 31 March 2015. The agreements relating to this transaction envisage, among other aspects, that the Tiscali Group continue to use the Sa Illetta property under market conditions; furthermore, if the disposal transaction should not be completed by 15 April 2015, the leasing companies involved have agreed to: (i) redefine the repayment plan; (ii) not avail themselves, until 30 April 2015, of any of the remedies envisaged in accordance with the Leasing Agreement;
- on 23 December 2014, entered into - with the Senior Financiers - a financial debt restructuring agreement pursuant to the GFA (Restructuring Agreements”), for the purpose of achieving, amongst other things: (i) a partial rescheduling of the debt as per the GFA (which, as of that date, amounted to around EUR 140 million); as well as (ii) a redefinition of the financial covenants, for the purpose of bringing them in line with the Business Plan. Specifically, in short the afore-mentioned agreements envisage:
 - the division of the entire debt vis-à-vis the Senior Financiers, amounting to around EUR 140 million as of the date of entering into the Restructuring Agreements, into three separate credit facilities: (i) Facility A1, for an amount of around EUR 42.4 million, to be repaid by 30 November 2015, primarily by means of the use of the proceeds of any share capital increases of the Company; (ii) Facility A2, for an amount of around EUR 42.4 million, to be repaid in six-monthly instalments, the last of which falling due on 30 September 2017; (iii) Facility B, for an amount of around EUR 55 million, to be repaid in six-monthly instalments, the last of which falling due on 30 September 2017;
 - in the event of early repayment of Facility A1, the possibility of benefiting from a discount of up to 10% on the face value of the debt repaid, in relation to the repayment timescales;
 - the possibility for the Company, assessing other forms of funding, to resort to additional share capital increases and to negotiate with the financiers in accordance with Facility A1 possible conversion into equity - upon the initiative of said Company and subordinate to the occurrence of certain specific conditions - of the residual portion of this credit facility;
 - an interest rate of 6.5% for 2014, 7.5% for 2015, 9% for 2016 and 10% for 2017;
 - financial covenants in line with the performances of the Tiscali Group envisaged in the Business Plan.
- on 24 December 2014, established an agreement with Société Générale relating to the subscription by the latter of a share capital increase against payment for a maximum of 1,000,000,000 ordinary Tiscali shares, lacking par value, with exclusion of the purchase option pursuant to Article 2441.5 of the Italian Civil Code (“Share Capital Increase”). The agreement

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		134

(“SEF Agreement”) contains the terms and conditions for the subscription, by said Société Générale (hereinafter also “SG”), of the Share Capital Increase, summarised in short below:

- the subscription may take place in several tranches, on the basis of requests discretionally made by Tiscali in accordance with the terms and conditions contained in the SEF Agreement (the “Subscription Requests”). In accordance with the Agreement, SG has committed to subscribing - for each tranche - a number of Shares equating to the lower between: (i) the number of shares indicated in the Subscription Request; (ii) the difference between: the maximum number of shares to be issued to serve the Share Capital Increase and the number of shares already subscribed by SG for the previous Subscription Requests; and (iii) the guaranteed number of shares, equating to the lower between: (1) 100,000,000 shares; (2) a number of shares equal to twice the arithmetic average of the daily volumes of the transactions relating to the Tiscali shares (with exclusion of the transactions carried out in blocks) in the 15 stock market days open immediately prior to the date of conclusion of each Pricing Period, as defined in the SEF Agreement; and (3) a number of shares equal to the ratio between EUR 7,000,000 and the subscription price of the shares. SG will in any event have the faculty, at its discretion, to subscribe the number of Shares indicated by the Company in the Subscription Request, when this quantity of shares also should exceed the limits as per the previous points (ii) and (iii);
- in accordance with the SEF Agreement, Société Générale may subscribe ordinary Tiscali shares for a total maximum equivalent value of EUR 42,500,000;
- pursuant to the Restructuring Agreements, the proceeds deriving from the Share Capital Increase shall be allocated exclusively to repaying Facility A1 in advance;

In pursuance of the agreement indicated above:

- on 30 January 2015, Tiscali’s shareholders’ meeting granted the Company’s Board of Directors authority to increase the share capital, in tranches, by means of the issue of a maximum of 1,000,000,000 ordinary shares of the Company and by means of exclusion of the purchase option pursuant to Article 2441.5 of the Italian Civil Code;
- on 16 February 2015, Tiscali’s Board of Directors approved the Share Capital Increase, in accordance with the authority granted above.

In conclusion, on 19 March 2015, Tiscali’s Board of Directors approved the up-date of the Business Plan, so as to take into account the afore-mentioned forward-looking developments of the Consip Tender and the results for the first few months of 2015, extending the timescale to 2018 (“2015-2018 Plan”). The 2015-2018 Plan hypothesises, amongst other aspects, the ability of the Group to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017. On the basis of the market analysis on corporate bond issues in the TLC sector, the Directors believe that this prospective debt can be refinanced in relation to the level of net debt / EBITDA envisaged for 2017 in the 2015-2018 Plan.

The achievement of a situation of equity, economic and financial balance for the Group over the long-term is consequently subordinate to the achievement of the results envisaged in the 2015-2018 Plan, and therefore the realisation of the forecasts and the assumptions contained therein relating, in general, to the evolution of the telecommunications market and the accomplishment of the growth objectives set (in a market context characterised by strong competitive pressure) and in particular: (i) to the positive conclusion of the Share Capital Increase and the consequent repayment of Facility A1; (ii) the final awarding of the Consip Tender; (iii) the transfer of the Leasing Agreements by the envisaged deadlines or alternatively the redefinition of the related debt repayment plan as agreed with the same leasing companies; and (iv) the ability to refinance the final instalment of the debt as per the Restructuring Agreements falling due in 2017.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		135

Final assessment of the Board of Directors

The Board of Directors, after lengthy discussion, has highlighted how the Group:

- generated, during 2014, cash and cash equivalents amounting to approximately EUR 34.1 million;
- continued its strategy for the development of mobile phone services and the sectors with high-growth potential, such as the media sector and Over-The-Top products;
- presented the best economic bid relating to the afore-mentioned Consip Tender and has passed the close suitability examination carried out by the CONSIP awarding commission;
- finalised the Restructuring Agreements of the GFA with the Senior Financiers, after having obtained the asseveration of the Business Plan;
- launched all the formal processes for the finalisation of the Share Capital Increase transaction, and in particular: (i) called the Tiscali shareholders' meeting which in extraordinary session held on 30 January 2015 granted the Company's Board of Directors suitable authorisation; (ii) called the Company's Board of Directors which on 16 February 2015 approved the Share Capital Increase; and (iii) filed the Information Prospectus required for the Share Capital Increase transaction care of CONSOB;
- accepted the offer made by a leading Italian real estate fund relating to the transfer of the Leasing Agreement concerning the Sa Illetta property and launched the formal processes necessary for the finalisation of the transaction defining, at the same time, the rescheduling of the repayment plan of the same (for the period 2015-2017) if said transfer should not be completed within the envisaged timescale;
- updated the Group's financial and business plan having taken into account the results of the first few months of 2015, in line with the Restructuring Agreements and the matters described above;
- signed as of today's date, a non-binding memorandum of understanding for a merger transaction with the Aria Group, an Italian Service provider which offers telecommunications services under Wimax throughout Italy and which in February 2008 was awarded the licence at the auction by means of which the Ministry of Communications deregulated the 3.5 GHz frequencies, utilisable for Wimax and for LTE. A new capital contribution, *inter alia*, from the shareholders of the Aria Group, is envisaged within the sphere of this transaction. The proposed transaction, if completed, would make it possible to strengthen Tiscali's coverage in the field of broadband access from the fixed and mobile networks, creating a sole operator on the Italian market capable of offering the entire range of services thanks to the combination of the two network infrastructures. The 2015-2018 Plan does not include any impact in relation to this transaction.

The Directors - despite disclosing how the recapitalisation and restructuring transaction relating to the Group, and consequently the implementation of the 2015-2018 Plan, are subject to the occurrence of specific conditions, including in particular:

- the positive conclusion of the Share Capital Increase and the consequent repayment of Facility A1;
- the final awarding of the contract for the entrusting of the connectivity services within the sphere of the Public Connectivity System by CONSIP;
- the transfer of the Leasing Agreement by the envisaged deadline or alternatively the redefinition of the related debt repayment plan as agreed with the same leasing companies;

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		136

- the ability to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017;

as well as the achievement of the envisaged growth objectives, on the basis of the matters indicated above, believe that the positive conclusion of the Group restructuring and recapitalisation process is reasonable, so as to be able to proceed with the implementation of the 2015-2018 Plan, thereby permitting over the long-term the achievement of a balanced equity, financial and economic situation.

In conclusion, the Directors - analysing the aspects already achieved within the sphere of the process aimed at permitting the Group to achieve a situation of economic, equity and financial balance over the long-term, acknowledge that as of the current date, and as already indicated in the financial statements relating to 2013, uncertainties remain relating to events or circumstances which could lead to significant doubts as to the Group's ability to continue operating on the basis of the assumption of a going-concern. However, after making the necessary checks and after assessing the uncertainties found in light of the factors described above, taking into account the matters envisaged by the Restructuring Agreements with regard to the Group recapitalisation and debt restructuring transaction, they have the reasonable expectation that it is possible to achieve a financial structure for the Group in line with the expected cash flows and that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when preparing these financial statements.

This assessment is naturally the result of a subjective opinion, which has compared - with respect to the events indicated above - the degree of probability of their occurrence with the opposite situation. It must be noted that the prognostic opinion underlying the decision of the Board, is liable to be contradicted by the evolution of events. Precisely because it is aware of the intrinsic limits of its decision, the Board of Directors will constantly monitor the evolution of the factors taken into consideration (as well as any other additional circumstance which takes on significance), so as to be able to promptly adopt the necessary measures, also in terms of recourse to the procedures envisaged by the law for business crisis situations.

Form and content of the accounting statements

Basis of preparation

The 2014 statutory financial statements represent the separate financial statements of the Parent Company Tiscali S.p.A. and have been prepared in observance of the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as approved by the European Union, as well as the instructions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005. The IFRS are understood to be all the reviewed international accounting standards ("IAS") and all the interpretations by the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC").

Preparation of the financial statements requires management to make accounting estimates and in certain cases assumptions in the application of accounting standards. The areas of the financial statements which, under the circumstances, presuppose the adoption of applicative assumptions and those more fully characterized by estimates made, are described in the note *Critical decisions in applying accounting standards and in the use of estimates*.

Financial statement formats

The consolidated financial statements are composed of accounting statements (Income Statement, statement of financial position, Statement of changes in consolidated shareholders' equity, and Cash Flow Statement), with explanatory notes. The Income Statement was drawn up in line with the minimum contents fixed by IAS 1 – Presentation of Financial Statements – with costs assignment by nature; the statement of financial position was drawn up by following the scheme pointing out the

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		137

division of “current/non-current” assets and liabilities; the Cash Flow Statement was drawn up by following the indirect method.

Accounting standards

General principles

The financial statements were prepared in compliance with the IAS/IFRS International Financial Reporting Standards (IFRS). The main accounting standards are detailed below. These standards were applied consistently to all periods presented.

Preparation of the financial statements requires management to make accounting estimates and in certain cases assumptions in the application of accounting standards. The areas of the financial statements which, under the circumstances, presuppose the adoption of applicative assumptions and those more fully characterized by estimates made, are described in the subsequent note of this section.

Equity investments in subsidiaries

Equity investments in subsidiaries and affiliated companies are recognised at cost, adjusted for any permanent impairment.

In application of IAS 36, the value of equity investments recognised at cost is reduced if there is impairment or if circumstances emerge that indicate that said cost is not recoverable. If the impairment is discovered to no longer apply or is reduced, the book value is increased to the new estimated recoverable value, within the limits of the value recognised initially.

Losses in value on assets (Impairment)

The book value of equity investments, other intangible assets and properties, plant and machinery is tested for impairment whenever there is an indication that the asset may have suffered impairment. The assets in question are tested annually or more frequently if there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs. The recoverable amount is the higher between the ‘fair value’ less sales costs and its utilisation value. When assessing the utilisation value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments on the value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its book value, the latter is written down to its recoverable amount. The relevant impairment is booked to the income statement under write-downs. If the reasons for impairment are considered to no longer apply in the current year, the book value of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but not beyond the net book value that would have been determined had no impairment been recognised for the asset in previous years. An impairment reversal is booked to the income statement.

