Tiscali Group
Annual Financial Report as at 31 December 2015

Issue date: 31 December 2015

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 169,076,822.67

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

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1 Highlights

Income statement	2015	2014
(EUR mln)		
Revenues	202.1	212.8
Adjusted Gross Operating Result (EBITDA)	56.2	49.1
Gross Operating Result (EBITDA)	39.1	38.8
Operating result	(1.9)	(0.3)
Statement of financial position (**)	**31 December 2015**	**31 December 2014**
(EUR mln)		
Total assets	290,5	207.9
Net Financial Debt	(165.6)	(192.6)
Net Financial Debt as per Consob	(173.1)	(199.5)
Shareholders' equity	(121.4)	(168.8)
Investments	38.1	20.8
Operating figures (**)	**31 December 2015**	**31 December 2014**
(000)		
Total Customers	**667.2**	**586.7**
of which: Broadband (*)	*541.8*	*481.3*
of which MOBILE (Voice and Data)	*116.5*	*92.4*
of which OTHER	*8.8*	*13.0*
(*)		
of which Voip (Dual Play)	*344.0*	*357.0*
of which Vula new customers	*0.7*	*0.0*
of which Broadband Fixed Wireless of the ARIA Group	*103.0*	*0.0*

(**) Following the finalization of the business combination's transaction with the Group headed by Aria SpA, which took place at the end of 2015, the balance sheet data and the operational data as at December 31st, 2015 are not comparable with prior year figures presented.

2 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 Gross 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

+ Financial charges
- Financial income

Operating result

+ Restructuring costs and other write-downs
+ Amortisation/depreciation

Gross Operating Result (EBITDA)

+ Write-downs of receivables from customers

Gross Operating Result (Adjusted EBITDA)

3 Directors and Auditors

Board of Directors

Executive Chairman Renato Soru (4) (5)

Chief Executive Officer Riccardo Ruggiero (4) (5)

Directors
Alexander Okun (4) (5)
Konstantin Yanakov (2)
Nikolay Katorzhnov (2) (4) (5)
Paola De Martini (*) (1) (2) (3)
Anna Belova (*) (1) (2) (3) (5)
Franco Grimaldi (*) (1) (2) (3)
Alice Soru

(*) Independent directors
(1) Audit and Risk Committee
(2) Appointment and Remuneration Commitee
(3) Committee for Related Party Transaction
(4) Investment Committee
(5) Extraordinary Financial Transactions Committee

Board of Statutory Auditors

Chairman
Paolo Tamponi

Statutory Auditors
Emilio Abruzzese
Valeria Calabi

Alternate Auditors
Federica Solazzi Badioli
Augusto Valchera

Executive in charge of drawing up the corporate accounting documents
Pasquale Lionetti

Independent Auditing Firm
Reconta Ernst & Young S.p.A.

Report on Operations

4 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.

4.1 Tiscali's position within the market scenario

Tiscali S.p.A. (hereinafter also referred to as "Tiscali", the "Company" and, jointly with its subsidiries the "Group" or the "Tiscali Group") is one of the principal alternative telecommunications companies in Italy that offers to its customers, individuals and corporation alike, a wide range of communication services: Internet access by DSL, Voice, VoIP, value-added services, mobile services, Over the Top services (hereinafter also referred to as "OTT").

Furthermore, Tiscali is active in the digital media and online advertising segments via:

- the portal www.tiscali.it, one of the chief Italian portals that in 2015 had an overall network traffic of more than 300 million page views;
- the dealership, Veesible S.r.l. (hereinafter also referred to as "Veesible") responsible for the sale of advertising space of the following portal www.tiscali.it but also of other key Italian web properties.

Evolution of the Fixed Broadband Market

As regards the evolution of the market for broadband Internet access from fixed network, the principal market covered by Tiscali, in September 2015 (source: AGCOM latest update) BroadBand Internet access in Italy reached 14.7 million units with an increase since the beginning of 2015 by approximately 380 thousand accesses. This increase was specifically driven by the BroadBand accesses developed by technologies alternative to traditional ADSL (Bitstream NGA, BroadBand Fixed Wireless, etc…) that in September 2015 reached about 1.9 million accesses, increasing by 690 thousand accesses since the beginning of 2015.

In line with this market development, also correlated to the growing user demand for broadband, in July 2015 Tiscali launched the ultra-BroadBand by relying on FTTC technology for the Consumer and Soho segment via the adhesion to the Virtual Unbundling Local Access (VULA) offer advanced by Telecom Italia in the areas covered directly by the Tiscali network, proposing connectivity with a download speed up to 100 Mbps and an upload speed of 20 Mbps.

In the market of broadband access from fixed network, Tiscali maintains an essentially stable position, thanks to its integrated voice and data offers. A comparison of September 2015 data (last survey available) with September 2014 data shows that Tiscali's market share was down slightly, from 3.4% to 3.1%.

The market continues to be essentially controlled by the incumbents (Telecom Italia, Fastweb, Wind Infostrada, Vodafone) that in 2015 kept their market shares stable as compared to the previous year (a slight loss in market share is registered by Telecom Italia for the benefit of Fastweb, Wind and other smaller alternative providers) competing on the market with diverse strategies relating to price, communication and value-added services.

The dual-play offers (combining Internet connectivity and Voice services in a single package) are confirmed as the commercial offer most appreciated by consumer and business users.

Mobile Market Evolution

With regard to Mobile services, the Italian market registers substantial stability in its total number of customers (93.1 million in September 2015 versus 94.2 million at the end of 2014 – source: AGCOM). Nevertheless, there is an increase in the number of customers relying on Mobile virtual network operators (MVNOs) to the detriment of mobile network operators (MNOs).

On the mobile market, in which it operates as a MVNO, at the end of 2015 Tiscali registered a good performance thanks to a competitive voice-sms and data offer, with an increase by approximately 27% in the number of active SIMs compared to the corresponding period in 2014.

Moreover, the exponential growth of Data traffic on Mobile network continues, having increased in September 2015 by about 45% compared to the corresponding period of the previous year, driven by the increasing popularity of Smartphones, Tablets and Wi-Fi 3G/4G modems as well as by the ever-increasing development of mobile applications by online media and companies alike.

Evolution of the Online Advertising Market

In 2015, the online advertising market recorded a slightly negative result (-0.7%) due to the growth of the sole sector dedicated to mobile devices (according to FCP: 463 million in 2015 as against 467 million in 2014 on the total market).

In the mobile online advertising sector, the growth was equal to +28% which, however, only partly compensated for the decrease in sales on the traditional web segment from Fixed network.

Mobile advertising remains the key future growth driver, still undervalued nowadays given the currently predominant relevance of the audience generated via the use of mobile devices towards traditional PCs (Audiweb 2015: 17.6 million mobile unique users on an average day as against 12.1 million unique PC users, still on an average day).

Currently conflicting macro-economic indicators are responsible for the overall market result in 2015.

Nevertheless, the long-term view is retained, with indications of growth in the coming years, especially thanks to the growth expected for the mobile advertising, native advertising and video advertising segments.

In this market scenario, the concessionaire succeeded in keeping up the steady revenue stream from advertising sales for the web properties managed.

Tiscali integrates its digital strategy also by monitoring the innovation and development of Over The Top digital applications