Other financial assets

Other financial assets are valued, consistently with IAS 39 provisions for financial assets ‘available for sale’, at fair value or alternatively at cost whenever fair value cannot be reliably calculated. Gains and losses from changes in fair value are directly booked to equity until the security is disposed of or is

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		138

impaired, at which time the cumulative gain or loss previously booked to equity is included in the income statement for the period. The original value is reinstated in the following periods if the reasons for the write-down are considered to no longer apply.

Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate in force at the time of the transaction

Monetary assets and liabilities stated in foreign currency are converted at the exchange rate in force at the financial statement reference date. Exchange rate differences generated by the discharge of currency items or by their conversion at rates other than those at their initial recording in the year or at the end of the previous financial year are booked to the income statement.

Loans and receivables

Tiscali S.p.A.'s loans are stated under the "other non current financial assets", "loans to customers", "other loans and sundry current assets" and "other current financial assets" items and are valued, if they have a fixed maturity, at amortised cost, using the effective interest rate method. When financial assets have no fixed expiry, they are estimated at the acquisition cost. Estimates are regularly carried out with the aim of making sure whether there is objective evidence that a financial asset or a group of assets have been subject to impairment. If there is objective evidence, the impairment must be recorded as a cost in the income statement for the period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, on-demand and short-term deposits, in the latter case with an original maturity envisaged of no more than three months.

Payables and financial liabilities

Tiscali S.p.A.'s payables and financial liabilities are stated under the "payables to banks and other financial institutions", "other non-current liabilities and "payables to suppliers" items and are recorded at face value. Financial payables are initially stated at cost, equating to the fair value of the amount received, net of related charges. Subsequently, these payables are stated at amortised cost using the effective interest rate method, calculated considering the issue costs and any other premium or discount envisaged on settlement.

Liabilities for pension obligations and staff severance indemnities

Defined benefit schemes (as classified by IAS 19), in particular the Staff Severance indemnities relating to employees of the parent company and the subsidiaries with registered offices in Italy, are based on valuations performed at the end of each financial year by independent actuaries. The liability recognised in the statement of financial position is the current value of the obligation payable on retirement and accrued by employees at the statement of financial position date. It should be specified that no assets are held in support of the above scheme.

As from 1 January 2007, the 2007 Finance Bill and the related implementing decrees introduced significant amendments to the regulation of staff severance indemnities (TFR), including the worker's choice regarding the allocation of their accruing TFR to supplementary welfare funds or to the "Treasury Fund" managed by INPS (national insurance institute for social security).

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		139

Therefore, the obligation vis-à-vis INPS and the contribution to the supplementary pension schemes takes on the form, as per IAS 19, of “Defined contribution schemes”, while the portions recorded in the staff severance indemnity (TFR) remain “Defined benefit schemes”.

Furthermore, the law changes taking place starting from 2007 implied a new calculation of actuarial assumptions, and of the consequent methods used to calculate staff severance indemnities, whose effects were directly booked to the income statement.

As from 1 January 2013 with retrospective efficacy, the Company adopted the new version of the accounting standard IAS 19 “employee benefits”.

Remuneration schemes involving interests in the share capital

The Group has assigned certain members of senior management and employees additional benefits via plans for interests in the share capital (stock option plans). These plans expired on 3 May 2012.

The cost, represented by the fair value of the stock options as of the date of allocation was recorded, for accounting purposes in accordance with IFRS 2- Share-based payment in the income statement with a matching balance directly under shareholders’ equity.

Provisions for risks and charges

Provisions for risks and charges relating to potential legal and tax liabilities are established following estimates performed by Directors on the basis of judgements developed by the Group legal and tax advisors, concerning the charges that are reasonably deemed to be incurred in order to settle the obligation. If in relation to the final result of such judgements, the Group is called upon to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Treasury shares

Treasury shares are booked to reduce the shareholders’ equity.

Revenue recognition

Revenues are recognised to the extent that it is probable that financial profits will flow to Tiscali S.p.A. and their amount can be reasonably estimated; they are represented net of discounts, allowances and returns.

Revenues for the provision of services are stated in the income statement with reference to the stage of completion of the service and only when the result of the service can be reliably estimated.

Financial income and charges

Interest received and paid is recognised using the effective interest rate method.

Taxes

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

The *tax currently payable* is based on taxable income for the year. Taxable income differs from the result reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible. Liability for current tax is calculated using tax rates applicable at the statement of financial position date.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		140

Critical decisions in applying accounting standards and in the use of estimates

In the process of applying the accounting standards disclosed in the previous section, Tiscali's directors made some significant decisions in view of the recognition of amounts in the financial statements. The directors' decisions are based on historical experience as well as on expectations associated with the realisation of future events, considered reasonable under the circumstances.

Assessment of whether primary assets reported can be recovered is based on the estimate of income and financial flows the Group feels it will be able to generate in the future. As more fully described in the note "Assessment of the business as a going-concern", achieving the results set forth in the business and financial plan, used for the assessment, depends on whether the forecasts and assumptions contained therein are reached. Some of these variables are beyond the control of the Directors and the Group management, as described in the section "*Assessment of the business as a going-concern and future outlook*".

Accounting estimates and relevant assumptions

Provisions for risks and charges

Provisions for risks and charges relating to potential legal and tax liabilities are established following estimates performed by Directors on the basis of judgements developed by the Group legal and tax advisors, concerning the charges that are reasonably deemed to be incurred in order to settle the obligation. If in relation to the final result of such judgements, the Group is called upon to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Equity investments

Impairment testing, with particular regard to equity investments, is performed annually as indicated previously under "Impairment of assets". The ability of each unit (investment) to produce cash flows sufficient to recover the value recorded in the financial statements is determined on the basis of forecast economic and financial data of the company concerned or any subsidiaries. The development of such data, as well as the determination of an appropriate discount rate, requires a significant use of estimates

Fair value calculation

Depending on the instrument or financial statements item to be estimated, the directors identify the most suitable method, by taking into consideration objective market data as much as possible. In absence of market values, that is, quotations, estimating techniques are used, with reference to the ones which are most commonly used.

Accounting standards, amendments and interpretations effective from 1 January 2014

The international accounting standards, the changes to the existing standards and the interpretations, relevant for the Company, adopted for the first time as from 1 January 2014, are presented below:

IFRS 10 - Consolidated Financial Statements, IAS 27 (2011) - Separate Financial Statements

IFRS 10 introduces one single control model to be applied to all companies, including special purpose entities. IFRS 10 supersedes the section of IAS 27 - *Consolidated and separate financial statements* which regulates the accounting of the consolidated financial statement and SIC-12 - *Consolidation – Special Purpose Vehicles*. IFRS 10 changes the definition of control by stating that an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		141

investee and has the ability to affect these returns through its power over the investee. An investor controls an investee if and only if the investor has all of the following elements at the same time: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The accounting treatment and consolidation procedures are by contrast unchanged with respect to that currently envisaged by IAS 27. IFRS 10 did not have any impact on the Company's financial statements.

IFRS 11 – Joint arrangements and IAS 28 (2011) – Investments in associates and joint ventures

IFRS 11 supersedes IAS 31 - *Interests in joint ventures* - and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* and eliminates the option of recognising the jointly controlled companies using the proportionate consolidation method. Jointly controlled companies that comply with the definition of a joint venture must be carried at equity.

Following the introduction of the new IFRS 10 and 12, IAS 28 was renamed *Investments in associates and joint ventures* and describes the application of the shareholders' equity method for investments in jointly-controlled companies, in addition to associates.

There are no significant impacts on the Company's consolidated financial statements following the application of these amendments.

IFRS 12 - Disclosure on interests in other entities

IFRS 12 indicates the disclosure requirements for interests in subsidiaries, joint-control arrangements, associated companies and structured entities. The requirements of IFRS 12 are more complete with respect to the previous disclosure requirements for subsidiaries, for example in the case where an entity exercises control with less than the majority of the voting rights. The Company does not hold interests in subsidiary companies in which significant minority interests are present, furthermore it does not hold interests in non-consolidated structured entities. The information required by IFRS 12 is presented in the explanatory notes.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities

These amendments - which must be applied retrospectively - apply to a particular class of business that qualifies as investment entities pursuant to IFRS 10 - *Consolidated Financial Statements*. This exception to the consolidation requires that an investment entity must evaluate the performance of its subsidiaries on a fair value basis through the income statement. These amendments have not had an impact for the Company.

Amendments to IAS 32 – Offsetting financial assets and liabilities

These amendments, which apply retrospectively, clarify the meaning of “*currently has a legally enforceable right to set off the recognised amounts*” and the offsetting criteria in the case of settlement systems (such as centralised clearing houses) which apply mechanisms for non-simultaneous gross settlements.

These amendments did not have any impact on the Company's financial statements.

Amendments to IAS 36 - Supplementary information on the recoverable value of the non-financial assets.

These amendments remove the consequences unintentionally introduced by IFRS 13 on the disclosure requirements set by IAS 36. In addition, these amendments require disclosure of the recoverable amount of any assets or CGU for which, during the period, an impairment loss has been recognised or “reversed”. There have been no impacts on the disclosures provided in the notes to the Company's financial statements.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		142

Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting

Under these amendments, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met. These amendments did not have any impact on the Company's financial statements.

2010-2012 annual improvement project – As part of the 2010-2012 annual improvement project, the IASB issued seven amendments to six accounting standards, which include the amendments to IFRS 13 - *Fair value measurement*. The amendment to IFRS 13, which came into force immediately, and therefore as from 1 January 2014, clarifies, in the *Basis for conclusions*, that short-term receivables and payables which do not have a declared interest rate, can be recognised at the value emerging from the invoice if the amount of the discounting back is irrelevant. This amendment to IFRS 13 has not had any impact on the Company.

2011-2013 annual improvement project – As part of the 2011-2013 annual improvement project, the IASB issued four amendments to four accounting standards, including IFRS 1 - *First time adoption of the IFRS*. The amendments to IFRS 1, which is in force as from 1 January 2014, clarifies in the *Basis for Conclusions* that an entity may choose to apply the accounting standard already in force or a new accounting standard not yet obligatory but whose early adoption is permitted, provided that this standard is applied on a consistent basis in all the periods subject to presentation in the first set of IFRS financial statements of the entity. This amendment to IFRS 1 has not had any impact on the Company, since the Company is not a first time adopter.

International accounting standards and/or interpretations issued but not yet in force and/or approved

The new standards and interpretations significant for the Company, already issued but not yet in force or not yet approved by the European Union as of 31 December 2014, and therefore not applicable, are listed briefly below. None of these standards or interpretations have been adopted by the Company in advance. The preliminary analysis carried out does not envisage significant impacts on the consolidated financial statements from the application of these standards and interpretations.

Standards approved but not yet in force

- **IFRIC 21 - Levies** - The interpretation defines the accounting treatment of the liabilities for government taxes and levies other than income taxes in relation to the moment when an entity can recognise these liabilities. The interpretation was approved by the European Union in June 2014 (Regulation EU 634/2014) and will apply in the financial statements which commence as from 17 June 2014, or after.
- **Amendments to IAS 19 - Employee benefits - defined-benefit plans: contribution by employees or third parties** - These amendments introduce the distinction between types of contributions envisaging a different accounting approach. These changes were approved by the European Union in December 2014 (EU Regulation No. 2015/29) and apply in the financial statements which commence as from 1 July 2014, or subsequently.
- **Annual improvements to IFRS cycle 2010-2012** (issued by the IASB in December 2013) - These amendments, whose applicability is envisaged as from the financial statements which commence as from 1 July 2014, or subsequently, with the exception of the amendments to IFRS 13 which apply immediately, were approved by the European Union in December 2014 (Regulation EU 2015/28).
- **Annual improvements to IFRS cycle 2011-2013** (issued by the IASB in December 2013) - These amendments, whose applicability is envisaged as from the financial statements which commence as from 1 July 2014, or subsequently (with the exception of the amendment to IFRS 1 which is in force as from 1 January 2014), were approved by the European Union in December 2014 (Regulation EU 1361/2014).

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		143

Standards issued, but not yet approved

- **IFRS 9 - Financial Instruments** (issued in July 2014) - IFRS 9 will ultimately replace IAS 39 *Financial instruments: Recognition and Measurement*, and its main objective is to reduce the complexity. IFRS 9 and all the related amendments have not yet been approved. At the moment, the impacts deriving from the future application of the standard are not quantifiable (envisaged as from 1 January 2018).
- **IFRS 15 - Revenue from Contracts with Customers** – Published jointly by the IASB and FASB in May 2014, the standard should improve the quality and uniformity of the recognition of the revenues as well as the comparability of the financial statements drawn up according to the IFRS and the US GAAP. At the moment, the impacts deriving from the future application of the standard have not yet been quantified (envisaged as from 1 January 2017, with the possibility of early adoption).
- **Annual improvements to IFRS cycle 2012-2014** (issued by the IASB in September 2014) - These amendments, whose applicability is envisaged as from 1 January 2016, have not yet been approved by the European Union. They involve a series of amendments to the IFRS, in response to the queries which emerged in 2012-2014. The standards subject to amendment are four: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 - *Financial Instruments: Disclosures*, IAS 19 - *Employee Benefits* and IAS 34 - *Interim Financial Reporting*.
- **Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** – The amendments have the aim of clarifying the accounting treatment, both in the case of loss of control over a subsidiary (disciplined by IFRS 10) and in the cases of downstream transactions disciplined by IAS 28, depending on whether the subject matter of the transaction is (or is not) a business, as defined by IFRS 3. These amendments, which could come into force as from 1 January 2016 (with possibility of early application), have not yet been approved by the European Union.
- **Amendments to IAS 27 - Equity Method in Separate Financial Statements** – The amendments to IAS 27 will permit the entities to use the equity method for recording investments in subsidiaries, joint ventures and associates in the separate financial statements. These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.
- **Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation** – these amendments have the aim of clarifying that an amortisation or depreciation method based on revenues generated by the asset (so-called revenue-based method) is not considered appropriate since it exclusively reflects the flow of revenues generated by this asset and not, by contrast, the method of consumption of the economic benefits incorporated in the asset. These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.
- **Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations** – these amendments have the aim of clarifying the accounting treatment for the acquisitions of interests in a joint operation which represents a business. These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.
- **Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the Consolidation Exception** – the amendments have the aim of clarifying certain applicative aspects on the fair value measurement of the investment entity subsidiaries. These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.
- **Amendments to IAS 1 - Disclosure Initiative** - These amendments, which will come into force as from 1 January 2016, have not yet been approved by the European Union.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		144

Revenues and Other income (note 1)

Operating revenues are represented by:

Revenues (EUR 000)	2014	2013
Revenues from services provided to Group companies	4,264	4,279
Revenues from services to third parties	135	133
Revenues	4,399	4,412
Other income	-	-
Other income	-	-
Total	4,399	4,412

Revenues from services provided to Group companies mainly refer to the invoicing of services provided by the Company in favour of the operating subsidiary Tiscali Italia S.p.A., including the charges for the licence to use the Tiscali trademark calculated as a percentage of the sales revenue of the company using said trademark.

The residual balance of EUR 0.1 million comprises sundry revenues, costs recharged and out-of-period income.

Revenues by country (EUR 000)	2014	2013
Revenues from services provided to Group companies	4,264	4,279
- <i>Italy</i>	4,264	4,279
Revenues from services to third parties	135	133
- <i>Denmark</i>	26	26
- <i>South Africa</i>	40	40
- <i>Switzerland</i>	7	10
- <i>The Netherlands</i>	24	24
- <i>Italy</i>	38	32
	4,399	4,412

Purchase of materials and outsourced services (note 2)

(EUR 000)	2014	2013
Purchase of materials and outsourced services	1,376	1,215
Total	1,376	1,215

Costs for the purchase of materials and outsourced services include costs for external HQ consulting services for EUR 0.6 million and other costs for external services for EUR 0.7 million.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		145

Payroll and related costs (note 3)

Payroll and related costs are stated in detail as follows:

(EUR 000)	2014	2013
Wages and salaries	1,457	1,292
Other personnel costs	467	408
Total	1,924	1,699

With regard to the payroll and related costs, there was a minor saving deriving from the use of the solidarity agreement achieved by the Group in 2014, with respect to the previous year, also due to the transfer of a number of resources to the subsidiary Tiscali Italia S.p.A. during the last few months of 2014.

At 31 December 2014, the Tiscali Group had 5 FTE employees. The breakdown by category and the corresponding balance at 31 December 2013 are presented below.

Category	2014	2013
Executives	5	5
Middle managers	-	1
Office staff	-	3
Total	5	9

Other operating income/ (costs) (note 4)

The table below shows a breakdown of these costs:

EUR 000	2014	2013
Other operating costs/(income)	2,671	757
Total	2,671	757

The item includes the net effect deriving from sundry operating charges for EUR 0.1 million, write-offs of liabilities from previous years for around EUR 0.6 million as well as the positive effect of the recognition of the amount due from Synergo SGR for the issue of the escrow relating to the sale of Tinet S.p.A. for EUR 0.5 million. The item also includes the recharge to the subsidiary Tiscali Italia S.p.A. of the fines accrued on the VAT payable pertaining to the same.

Write-downs of receivables and other write-downs (note 5)

EUR 000	2014	2013
Write-down of receivables	165	372
Restructuring costs and other write-downs	1,415	913
Total	1,580	1,285

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		146

The item "Restructuring costs and other write-downs" includes the professional charges incurred for the signing of the new Senior debt restructuring agreement, on 23 December 2014, for EUR 1.4 million.

The other write-downs refer by contrast to the credit positions vis-à-vis the UK subsidiary deemed as unrecoverable.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		147	

Financial income (charges) (note 6)

EUR 000	2014	2013
Financial income		
Interest on bank deposits	-	-
Other	83	63
	83	63
Financial charges		
Interest and other charges due to banks	(4)	(10)
Other financial charges	(1,669)	(1,718)
	(1,673)	(1,728)
Net financial income (charges)	(1,590)	(1,665)

Net financial charges, disclosing a negative balance of EUR 1.7 million, refer mainly for EUR 1.2 million to the interest on the GFA debt incurred by the parent company Tiscali S.p.A..

Income taxes (note 7)

EUR 000	2014	2013
Current taxes	49	81
Prepaid taxes	-	-
Other taxes	-	-
Net taxes for the year	49	81

The balance of current taxes includes IRAP (regional business tax) and IRES (company earnings' tax) for the year.

Result from assets disposed of and/or destined for disposal (note 8)

EUR 000	2014	2013
Profit from assets disposed of and/or destined for disposal	-	-
Result from assets disposed of and/or destined for disposal	-	-
Result from assets disposed of and/or destined for disposal	-	-

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		148	

Equity investment (note 9)

At 31 December 2014, this item included equity investments in subsidiaries, for a total of EUR 136 million.

SUBSIDIARIES (EUR 000)	31 December 2014			31 December 2013		
	Cost	Revaluations/ (Write-downs)	Book value	Cost	Revaluations/ (Write-downs)	Book value
Tiscali Deutschland Gmbh	-	-	-	283,475	(283,475)	-
Tiscali Finance SA	22,218	(22,218)	-	22,218	(22,218)	-
Tiscali Italia S.p.A.	136,170	-	136,170	130,956	-	130,956
World Online International N.V.	1,811,994	(1,811,994)	-	1,811,994	(1,811,994)	-
Tiscali Financial Services Sa	-	-	-	31	-	31
Tiscali UK Holdings Ltd	-	-	-	-	-	-
	1,970,382	(1,834,213)	136,170	2,248,674	(2,117,687)	130,987

The table below indicates movements in the period.

SUBSIDIARIES (EUR 000)	Balance			Revaluations/ (Write-downs)	Other changes	Balance 31 Dec. 2014
	31 Dec. 2013	Increases	(Disposals)			
Tiscali Deutschland Gmbh	-	-	-	-	-	-
Tiscali Finance SA	-	-	-	-	-	-
Tiscali Italia S.p.A.	130,956	5,214	-	-	-	136,170
World Online International N.V.	-	-	-	-	-	-
Tiscali Financial Services Sa	31	-	(31)	-	-	-
Tiscali UK Holdings Ltd	-	-	-	-	-	-
	130,987	5,214	(31)	-	-	136,170

The increase in the value of the equity investment in Tiscali Italia S.p.A. amounting to EUR 5.2 million refers to the waiver of the amount receivable due from the same subsidiary for the entire amount while the decrease in the value of the equity investment in Tiscali Financial Services Sa refers to the sale of the same to the subsidiary Tiscali International B.V. in January 2014.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		149

Checks on the value reductions in equity investments in subsidiary companies

In consideration of the presence of impairment indicators, an impairment test was performed on assets, in accordance with IAS 36 and prescribed in the joint Bank of Italy / Consob / ISVAP document.

The impairment test on assets was performed by comparing the value of assets reported at 31 December 2014 and their utilization value, determined based on the following essential elements.

(v) Definition of Cash Generating Units

The Group identified the Cash Generating Units with the segments set forth in the segment reporting. The impairment test on assets was performed with respect to the Cash Generating Units identified;

(vi) Criteria for estimating the recoverable amount

The utilization value of the Cash Generating Units (CGU) was determined by discounting the cash flows deriving from the 2015-2018 Plan approved by the Board of Directors.

With regard to the economic/financial objectives, the main assumptions concern:

- explicit forecast period equating to the remaining plan duration;;
- EBITDA emerging from market and business development hypothesis;
- investments to maintain the expected development of the business and the pre-established level of profitability;
- determination of the terminal value calculated as perpetuity based on the projection of the last year of the plan;
- the WACC rate determined on the basis of market valuations of the cost of money and specific risks related to the company's core business;
- terminal growth rate (Long-Term Growth LTG) equal to 1.5%.

The cost of the capital was estimated considering the calculation criteria provided by the CAPM (Capital Asset Pricing Model). In particular in the determination of the WACC:

- the beta coefficient was valued considering both the value of Tiscali over various timescales for a period of more than twelve months;
- the spread of the credit on the risk free element was valued in line with the conditions of current debt;
- the risk premium was valued within a prudent range with respect to the current conditions of financial markets.

Based on these parameters, the WACC used for the impairment tests was 8.59%.

At Tiscali S.p.A. level, the impairment test was carried out by comparing the value of the equity investment in Tiscali Italia recorded in the financial statements of Tiscali S.p.A. (book value), with the enterprise value of the Tiscali Italia CGU, inclusive of Vevisible (recoverable value).

The result of the impairment test shows a positive difference between the recoverable value and book value, therefore Tiscali S.p.A. is not obliged to make any write-down of the investment in Tiscali Italia.

(vii) Sensitivity analysis of the impairment test results

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		150

In consideration of the current scenario and the results of the impairment tests performed for the period ended 31 December 2014, an analysis was made on the sensitivity of the recoverable value estimated using the discounted cash flow method. The discount rate is considered a key parameter in the estimate of recoverable value. An increase of 1% would lower the positive difference between estimated recoverable value and book value. This difference would continue to be positive.

(viii) Considerations on the presence of external impairment indicators

Considering the current market situation, certain considerations on the presence of external impairment indicators were made especially with regard to evidence from the financial market. For that purpose, the market capitalization of the Tiscali Group does not give rise to elements departing from the results of the impairment tests.

Other information

SUBSIDIARIES (EUR 000)	Registered Offices	Share Capital	Shareholders' equity	Result	% Held	Book value
Tiscali Finance SA (in liquidation) (*)	Luxemburg	125	(36)	(6)	100%	-
Tiscali Italia S.p.A.	Cagliari Maarsen	18,794	3,279	(21,637)	100%	136,170
World Online International N.V (*)	(NL)	115,519	-	-	99.5%	-
Tiscali UK Holdings Ltd (*)	London	59	(317,762)	(12,755)	100%	-
Total						136,170

(*) Data as at 31 December 2014 shown in the reporting packages drawn up for consolidation purposes

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		151	

Other non-current financial assets (note 10)

(EUR 000)	31 December 2014	31 December 2013
Receivables from Group companies	2,210	2,218
Other receivables	-	-
Total	2,210	2,218

Other non-current assets include financial receivables due from Group companies amounting to EUR 2.2 million.

The financial receivables due from Group companies are detailed below:

(EUR 000)	31 December 2014	31 December 2013
Tiscali Business Gmbh	1,520	1,440
Tiscali Business UK Ltd	-	17
Tiscali Deutschland Gmbh	551	550
Tiscali Finance Sa	34	28
Tiscali Financial Services Sa	22	-
Tiscali Italia S.p.A.	-	-
Tiscali Verwaltungs GmbH	73	80
Veesible S.r.l.	-	103
	2,210	2,218

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		152	

Receivables from customers (note 11)

(EUR 000)	31 December 2014	31 December 2013
Receivables from customers	1,586	5,320
Receivable write-down provision	(1,274)	(1,274)
Total	312	4,046

Receivables from customers of Tiscali S.p.A. are mainly associated with intercompany positions as summarised in detail in the following table:

(EUR 000)	31 December 2014	31 December 2013
Tiscali UK Holdings Ltd	-	-
Tiscali Italia S.p.A.	210	3,917
Veesible S.r.l.	28	26
Total	238	3,943

The breakdown of receivables from customers by maturity is as follows:

(EUR 000)	31 December 2014	31 December 2013
Within 12 months	257	4,046
Between 1 and 5 years	55	-
Beyond 5 years	-	-
Total	312	4,046

The book value of trade receivables is approximate to their fair value. It is further highlighted that receivables from customers will be due within 12 months and do not present any overdue balances of a significant amount.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		153

Other Receivables and other current assets (note 12)

(EUR 000)	31 December 2014	31 December 2013
Other receivables	910	132
Accrued income	-	-
Prepaid expense	76	61
Total	986	193

The item Other receivables mainly comprises the amount due from Synergo SGR for the issue of the escrow relating to the sale of Tinet S.p.A. for EUR 0.5 million.

Cash and cash equivalents (note 13)

At the end of 2014, cash and cash equivalents totalled EUR 368 thousand and include the company's liquid resources, essentially held in bank current accounts. Reference should be made to the report on operations for a detailed analysis of the financial position.

Shareholders' equity (note 14)

EUR 000	31 December 2014	31 December 2013
Share capital	92,052	92,023
Stock option reserve	-	-
Loss coverage reserve	-	-
Other reserves	(3,482)	(3,468)
Result from previous periods	(27,454)	(26,677)
Result for the year	550	(778)
Total	61,667	61,101

Changes in the various shareholders' equity items are detailed in the relevant table, to which reference should be made.

The number of shares representing the Parent Company's share capital amount to 1,861,535,343 lacking par value, compared with 1,861,498,780 shares as at 31 December last year. The increase during the year, equating to 36,563 shares, was justified by the issues consequent to the exercise of the Tiscali S.p.A. 2009 - 2014 Warrants convertible into Tiscali shares combined with the share capital increase in November 2009. Following these issues, the share capital as at 31 December 2014 came to EUR 92,052,029.67.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		154

The following table shows the composition of the shareholders' equity with reference to availability and its distributable nature:

Detailed statement of Shareholders' Equity items	Amount	Utilisation options	Available portion	Summary of uses in the last 3 accounting periods			
				Available portion with no tax effect	Available portion with tax effect	Loss coverage	Other
Share capital	92,052		-	-	-	-	-
Legal reserve	91	B					
Reserve for loss coverage	(0)	B					
Other reserves	(3,572)						
Previous years' losses	(26,904)		-	-	-	-	-
Total	61,667		--	-	-	-	-

Utilisation options – Key:

- A For share capital increases
- B For loss coverage
- C For distribution to shareholders

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		155

Other non-current liabilities (note 15)

EUR 000	31 December 2014	31 December 2013
Payables to Group companies	3,918	4,244
Other payables	-	-
Total	3,918	4,244

The balance of Other non-current liabilities primarily concerns financial payables due to group companies for EUR 3.9 million, illustrated in detail in the table below:

(EUR 000)	31 December 2014	31 December 2013
Tiscali Gmbh	3,555	3,556
Tiscali Italia S.p.A.	-	657
Tiscali International Network BV	26	27
Indoona S.r.l.	5	3
Istella S.r.l.	2	1
Veesible S.r.l.	330	-
Total	3,918	4,244

The breakdown of Other non-current liabilities by maturity is as follows:

(EUR 000)	31 December 2014	31 December 2013
Between 1 and 5 years	3,918	4,244
Beyond 5 years	-	-
Total	3,918	4,244

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		156

Liabilities for pension obligations and staff severance indemnities (note 16)

The table below shows the changes during the period:

<i>(EUR 000)</i>	31 December 2013	Increases	Decreases	Other changes	31 December 2014
Staff severance indemnities	204	69	(67)	2	208
Total	204	69	(67)	2	208

The staff severance provision, which comprises the indemnities accrued mainly in favour of executives, amounts to EUR 0.2 million.

The liability was discounted back as laid down by accounting standard IAS 19 (2011 review).

In accordance with national regulations and laws, the amount due to each employee matures depending on the service provided, and has to be immediately disbursed when the employee leaves the company. At the end of the work relationship, the amount due is calculated pursuant to Italian civil and employment law, on the basis of the duration of the work relationship itself and the taxable remuneration of each employee. The liability is annually adjusted in compliance with the official cost of living index, and with the interest established by law. It is not associated with any condition or period of accrual, or with any financial funding obligation; therefore, there are no assets serving the provision. In compliance with IAS 19, the provision was recorded under "Defined benefit plans". The main actuarial hypotheses used in the assessment are set out below.

Financial assumptions

Inflation rate: 2.0%

Discount rate: 3%

Demographic assumptions:

Mortality: SIM 2012 mortality tables M/F

Disability: INPS 1998 M/F disability tables

Resignation: 3.50% from 20 to 65 years of age

Advance payments: 3% from 20 to 65 years of age

Retirement: 65 for men and 60 for women, with maximum length of service of 40 years

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		157

Provisions for risks and charges (note 17)

The table below shows the changes during the period:

EUR 000	31 December 2013	Increases	Decreases	31 December 2014
Provisions for employee dispute risks and charges	332	-	-	332
Provision for reorganisation charges	16,813	1,198	-	18,011
Other provisions for risks and charges	6	-	-	6
Total	17,151	1,198	-	18,349

The provision for employee dispute risks and charges refers to legal disputes with third parties or former employees furthered in previous years. The provision for reorganisation charges is attributable to the impact on Tiscali S.p.A., as jointly-liable company, of the payable due to the financial institutions of Tiscali UK Holdings Ltd.

Payables to banks and other lenders (note 18)

EUR 000	31 December 2014	31 December 2013
Payables to banks	-	-
Total	-	-

Payables to suppliers (note 19)

EUR 000	31 December 2014	31 December 2013
Trade payables to third parties	3,729	4,134
Trade payables to Group companies for materials and services	161	450
	3,889	4,584

Trade payables to third party suppliers relate mainly to payables for professional consulting services.

It should be mentioned that Trade payables are due within 12 months and it is considered that their book value is approximate to their fair value.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		158

Trade payables due to Group companies are detailed below:

<i>EUR 000</i>	31 December 2014	31 December 2013
Tiscali Italia S.p.A.	161	450
	161	450

Other current liabilities (note 20)

<i>EUR 000</i>	31 December 2014	31 December 2013
Accrued expenses	-	-
Deferred income	6	6
Other payables to Group companies	33,640	33,992
Other payables to third parties	18,360	16,169
Total	52,006	50,167

Other payables to group companies refer to the financial indebtedness towards Tiscali International B.V..

The item Other payables is essentially represented by amounts due to the tax authorities and social security and welfare institutions.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		159

Guarantees given and commitments (note 21)

Guarantees given are detailed as follows:

<i>EUR 000</i>	31 December 2014	31 December 2013
Guarantees given to third parties (sureties)	193,850	221,825
Commitments	1,600	1,600
Total	195,450	223,425

Sureties given include EUR 117 million in relation to the guarantee given by the parent company for the loans granted by financial institutions as part of the restructuring of the Group's debt carried out during 2014.

The same item includes the surety given by Tiscali S.p.A. to guarantee the amount of the loan associated with the sale & lease back transaction on the Sa Illetta property, totalling EUR 59 million, carried out by the subsidiary Tiscali Italia S.p.A.

The entire balance of the item commitments concerns the maintenance of the credit facilities granted to the subsidiary Tiscali Italia S.p.A..

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		160

Net financial position (note 22)

In accordance with the provisions of the Consob Communication No. DEM/6064293 dated 28 July 2006, it is pointed out the net financial position at 31 December 2013 is summarised in the following table, drafted on the basis of the format envisaged by the CESR Recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(EUR 000)	31 Dec. 2014	31 Dec. 2013
A. Cash	-	-
B. Other cash equivalents	368	7
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	368	7
E. Current financial receivables	986	193
F. Current bank payables	-	-
G. Current portion of non-current debt	-	-
H. Other current financial payables	(33,640)	(33,992)
I. Current financial debt (F) + (G) + (H)	(33,640)	(33,992)
J. Net current financial debt (I) – (E) – (D)	(32,286)	(33,792)
K. Non-current bank payables	-	-
L. Bonds issued	-	-
M. Other non-current payables to Group companies	(3,918)	(4,245)
N. Other non-current payables to third parties	-	-
O. Non-current financial debt (K) + (L) + (M) + (N)	(3,918)	(4,245)
P. Net financial debt (J) + (O)	(36,204)	(38,037)

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		161

Financial risk management

Financial risk management objectives

The Group's Corporate Treasury division provides business services, co-ordinates access to the local and international financial markets, and monitors and handles the financial risk associated with Group operations by means of internal risk reports which analyze the exposures by degree and magnitude of the risk. These risks include market risks (inclusive of currency risks, fair value interest rate risks and price risks), credit risks and risks in cash flow interest rates.

Market risks

The Company's activities expose it primarily to the financial risk of changes in exchange rates for foreign currency and to the interest rate.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		162	

Transactions with related parties

During 2014, the Tiscali S.p.A. had a number of dealings with related parties.

These were transactions regulated on an arms'-length basis; the table below summarises the balance sheet and income statement values recorded in the Parent Company's financial statements at 31 December 2014 arising from transactions with related parties.

The effects on the income statement are indicated as follows:

INCOME STATEMENT	2014	of which: related parties	% change
<i>(EUR 000)</i>			
Revenues	4,399	4,264	97%
Other income	-		
Purchase of materials and outsourced services	(1,376)	(415)	30%
Payroll and related costs	(1,924)		
Other operating costs	2,671	2,889	108%
Write-downs of receivables from customers	(165)		
Restructuring costs and other write-downs	(1,416)	(138)	10%
Amortisation/depreciation	-		
Operating result	2,190	1,653	
Portion of result of equity investments carried at equity			
Net financial income (charges)	(1,590)	(1,141)	72%
Pre-tax result	600	511	
Income taxes	(49)		
Net result from operating activities (on-going)	550	511	
Result from assets disposed of and/or destined for disposal	-		
Net result	550	511	

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		163

INCOME STATEMENT	2013	of which: related parties	% change
<i>(EUR 000)</i>			
Revenues	4,412	4,279	97.0%
Other income	-		
Purchase of materials and outsourced services	(842)	(81)	9.6%
Payroll and related costs	(1,699)		
Other operating costs	384	(275)	(71.7)%
Write-downs of receivables from customers	(372)		
Restructuring costs and other write-downs	(913)		
Amortisation/depreciation	-		
Operating result	969	3,923	
Portion of result of equity investments carried at equity	-		
Net financial income (charges)	(1,666)	(1,042)	63%
Pre-tax result	(697)	2,881	
Income taxes	(81)		
Net result from operating activities (on-going)	(778)	2,881	
Result from assets disposed of and/or destined for disposal	-		
Net result	(778)	2,881	

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		164	

The effects on the balance sheet were as follows:

STATEMENT OF FINANCIAL POSITION <i>(EUR 000)</i>	31 Dec. 2014	of which: related parties	% change
<i>Non-current assets</i>	138,370	2,201	1.59%
<i>Current assets</i>	1,666	238	13.85%
Total Assets	140,036	2,438	
Shareholders' equity	61,667		
Total Shareholders' equity	61,667		
<i>Non-current liabilities</i>	22,475	3,918	17.43%
<i>Current liabilities</i>	55,895	33,640	60.13%
Total Liabilities and Shareholders' equity	140,036	37,558	

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		165

STATEMENT OF FINANCIAL POSITION (EUR 000)	31 December 2013	of which: related parties	% change
<i>Non-current assets</i>	133,205	2,217	1.7%
<i>Current assets</i>	4,246	3,943	83.9%
Total Assets	137,451	6,160	
Shareholders' equity	61,101		
Total Shareholders' equity	61,101		
<i>Non-current liabilities</i>	21,600	4,245	19.7%
<i>Current liabilities</i>	54,752	33,992	62.1%
Total Liabilities and Shareholders' equity	137,451	38,237	

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		166

The most significant balances, at 31 December 2014, summarized by supplier of the services, are as follows:

INCOME STATEMENT VALUES		2014				2013			
		Costs	Write-downs	Interest earned / (expense)	Revenues	Costs	Write-downs	Interest earned / (expense)	Revenues
<i>EUR 000</i>									
Tiscali Business Gmbh	1	-	-	15	-	-	-	11	-
Tiscali Financial Services Sa	1	-	-	-	-	-	-	-	-
Tiscali Gmbh	1	-	-	(8)	-	-	-	(6)	-
Tiscali International BV	1	-	-	5	-	-	-	2	-
Tiscali International Network BV	1	-	-	-	-	-	-	-	-
Tiscali Italia S.p.A.	1	(2,474)	-	-	4,264	(355)	-	-	4,279
Tiscali UK Holdings Ltd	1	-	(138)	(1,153)	-	-	-	(1,049)	-
	Total Group companies	(2,474)	(138)	(1,141)	4,264	(355)	-	(1,042)	4,279
	Other related parties								
	Other related parties	-	-	-	-	-	-	-	-
	Total Group companies and other related parties	(2,474)	(138)	(1,141)	4,264	(355)	-	(1,042)	4,279

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		167

STATEMENT OF FINANCIAL POSITION VALUES	Notes	31 December 2014				
		Trade receivables	Financial receivables	Trade payables	Financial payables (within 12 months)	Financial payables (beyond 12 months)
<i>EUR 000</i>						
Tiscali Business Gmbh	1	-	1,520	-	-	-
Tiscali Business UK Ltd	1	-	-	-	-	-
Tiscali Deutschland Gmbh	1	-	551	-	-	-
Tiscali Finance Sa	1	-	34	-	-	-
Tiscali Financial Services Sa	1	-	22	-	-	-
Tiscali Gmbh	1	-	-	-	-	3,555
Tiscali International BV	1	-	-	-	33,640	-
Tiscali International Network BV	1	-	-	-	-	26
Tiscali Italia S.p.A.	1	210	-	161	-	-
Tiscali UK Holdings Ltd	1	-	-	-	-	-
Tiscali Verwaltungs GmbH	1	-	73	-	-	-
Indoona S.r.l.	1	-	-	-	-	5
Istella S.r.l.	1	-	-	-	-	2
Veesible S.r.l.	1	28	-	-	-	330
Total Group companies		238	2,201	161	33,640	3,918
Other related parties		-	-	-	-	-
Total Group companies and other related parties		238	2,201	161	33,640	3,918

(1) Group companies.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		168

STATEMENT OF FINANCIAL POSITION VALUES

Notes

31 December 2013

EUR 000

		Trade receivables	Financial receivables	Trade payables	Financial payables (within 12 months)	Financial payables (beyond 12 months)
Tiscali Business Gmbh	1	-	1,440	-	-	-
Tiscali Business UK Ltd	1	-	17	-	-	-
Tiscali Deutschland Gmbh	1	-	550	-	-	-
Tiscali Finance Sa	1	-	28	-	-	-
Tiscali Gmbh	1	-	-	-	-	3,556
Tiscali International BV	1	-	-	-	33,992	-
Tiscali International Network BV	1	-	-	-	-	26
Tiscali Italia S.p.A.	1	3,917	-	450	-	657
Tiscali UK Holdings Ltd	1	-	-	-	-	-
Indoona S.r.l.	1	-	-	-	-	3
Istella S.r.l.	1	-	-	-	-	1
Tiscali Verwaltungs GmbH	1	-	80	-	-	-
Veesible S.r.l.	1	26	102	-	-	-
Total Group companies		3,943	2,217	450	3,992	4,244
Other related parties		-	-	-	-	-
Other related parties		-	-	-	-	-
Total Group companies and other related parties		3,943	2,217	450	33,992	4,244

(1) Group companies.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		169

Disputes, contingent liabilities and commitments

During the normal course of its business, the Tiscali Group is involved in a number of legal and arbitration proceedings, as well as being subject to tax assessments.

A summary of the main proceedings to which the Group is a party, is presented below.

Civil and administrative proceedings

Dispute open with TeleTu

In June 2011, Tiscali Italia summonsed TeleTu S.p.A. before the Milan Court, requesting compensation of damages for EUR 10 million due to illegal conduct implemented by the defendant during the migration of users in the period January 2009-April 2011. The defendant made a counterclaim for alleged similar conduct adopted by Tiscali Italia, in turn requesting damage compensation for more than EUR 9 million. The outcome of the proceedings is not predictable.

Telecom dispute

In December 2014, Tiscali Italia summonsed Telecom Italia before the Milan Court, so as to obtain compensation for the damages suffered due to the excluding conduct adopted by Telecom to the damage of competitors which formed the subject matter of the ruling of the Anti-trust Authority No. 24339 dated May 2013 issued on conclusion of proceedings A-428 dated June 2010. The AGCM believed that Telecom Italia adopted abusive conduct in the three-year period 2009-2011, in detail: (i) the opposition of a significantly high number of KO (or rather negative responses) to the requests for activation of access services carried out by other operators, thereby establishing discriminatory treatment with respect to the same requests by the internal Telecom Italia S.p.A. divisions; (ii) the adoption of conduct for the unlawful squeezing of the profit margins of the competitors with reference to certain services dedicated to business customers. By virtue of the afore-mentioned ruling of the AGCM, Tiscali took steps to quantify, via a specific expert opinion, the damage suffered as a consequence of the conduct adopted by Telecom Italia S.p.A.; a value of over EUR 285 million emerged. To-date, it is not possible to make any prediction with regard to the outcome of the proceedings.

Consob proceedings

On 29 October 2014, CONSOB notified Tiscali, pursuant to Articles 193.1 and 195.1 of the TUF, of the failure to make the following available to the general public; by the legal deadlines: (i) the annual financial report as at 31 December 2013 (as well as the reports of the Board of Statutory Auditors and the independent auditing firm pertaining to this document); as well as (ii) the interim management report as at 31 March 2014. By the legal deadlines, the Company formulated its defence briefs, pleading, amongst other things, the absence of its responsibility for the subjective element or in any event the fact that its conduct cannot be found fault with, since the alleged delay was due to the extension of the negotiations with the Senior Financiers and the consequent uncertainty regarding the possibility of approving the accounting documentation in question with a view to the business as a going-concern. It being understood that the outcome of the proceedings cannot be predicted, in the event that the Company should be held responsible in any way, the possible fine would range between a minimum of EUR 5,000.00 and a legal maximum of EUR 500,000.00.

WOL dispute

In relation to the holding in World Online International BV, acquired by the Group in 2000, in July 2001, the Dutch association Vereniging van Effectenbezitters and the Stichting VEB-Actie WOL foundation, which represent a group of around 10,000 former minority shareholders of World Online International NV (hereinafter "WOL"), summonsed WOL (currently 99.5% owned by Tiscali) and the financial institutions tasked with the stock market listing of the Dutch subsidiary, disputing, in particular, the incomplete and incorrect nature, as per Dutch law, of certain information contained in

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		170

the WOL listing prospectus and of certain public statements made by WOL and its Chairman immediately prior to and after the listing.

By means of provision dated 17 December 2003, the first level Dutch court deemed that in certain press releases issued by WOL prior to 3 April 2000, sufficient clarity was not provided regarding the declarations made public by its former chairman at the time of listing relating to his shareholding. Consequently, WOL was held responsible vis-à-vis the parties who had subscribed the shares of the company at the time of the IPO on 17 March 2000 (start date of trading) and who acquired shares on the secondary market up to 3 April 2000 (date on which the press release was issued, specifying the effective shareholding held by the former chairman of WOL). WOL appealed against this decision, citing the correctness of the listing prospectus.

On 3 May 2007, the Amsterdam Court of Appeal partially amended the decision of the first level court, deeming that the prospectus used at the time of listing was incomplete in some of its parts and that WOL should have corrected certain information relating to the shareholding held by its former chairman, reported by the media before said listing; furthermore, it was deemed that WOL had created optimistic expectations regarding its activities.

On 24 July 2007, the Dutch association and the foundation mentioned above proposed an appeal before the Dutch Supreme Court against the sentence of the Court of Appeal. On 2 November 2007, WOL and the financial institutions tasked with the stock market listing filed their counter-appeal. In November 2009, the Dutch Supreme Court pronounced its final sentence confirming the ruling of the Court of Appeal and ruled that the listing prospectus was not complete under certain aspects and that WOL management should have provided additional information during listing. It should be mentioned that the ruling is limited to ascertaining certain aspects of WOL's responsibility and that of the financial institutions handling the listing with regard to the obligations on disclosure during an IPO and defines certain principles that might be considered applicable to future court decisions (e.g. on the proof of cause), while it did not rule on the actual damages, which should be the object of new, separate and independent proceedings at the competent courts petitioned by investors. At present no such petition has been initiated.

A dispute of a similar nature to that described above was forwarded by another Dutch foundation, Stichting Van der Goen WOL Claims, in August 2001, and letters were subsequently received from other parties, in which the hypothesis of proceeding with similar action was furthered, if the conditions should apply.

In August 2013, the Tiscali Group - having also taken into account the existing insurance coverage - entered into a settlement agreement with the financial institutions, on the basis of which the same financial institutions waive all compensatory action vis-à-vis WOL relating to the transactions carried out by them with the shareholders' associations indicated above.

The agreement envisaged an outlay, by WOL, of a sum amounting to EUR 1.75 million, made in September 2013.

You are also hereby informed that Stichting Van der Goen WOL Claims in December 2011 made an additional request for compensation representing a further 28 shareholders or those entitled, in which the hypothesis of proceedings with legal action was furthered. This request for compensation does not fall within the afore-mentioned settlement agreement which the Tiscali Group has finalised with the financial institutions. The same Stichting Van der Goen WOL Claims confirmed its claims by means of letter dated 6 March 2013 and, subsequently, launched legal proceedings, served on 19 June 2014, vis-à-vis WOL and the financial institutions tasked with the listing of said WOL.

On 1 October 2014, WOL filed the defence briefs, which was followed by the filing of the briefs by Van der Goen on 7 January 2015. WOL expects to present its counterclaims on 1 April 2015. With regard to the *petitum* of the dispute, the residual amount requested from WOL and the financial institutions involved comes to EUR 111 million. Also supported by the assessments of their legal advisors, the Directors believe that the risk of losing is not probable as things stand.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		171

Criminal proceedings

In September 2013, Tiscali S.p.A. received notification, pursuant to Italian Legislative Decree No. 231/2001, of the conclusion of the preliminary investigations for alleged false corporate communications relating to the financial statements between 2008 and 2012; the subsidiary Tiscali Italia received the same notification in January 2014. The preliminary hearing has been fixed for 28 May 2015. The offence refers to the alleged erroneous accounting entries with reference to the provision made for the write-down of receivables. Pursuant to Article 25 *ter*, letter c) of Italian Legislative Decree No. 231/2001, in the event of conviction just a monetary fine would be applicable of 400 to 800 penalty units. The Company has undertaken the necessary defence action.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		172	

Remuneration of the directors, statutory auditors and executives with strategic responsibility

In accordance with Article 78 of regulations enforcing Italian Legislative Decree No. 58/1998, issued by CONSOB under Resolution No. 11971/99, the following tables indicate the fees paid to Directors and Statutory Auditors.

Name and surname	Position	Term of office	Emoluments for office	Benefits in kind	Other forms of remuneration
Board of Directors					
Renato Soru	Chairman and Chief Executive Officer	in office since 1 January 2014 until approval of the financial statements as at 31 December 2014	350,000	41,414	72,000
Gabriele Racugno	Director	in office since 1 January 2014 until approval of the financial statements as at 31 December 2014	25,000		
Luca Scano	Director	in office since 1 January 2014 until approval of the financial statements as at 31 December 2014	25,000	1,622	200,000
Assunta Brizio	Director	in office from 1 January 2014 until the next shareholders' meeting	25,000		
Franco Grimaldi	Director	in office since 1 January 2014 until approval of the financial statements as at 31 December 2014	25,000		

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		173

Name and surname	Position	Term of office	Emoluments for office	Benefits in kind	Other forms of remuneration
Paolo Tamponi	Chairman	in office since 1 January 2014 until approval of the financial statements as at 31 December 2014	35,000		
Piero Maccioni	Statutory Auditor	in office since 1 January 2014 until approval of the financial statements as at 31 December 2014	25,000		
Andrea Zini	Statutory Auditor	in office since 1 January 2014 until approval of the financial statements as at 31 December 2014	25,000		

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		174	

Annex - Information pursuant to Article 149 *duodecies* of the Consob Issuers' Regulations.

The following table, drawn up in accordance with Article 149 *duodecies* of the Consob Issuers' Regulations, indicates the fees for 2014 for auditing services and those for other services provided by the independent auditing firm.

Type of service	Party providing the services	Beneficiary	Fee (EUR 000)
Accounts auditing (1)	Reconta Ernst & Young S.p.A.	Parent Company - Tiscali S.p.A.	272
Other services	Reconta Ernst & Young S.p.A.	Parent Company - Tiscali S.p.A.	35
			307

- (1) Fees inclusive of the audit of the consolidated financial statements and the limited audit on the interim report.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		175

2014 statutory financial statements certification pursuant to Article 81 ter of CONSOB Regulation No. 11971 dated 14 May 1999 and subsequent amendments and additions

The undersigned, Renato Soru in his capacity as Chief Executive Officer, and Pasquale Lionetti, in his capacity as Executive appointed to draw up the corporate accounting documents of Tiscali S.p.A., hereby certify, also taking into account the provisions of Article 154 bis (3 and 4), of Italian Legislative Decree No. 58 dated 24 February 1998:

- the adequacy in relation to the Company's characteristics;
- the effective application of the administrative and accounting procedures for the formation of the financial statements during 2014.

Tiscali S.p.A. has adopted the Internal Control Model - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission as the reference framework for the definition and valuation of its internal audit system, with particular reference to the internal controls for the formation of the financial statements: this model represents a body of general reference principles for the internal audit system generally accepted at international level.

It is also hereby certified that the financial statements at 31 December 2014:

- are consistent with the results of accounting books and entries;
- were prepared in compliance with the International Financial Reporting Standards adopted by the European Union as well as the legislative and regulatory provisions in force in Italy;
- as far as can be ascertained, are suitable for providing a true and fair view of the equity, economic and financial situation of the issuer.

Cagliari, Italy, 19 March 2015

The Chief Executive Officer

**The Executive appointed to draw up the
corporate accounting documents**

Renato Soru

Pasquale Lionetti




	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		176

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		177	

7 Glossary

Shared access	Technique for shared access to a local network in which a former monopoly operator rents part of the capacity to other operators: in that portion of the bandwidth the operator can provide Broadband services, whilst the former monopoly operator on the portion of the bandwidth not hired out, continues to provide telephony services.
ADSL	Acronym for Asymmetric Digital Subscriber Line, (the available bandwidth in reception is greater than that available for transmission) to enable internet access at high speed.
ADSL2+	An ADSL technology that extends the ADSL base capacity by doubling the download bit flow. The bandwidth can reach 24 Mbps in download and 1.5 Mbps in upload and depends on the distance between the DSLAM and the customer's location.
Uncovered Areas	Also called "indirect access areas" to identify the geographic areas which are not directly served by the network owned by Tiscali (see also Bitstream and Wholesale).
ARPU	Average returns for fixed and mobile telephony for the user calculated over a given period for an average number of active (for other operators) or Tiscali Group customers in the same period.
Bitstream	Bitstream (or digital flow) services: service consisting of the supply by an operator of access to the fixed public telephone network of the transmission capacity between an end user workstation and the point of presence of an operator or an ISP that wants to provide broadband services to the end user.
Broadband	Data transmission system in which lots of data is sent simultaneously to increase the actual speed of transmission with a data flow equal to or greater than 1.5 Mbps.
Broadcast	Simultaneous transmission of information to all nodes on a network.
Unique browsers	Number of different browsers that, in a specific time span, can visit a site one or more times.
Access fee	This is the amount debited by national operators for each minute of use of their network by the operators of other networks. This is also called the "interconnection fee".
Capex	Acronym for Capital Expenditure. Identifies the outgoing cash flows generated by the investments in an operating structure.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		178	

Carrier	Company that physically makes a telecommunications network available.
Co-location	Dedicated spaces in the machine rooms of an incumbent operator for the installation by Tiscali of its own network devices.
CPS	Acronym for Carrier Pre Selection, a system for preselecting an operator. This enables an operator/supplier of local services to automatically route calls on the network of the carrier selected by a client who no longer has to enter special selection codes.
CS	Acronym for Carrier Selection, a system for selecting an operator. Enables a client to select, by entering a special code, a long distance national or international operator other than that with whom he/she has a network access subscription.
Business customers	SoHos, small medium and large businesses.
Consumer customers	Customers who subscribe to an offer intended for households.
Dial Up	Narrowband internet connection by means of a normal telephone call, usually charged on a time basis.
Digital	This is the way of representing a physical variable in a language that uses only the figures 0 and 1. The figures are transmitted in binary code as a series of impulses. Digital networks, which are rapidly replacing the old analogue networks, allow greater capacities and greater flexibility by using computerised technologies for the transmission and handling of calls. Digital systems offer less noise interference and can include encryption as protection from outside interference.
Double Play	Combined offer of access to the Internet and fixed telephony.
DSL Network	Acronym for Digital Subscriber Line Network, which is a network built from existing telephone lines using DSL technology instruments that, by using sophisticated modulation mechanisms, enable data packets to be sent along copper wires and thus the linking of a telephone handset to a modem at a home or in an office.
DSLAM	Acronym for Digital Subscriber Line Access Multiplexer, a device used in DLS technologies, to multiply the transmission of data at high capacities on telephone wires, where a multiplexer means a device that enables the transmission of information (voice, data, videos) in flows by means of direct and continuous connections between two different points on a network.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		179

<i>Fibre Optic</i>	Thin fibres of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fibre optic cable contains various individual fibres, each capable of carrying a signal (light impulses) over a virtually limitless band length. They are usually used for long distance transmissions, for the transmission of "heavy data" so that the signal arrives protected from interference which it might encounter along its own path. A fibre optic cable's carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.
<i>GigaEthernet</i>	Term uses to describe the various technologies that implement the nominal speed of an Ethernet network (the standard protocol for cards and cables for high speed connections between a computer and a local network) of up to 1 gigabit per second.
<i>Home Network</i>	Local network made up from various kinds of terminals, devices, systems and user networks, with related applications and services including all the apparatus installed at user premises.
<i>Hosting</i>	Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.
<i>Incumbent</i>	Former monopoly operator active in the telecommunications field.
<i>IP</i>	Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol), created for interconnecting ungrouped networks by technology, services and handling.
<i>IPTV</i>	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
<i>IRU</i>	Acronym for Indefeasible Right of Use, long term agreements that guarantee the beneficiary the option of using for a long period the grantor's fibre optic network.
<i>ISDN</i>	Acronym for Integrated Service Digital Network, a telecommunications protocol in Narrowband able to carry in an integrated form various kinds of information (voice, data, texts, and images) coded in digital form on the same transmission line.
<i>Internet Service Provider or ISP</i>	Company that provides Internet access to single users or organisations.
<i>Leased lines</i>	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.
<i>MAN</i>	Acronym for Metropolitan Area Network, a fibre optic network that extends across a metropolitan area and links a Core Network to an Access Network.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		180

Mbps	Acronym for megabit per second, a unit of measurement that states the capacity (and thus the speed) of data transmission along a computer network.
Modem	Modulator/demodulator. It is a device that modulates digital data in order to permit its transmission along analogue circuits, usually made up of telephone lines.
MNO	Acronym for Mobile Network Operator, an operator of proprietary telecommunications on a mobile network that offers its own services wholesale to all MVNOs (Mobile Virtual Network Operator).
MPF	Acronym for Metallic Path Facility, the pair of copper wires (unscreened twisted pair) that comes from an exchange (MDF -Main Distribution Frame) in an operator's telephone room and arrives at the user's premises (individual or corporate). Connections can be Full or Shared. A Full type connection enables the use of the data service (broadband) in addition to voice traffic. A Shared kind of connection only enables the use of the data service (broadband). In a "shared access" service, the LLU operator (in ungrouped access) provides the ADSL services to the end user, whilst the incumbent operator provides the analogue telephony service using the same access line.
MSAN	Acronym for Multi-Service Access Node, a platform able to carry a combination of traditional services on an IP network and that supports a variety of access technologies such as for example a traditional telephone line (POTS), and ADSL2+ line, a symmetric SHDSL line, VDSL and VDSL2 over a copper or fibre-optic network.
MVNO	Acronym for Mobile Virtual Network Operators: A party that offers mobile telecommunications services to the public, using its own mobile network interconnection structures, its own HLR, its own mobile phone network code MNC, Mobile Network Code), its own customer handling (marketing, invoicing and support) and issuing its own SIM cards, but does not have assigned frequencies and takes advantage, for access, of agreements negotiated or regulated via one or more licensed mobile network operators.
Narrowband	System for connecting to data networks, for example the Internet, by means of a telephone call. In this kind of connection all the bandwidth used for the means of transmission is used as a single channel. One single signal occupies all the available bandwidth. The bandwidth of a communications channel identifies the maximum quantity of data that can be carried by means of transmission of the unit over time. The capacity of a communication channel is limited by the frequency interval that the equipment can sustain and by the distance to be travelled. An example of a Narrowband connection is the common modem narrowband connection at 56 kbps.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		181

OLO	Acronym for Other Licensed Operators, operators other than the dominant one that operate in a national telecommunications services market.
Opex	Acronym for Operating Expenses which are direct and indirect costs that are recoded in the income statement.
Pay-Per-View	System by which a spectator pays to view a single programme (such as a sporting event or a film or concert) at the time it is transmitted or broadcast.
Pay TV	TV channels on payment. To receive Pay TV or Pay-Per-view, you have to connect a decoder and have an access system subject to conditions.
Platform	It is the total of the inputs, including hardware, software and equipment for running and the procedures for production (production platform) or for the management (management platform) or for a special service (service platform).
POP	Acronym for Point of Presence, a site at which telecommunications apparatus is installed and that forms a node on the network.
Portal	Website that forms a point of departure or an entry point for a major group of Internet resources or an Intranet.
Router	Hardware or in some cases software instrument that identifies the next point on the network to which a data packet is to be sent, and routes that data packet towards the end destination.
Service Provider	Party that provides end users and content providers with a range of service, including that of an owned, leased or third party service centre.
Server	Computer component that provides services to other components (typically client calls) via a network.
Set-top-box or STB	Device able to handle and route data, voice and television connections, installed at the end user's premises.
Syndication	The sale of radio and TV transmissions wholesale by a media company that owns the rights and usually the delivery platform also.
SoHo	Acronym for Small office Home office, for small offices, mostly professional offices or small firms.
SHDSL	Acronym for Single-pair High-speed Digital Subscriber Line. SHDSL is a technology for telecommunications of the xDSL family and is made by using direct LLU interconnections and enables high speed connections to be made in a balanced way in both directions (transmission and reception).

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		182

Single Play	Service including only broadband data access, not combined with other multiplay components such as voice and IPTV services. Broadband access may be provided through LLU platforms, Wholesale or Bitstream.
Single Play voice	Service including only voice access, not combined with other multiplay components such as broadband and IPTV access. Voice service can also be provided by VOPI and CPS procedures.
SMPF	Acronym for Shared Metallic Path Facilities which is synonymous with Shared Access (ungrouped access).
Triple Play	A combined offering of fixed and/or mobile telephony, Internet and/or TV made by a single operator.
Local loop unbundling or LLU	Unbundled access to a local network, in other words, the possibility that telephone operators have had, since the telecommunications market was deregulated, to use existing physical infrastructures built by another operator to offer its own services to customers, paying a rental to the operator that is the actual owner of the infrastructure.
VAS	Acronym for Value-Added Services; services with added value provide a greater level of function compared with the basic transmission services offered on a telecommunications network for the transfer of information between terminals. These include switched analogue voice communications via cable or wireless, a direct digital point to point network "unrestricted" at 9,600 bits/s; packet switching (called virtual) service; analogue and direct broadband transmission of TV signals and extra services, such as closed user groups; call waiting; reverse charging; call announcement and identification of the number called. The value added services provided over a network, from terminals or specialist centres include exchange services, messaging (MHS) (which can also be used for commercial documents in accordance with a predetermined format); electronic user directories, network and terminal addresses; e-mail; fax, teletext, videotext and videophone. Value added services may also include voice telephony value added services such as free numbers or paid telephone services.
VISP	Acronym for Virtual Internet Service provision (sometimes also called Wholesale ISP). This is selling of Internet services purchased wholesale from an Internet Service Provider (ISP) that has the network infrastructure.
VoD	Acronym for Video On Demand. It is the supply of television programs on request by a user for payment of a subscription or of a sum for each programme (a film, or a football match) purchased. Broadcast in a special way by satellite TV and for cable TV.

	Date	File Name	Status	Page
-		Annual Report as at 31 December 2014		183

VoIP	Acronym for Voice over internet Protocol, a digital technology that enables the transmission of voice packets through Internet, Intranet, Extranet and VPN networks. The packets are carried according to H.323 specifications, which are the ITU (International Telecommunications Union) standard that forms the basis for data, audio, video and communications on IP networks.
VPN	Acronym for Virtual Private Network, which can be realised on Internet or Intranet. Data between workstations and the server of the private network is sent along common public Internet networks, but using protection technologies against any interception by unauthorised persons.
Virtual local loop unbundling or VLLU	Procedure for accessing a local analogue network by which, even in the absence of physical infrastructures, the conditions and terms of access under LLU terms are replicated. This is a temporary access system that is usually replaced by LLU.
xDSL	Acronym for Digital Subscriber Lines, a technology that, by means of a modem, uses the normal telephone twisted pair and transforms the traditional telephone line into a high speed digital connection for the transfer of data. ADSL, ADSL 2, and SHDSL etc. belong to this family of technologies.
WI-FI	Service for connection to the internet at high speed wirelessly.
Wi-Max	Acronym for Worldwide Interoperability for Microwave Access: it is a technology that enables wireless access to broadband telecommunications networks. It has been defined by the WiMAX forum, a world-wide consortium made up of the largest companies in the fixed and mobile telecommunications field that has the purpose of developing, promoting and testing the interoperability of systems based on IEEE standard 802.16-2004 for fixed access and IEEE.802.16e-2005 for fixed and mobile access.
Wholesale	Services that consist of the sale of access services to third parties.
WLR	Acronym for Wholesale Line Rental, selling on by an operator of the telecommunications service for lines affiliated with an Incumbent.

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		184	

8 Reports

	Date	File Name	Status	Page	
-		Annual Report as at 31 December 2014		185	

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS
PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/98 AND ARTICLE
2429.3 OF THE ITALIAN CIVIL CODE**

To the shareholders' meeting of Tiscali Spa,

During the financial year ended as at 31 December 2014, we performed the supervisory activities envisaged by law, in accordance with the standards of conduct for Boards of Statutory Auditors recommended by the Italian Accounting Profession.

Bearing in mind that the analytical check in this connection on the contents of the statutory and consolidated financial statements is not entrusted to this Board, we report that we have overseen the general layout assigned to said statements as well as the compliance with the law with regard to the form and structure thereof.

Also in observance of the indications provided by CONSOB as per its communication dated 6 April 2001, subsequently integrated by the communications No. DEM/3021582 dated 4 April 2003 and No. DEM/6031329 dated 7 April 2006, we hereby reveal the following:

- a) we have overseen the observance of the law and the Articles of Association;
- b) we obtained the due information on the activities carried out and on the transactions of greatest economic, financial and equity importance entered into by the company also via its subsidiaries, from the Directors as per the frequency envisaged by Article 14 of the Articles of Association, and we can reasonably ensure that the action resolved and adopted complies with the law and the Articles of Association and that therefore it is not manifestly imprudent, in potential conflict of interest or in contrast with the resolutions adopted by the shareholders' meeting or such that it compromises the integrity of the company's equity;
- c) we have gained awareness of and overseen, in as far as it is our responsibility, the adequacy of the company's organisational structure and the suitability of the provisions imparted by the Company to the subsidiaries as per Article 114.2 of Italian Legislative Decree No. 58/98, by means of gathering information from the various division heads and meetings with the independent auditing firm for the purpose of a reciprocal exchange of significant data and information, and in this connection we have no particular observations to make;
- d) this Board has obtained periodic information from the Board of Statutory Auditors of the subsidiary Tiscali Italy SpA with regard to the management and audit systems and the general performance of the subsidiary company. No significant data or information emerged in this connection, as would have to be highlighted in this report;

- e) we have assessed and overseen the adequacy of the internal audit system and the administrative-accounting system as well as the reliability of the latter to correctly represent the operating events, by means of i) the examination of the reports of the Executive appointed to draw up the corporate accounting documents on the Administrative and Accounting Set-up and on the Internal Audit System on Corporate Disclosure produced six-monthly; ii) the examination of the Internal Audit reports; iii) the dealings with management and with the audit body of the subsidiary Tiscali Italia SpA, pursuant to Article 151, sections 1 and 2 of Italian Legislative Decree No. 58/98; iv) participation in the work of the Risk Management Committee, set up within the sphere of the Board of Directors and made up of three members of which two are independent members of said board; v) obtaining information from the heads of the respective divisions; vi) the examination of the company documents and the analysis of the results of the work carried out by the independent auditing firm. The work carried out has not revealed any situations or critical aspects which might suggest the Internal Audit System is inadequate;
- f) we have taken note and obtained information on the organisational and procedural activities entered into as per Italian Legislative Decree No. 231/2001 and subsequent amendments and additions on the administrative liability of Entities for the offences envisaged by said legislation. These activities are illustrated in the Report on corporate governance and ownership structure. The Supervisory Body reported on the activities carried out during 2014 without indicating events or situations which must be highlighted in this report;
- g) In the report on operations and the explanatory notes to the statutory and consolidated financial statements - as per the Regulations for carrying out related party transactions, which came into force on 1 January 2011 - the Board of Directors provided in-depth illustration of the transactions entered into with subsidiaries and related parties, clarifying the economic effects. Transactions with related parties have been analytically indicated in the report on operations where the balance sheet and income statement balances are summarised; therefore, reference should be made to the specific section in the consolidated financial statements "*Transactions with related parties*". We have not become aware of the existence of any atypical or unusual transactions with third parties, Group companies or related parties;
- h) no charges/complaints pursuant to Article 2408 of the Italian Civil Code were received during the year, including those from third parties;
- i) we held meetings with the representatives of the independent auditing firm, as per Article 150.2 of Italian Legislative Decree No. 58/98 and Article 19.1 of Italian Legisla-

tive Decree No. 39/10, during the course of which no significant data or information emerged which must be indicated in this Report; on 20 March 2015, the independent auditing firm Reconta Ernst & Young S.p.A. issued its reports on the statutory financial statements and the consolidated financial statements at 31 December 2014, drawn up in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union. These reports express a positive opinion and include references to information on the economic, equity and financial situation and on the elements and assessments described by the Directors to support the adoption of the assumption of the business as a going concern when drawing up the financial statements, as well as on a number of disputes and risks outstanding, in relation to which we refer you to said reports;

- j) we hereby reveal that the Board of Directors on 16 February 2015, exercising the authority granted it by the extraordinary shareholders' meeting on 30 January 2015, resolved the increase of the share capital, with the exclusion of the purchase option as per Article 2441.5 of the Italian Civil Code, for a maximum amount of one billion shares, to be reserved for subscription by Société Générale. The afore-mentioned transaction falls within the agreements with the Group's senior creditors finalised at the restructuring of the senior debt deriving from the Group Facility Agreement entered into in 2009. It is hereby specified that the proceeds deriving from the subscription of the share capital increase will be allocated towards repaying part of the Group's debt due to the Senior financiers (Facility A1). Furthermore, as indicated by the directors, on 19 March 2015, a non-binding agreement was signed for a merger transaction with the "Aria" Group, an Italian Service provider involved in offering services under Wimax throughout Italy. The transaction also envisages the contribution of new financial means by the shareholders of "Aria";
- k) on 20 March 2015, the independent auditing firm issued the Report pursuant to Article 19.3 of Italian Legislative Decree No. 39/10;
- l) in pursuance of Article 149.1, letter c) *bis* of Italian Legislative Decree No. 58/98, we formally acknowledge that the Directors in their report on Corporate governance state that the Tiscali Group complies and conforms with the Code of Conduct for Italian listed companies, published in March 2006. Compliance with the legislation envisaged by the afore-mentioned Code has been effectively ascertained by this Board and has been covered, with regard to its various aspects, in the report on Corporate governance which the Board of Directors makes available to yourselves, to which we make reference for more suitable and complete disclosure in this connection;

- m) during 2014, Reconta Ernst & Young SpA carried out the legal audit of the statutory and consolidated financial statements - entrusted to it by the shareholders' meeting held on 29 April 2008 - for an overall cost of EUR 444 thousand. A further appointment was also granted by Tiscali SpA for the performance of professional services within the sphere of the certification process as per Article 67 of the Italian Bankruptcy Law, for a total cost of EUR 35,000.

The total of the fees due for 2014 has been summarised below:

	EUR 000
<hr/>	
<i>Audit services:</i>	
Parent Company - Tiscali SpA	272
Subsidiary companies	172
<hr/>	
<i>Other professional services:</i>	
Parent Company Tiscali SpA - certification assistance as per Article 67 of the Italian Bankruptcy Law	35
<hr/>	
Total	479

It is hereby specified that in December 2014, the same independent auditing firm was granted the appointment for the issue of the opinion on the suitability of the approach for determining the issue price of the shares for the share capital increase with the exclusion of the purchase option (Article 158 of Italian Legislative Decree No. 58 dated 24 February 1998) for a total cost of EUR 70 thousand; the opinion was subsequently issued on 9 January 2015. It is also revealed that during 2015 another two appointments were granted for a total of EUR 135 thousand, for the examination of the pro-forma consolidated statement of financial position, income statement and cash flow statement as at 31 December 2014 and for the report on the forecast data of the Tiscali Group for the period 2015-2018. These activities were carried out within the sphere of the preparation of the information prospectus relating to the share capital increase transaction. In order to provide full disclosure, we hereby reveal that during 2014 the subsidiary Tiscali Italia SpA granted Reconta Ernst & Young SpA two appointments for the performance of "agreed procedures" on specific information provided by the directors within the sphere of the Consip Tender, for a total amount of Euro 45 thousand; the associated activities were carried out in 2015.

Having taken into account: (i) the annual independence confirmation letter issued by Reconta Ernst & Young SpA pursuant to Article 17.9 of Italian Legislative Decree No. 39/10; (ii) the transparency report produced by the same pursuant to Article 18.1 of Italian Legislative Decree No. 39/10 as published on the website; (iii) the appointments granted to the same by Tiscali SpA and by the other Group companies, the

Board of Statutory Auditors does not believe that critical aspects exist with regard to the independence of Reconta Ernst & Young S.p.A.;

- n) during 2014, the independent auditing firm Reconta Ernst & Young SpA did not issue any opinion required by law, with the exception of its report on the half-year period as at 30 June 2014;
- o) the supervisory activities described above have been carried out during fourteen meetings of this Board, five meetings of the Risk Control Committee and attending all the nine Board of Directors meetings, as per Article 149, section 2 of Italian Legislative Decree No. 58/98;
- p) during the supervisory activities carried out and on the basis of the information obtained from the independent auditing firm, no omissions and/or reprehensible action and/or irregularities have been revealed or in any event significant events which would require reporting to the audit bodies or mentioning in this Report, with the exception of the sanction procedure launched by Consob vis-à-vis Tiscali SpA for not having taken steps to make the 2013 financial report and related attachments available to the public within 120 days of the end of the year, as per Article 154 *ter*, section 1 of the CFL, as well as the interim report as at 31 March 2014 within 45 days of the end of the quarter. As indicated by the directors, the Company has promptly presented its defence briefs, in which it highlighted, among other aspects, that the failure to observe the afore-mentioned deadlines was caused by the protraction of the negotiations with the Senior Financiers and the consequent effect on the approval of the accounting documentation with a view to the business as a going-concern. In this connection, it is hereby specified that the Company has always diligently informed the Market and Consob of the progress of the negotiations with the Senior Financiers.

In as far as it falls within our responsibilities, we express a favourable opinion for the approval of the financial statements as at 31 December 2014 together with the Report on operations and the resolution proposals drawn up by the Board of Directors.

Cagliari, Italy, 31 March 2015

THE BOARD OF STATUTORY AUDITORS

PAOLO TAMPONI

PIERO MACCIONI

ANDREA ZINI

Tiscali S.p.A.

Consolidated financial statements at 31 December 2014

**Independent auditors' report
pursuant to Articles 14 and 16 of Italian Legislative Decree No.
39 dated 27 January 2010**

**Independent auditors' report
pursuant to Articles 14 and 16 of Italian Legislative Decree No. 39 dated 27 January 2010**

To the shareholders of
Tiscali S.p.A.

1. We have carried out an audit on the consolidated financial statements, comprising the income statement, statement of comprehensive income and statement of financial position, the cash flow statement, the statement of changes in shareholders' equity and the related explanatory notes, of Tiscali S.p.A. and its subsidiaries (the "Tiscali Group") as of and for the year ended 31 December 2014. Tiscali S.p.A.'s directors are responsible for drafting the financial statements in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005. We are responsible for the professional opinion expressed on the consolidated financial statements, based on our audit.
2. Our audit was made in accordance with the audit standards and criteria recommended by Consob. In accordance with such standards and criteria, we planned and performed our audit to obtain every element necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the balances and disclosures in the financial statements, as well as assessing the appropriateness and suitability of the accounting standards applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our professional opinion.

For the opinion on the previous year's consolidated financial statements, whose balances are presented for comparative purposes, please refer to our report dated 26 June 2014.

3. In our opinion, the consolidated financial statements of the Tiscali Group at 31 December 2014 are compliant with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005; they have therefore been prepared clearly in all the material aspects and provide a true and fair view of the financial and equity position, the economic result and the cash flows of the Tiscali Group for the year ended as of that date.
4. By way of disclosure, the following aspects are pointed out, more fully dealt with in the explanatory notes:
 - a. as indicated in the section "Assessment of the business as a going-concern and business outlook", the Tiscali Group closed the year with a consolidated loss of EUR 16.4 million and a consolidated equity deficit of EUR 168.8 million; furthermore, as of 31 December 2014, the Tiscali Group had a gross financial debt of EUR 204.3 million and current liabilities greater than current assets (non-financial) for EUR 108.9 million. The Directors describe the factors which indicate the continuation of significant uncertainties linked to a situation of equity, economic and financial imbalance into which the Group is headed, in the presence of gross financial debt which is significant, subject to covenants and other contractual obligations.

In this context, the Directors reveal that during 2014, the Tiscali Group:

- finalised agreements with the financing institutions for the restructuring of the loan agreement known as the Group Facility Agreement (the “Restructuring Agreements”), after having obtained the asseveration of the business plan by a professional appointed in accordance with Article 67.3, letter d) of the Italian Bankruptcy Law;
- entered into an agreement with Société Générale in relation to the subscription by the latter of a share capital increase against payment (the “Share Capital Increase”) to be used exclusively for the early repayment of a portion of the debt deriving from the Restructuring Agreements, amounting to EUR 42.4 million, falling due on 30 November 2015 (“Facility A1”);
- accepted the offer made by a leading Italian real estate fund relating to the transfer of the leasing agreement concerning the property Sa Illetta (the “Leasing Agreement”), which may be finalised between the parties on verification of specific conditions which must take place by 31 March 2015;
- took part in the tender called by Consip S.p.A. for the supply of connectivity services in favour of the Public Administration Authorities (the “Consip Tender”), and turned out to be the group with the best economic bid. The Directors highlight that as things stand, the Tiscali Group is awaiting the completion of the formal controls, preparatory to the final assignment envisaged by the end of the first half of 2015.

On 19 March 2015, Tiscali S.p.A.’s Board of Directors approved the up-date of the business plan, extending the timescale to 2018 (“2015-2018 Plan”). The 2015-2018 Plan hypothesises, amongst other aspects, the ability of the Group to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017. On the basis of the market analysis on corporate bond issues in the telecommunications sector, the Directors believe that this residual debt can be refinanced in relation to the level of net debt / EBITDA envisaged for 2017 in the 2015-2018 Plan.

Furthermore, the Directors disclose that - again on 19 March 2015 - a non-binding memorandum of understanding was signed for a merger transaction with the “Aria” Group, an Italian Service provider which offers telecommunications services under Wimax throughout Italy. The transaction envisages, *inter alia*, a new capital contribution from the shareholders of the Aria Group. The 2015-2018 Plan does not include any impact in relation to this transaction.

Despite highlighting how the achievement of a situation of equity, economic and financial balance for the Group over the long-term is subordinate to significant uncertainties linked to the achievement of the results envisaged in the 2015-2018 Plan, and therefore the realisation of the forecasts and the assumptions contained therein relating, in general, to the evolution of the telecommunications market and the accomplishment of the growth objectives set (in a market context characterised by strong competitive pressure) and in particular: (i) to the positive conclusion of the Share Capital Increase for EUR 42.4 million and the consequent repayment of Facility A1; (ii) the final awarding of the Consip Tender; (iii) the transfer of the

Leasing Agreements by the envisaged deadlines or alternatively the redefinition of the debt repayment plan as already agreed with the leasing companies; and (iv) the ability to refinance the final instalment of the debt as per the Restructuring Agreements falling due in 2017; the Directors believe that the positive conclusion of the Group restructuring and recapitalisation process is reasonable, so as to be able to continue with the implementation of the 2015-2018 Plan permitting the achievement of a situation of equity, financial and economic balance over the long-term.

In conclusion, the Directors acknowledge that as of the current date, and as already indicated in the financial statements relating to 2013, uncertainties remain relating to events or circumstances which could lead to significant doubts as to the Group's ability to continue operating on the basis of the assumption of a going-concern. However, after making the necessary checks and after assessing the uncertainties found in light of the factors described above, taking into account the matters envisaged by the Restructuring Agreements with regard to the Group recapitalisation and debt restructuring transaction, they have the reasonable expectation that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when drawing up the financial statements;

- b. as indicated in the section "Disputes, contingent liabilities and commitments", in August 2013 a settlement agreement was signed (the "Settlement Agreement") concluding the disputes brought by certain associations and foundations representing the former minority shareholders of the Dutch subsidiary World Online International NV ("WOL"). The Settlement Agreement does not include the compensation requests amounting in total to EUR 111 million, made by the Stichting Van der Goen WOL Claims foundation representing 28 shareholders or those entitled who brought legal proceedings, served on 19 June 2014, vis-à-vis WOL and the financial institutions tasked with the listing of said WOL. Also supported by the assessments of their legal advisors, the Directors believe that the risk of losing is not probable as things stand.

5. The drawing up of the report on operations and the report on corporate governance and the ownership structure in compliance with the matters envisaged by the provisions of the law, is the responsibility of Tiscali S.p.A.'s directors. We are responsible for expressing an opinion on the consistency of the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. No. 58/98, presented in the report on corporate governance and the ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures indicated by Auditing Standard No. 001 issued by the Italian Accounting Profession and recommended by CONSOB. In our opinion, the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. No. 58/98, presented in the report on corporate governance and the ownership structure, are consistent with the consolidated financial statements of the Tiscali Group as of 31 December 2014.

Milan, Italy, 20 March 2015

Reconta Ernst & Young S.p.A.

Luca Pellizzoni
(Partner)

Tiscali S.p.A.

Financial statements at 31 December 2014

**Independent auditors' report
pursuant to Articles 14 and 16 of Italian Legislative Decree No.
39 dated 27 January 2010**

**Independent auditors' report
pursuant to Articles 14 and 16 of Italian Legislative Decree No. 39 dated 27 January 2010**

To the shareholders of
Tiscali S.p.A.

1. We have carried out an audit on the statutory financial statements, comprising the income statement, statement of comprehensive income and financial position, the statement of changes in shareholders' equity, the cash flow statement and the related explanatory notes, of Tiscali S.p.A. as of and for the year ended 31 December 2014. Tiscali S.p.A.'s directors are responsible for drafting the financial statements in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005. We are responsible for the professional opinion expressed on the annual financial statements, based on our audit.
2. Our audit was made in accordance with the audit standards and criteria recommended by Consob. In accordance with such standards we planned and performed our audit to obtain every element necessary in order to determine whether the statutory financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the balances and disclosures in the financial statements, as well as assessing the appropriateness and suitability of the accounting standards applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our professional opinion.

For the opinion on the previous year's annual financial statements, whose balances are presented for comparative purposes, please refer to our report dated 26 June 2014.

3. In our opinion, the annual financial statements of Tiscali S.p.A. at 31 December 2014 are compliant with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005; they have therefore been prepared clearly in all the material aspects and provide a true and fair view of the financial and equity position, the economic result and the cash flows of Tiscali S.p.A. for the year ended as of that date.
4. By way of disclosure, the following aspects are pointed out, more fully dealt with in the explanatory notes:
 - a. as indicated in the section "Assessment of the business as a going-concern and business outlook", Tiscali S.p.A. closed its financial statements with a profit of EUR 0.6 million and shareholders' equity of EUR 61.7 million; it is the parent company of a Group (the "Tiscali Group" or "Group") which closed the year with a consolidated loss of EUR 16.4 million and a consolidated equity deficit of EUR 168.8 million; furthermore, at 31 December 2014, the Tiscali Group had a gross financial debt of EUR 204.3 million and current liabilities greater than current assets (non-financial) for EUR 108.9 million. The Directors describe the factors which indicate the continuation of significant uncertainties linked to a situation of equity, economic and financial imbalance into which the Group is headed, in the presence of gross financial debt which is significant, subject to covenants and other contractual obligations.

In this context, the Directors reveal that during 2014, the Tiscali Group:

- finalised agreements with the financing institutions for the restructuring of the loan agreement known as the Group Facility Agreement (the "Restructuring

Agreements”), after having obtained the asseveration of the business plan by a professional appointed in accordance with Article 67.3, letter d) of the Italian Bankruptcy Law;

- entered into an agreement with Société Générale in relation to the subscription by the latter of a share capital increase against payment (the “Share Capital Increase”) to be used exclusively for the early repayment of a portion of the debt deriving from the Restructuring Agreements, amounting to EUR 42.4 million, falling due on 30 November 2015 (“Facility A1”);
- accepted the offer made by a leading Italian real estate fund relating to the transfer of the leasing agreement concerning the property Sa Illetta (the “Leasing Agreement”), which may be finalised between the parties on verification of specific conditions which must take place by 31 March 2015;
- took part in the tender called by Consip S.p.A. for the supply of connectivity services in favour of the Public Administration Authorities (the “Consip Tender”), and turned out to be the group with the best economic bid. The Directors highlight that as things stand, the Tiscali Group is awaiting the completion of the formal controls, preparatory to the final assignment envisaged by the end of the first half of 2015.

On 19 March 2015, Tiscali S.p.A.’s Board of Directors approved the up-date of the business plan, extending the timescale to 2018 (“2015-2018 Plan”). The 2015-2018 Plan hypothesises, amongst other aspects, the ability of the Group to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017. On the basis of the market analysis on corporate bond issues in the telecommunications sector, the Directors believe that this residual debt can be refinanced in relation to the level of net debt / EBITDA envisaged for 2017 in the 2015-2018 Plan.

Furthermore, the Directors disclose that - again on 19 March 2015 - a non-binding memorandum of understanding was signed for a merger transaction with the “Aria” Group, an Italian Service provider which offers telecommunications services under Wimax throughout Italy. The transaction envisages, inter alia, a new capital contribution from the shareholders of the Area Group. The 2015-2018 Plan does not include any impact in relation to this transaction.

Despite highlighting how the achievement of a situation of equity, economic and financial balance for the Group over the long-term is subordinate to significant uncertainties linked to the achievement of the results envisaged in the 2015-2018 Plan, and therefore the realisation of the forecasts and the assumptions contained therein relating, in general, to the evolution of the telecommunications market and the accomplishment of the growth objectives set (in a market context characterised by strong competitive pressure) and in particular: (i) to the positive conclusion of the Share Capital Increase for EUR 42.4 million and the consequent repayment of Facility A1; (ii) the final awarding of the Consip Tender; (iii) the transfer of the Leasing Agreements by the envisaged deadlines or alternatively the redefinition of the debt repayment plan as already agreed with the leasing companies; and (iv) the ability to refinance the final instalment of the debt as per the Restructuring Agreements falling due in 2017; the Directors believe that the positive conclusion of the Group restructuring and recapitalisation process is reasonable, so as to be able to continue with the implementation of the 2015-2018 Plan permitting the achievement of a situation of equity, financial and economic balance over the long-term.

In conclusion, the Directors acknowledge that as of the current date, and as already indicated in the financial statements relating to 2013, uncertainties remain relating to events or circumstances which could lead to significant doubts as to the Group's ability to continue operating on the basis of the assumption of a going-concern. However, after making the necessary checks and after assessing the uncertainties found in light of the factors described above, taking into account the matters envisaged by the Restructuring Agreements with regard to the Group recapitalisation and debt restructuring transaction, they have the reasonable expectation that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when drawing up the financial statements;

- b. as indicated in the section "Disputes, contingent liabilities and commitments", in August 2013 a settlement agreement was signed (the "Settlement Agreement") concluding the disputes brought by certain associations and foundations representing the former minority shareholders of the Dutch subsidiary World Online International NV ("WOL"). The Settlement Agreement does not include the compensation requests amounting in total to EUR 111 million, made by the Stichting Van der Goen WOL Claims foundation representing 28 shareholders or those entitled who brought legal proceedings, served on 19 June 2014, vis-à-vis WOL and the financial institutions tasked with the listing of said WOL. Also supported by the assessments of their legal advisors, the Directors believe that the risk of losing is not probable as things stand.

5. The drawing up of the report on operations and the report on corporate governance and the ownership structure in compliance with the matters envisaged by the provisions of the law, is the responsibility of Tiscali S.p.A.'s directors. We are responsible for expressing an opinion on the consistency of the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. No. 58/98, presented in the report on corporate governance and the ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures indicated by Auditing Standard No. 001 issued by the Italian Accounting Profession and recommended by CONSOB. In our opinion, the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. No. 58/98, presented in the report on corporate governance and the ownership structure, are consistent with the statutory financial statements of Tiscali S.p.A. as at 31 December 2014.

Milan, Italy, 20 March 2015

Reconta Ernst & Young S.p.A.

Luca Pellizzoni
(Partner)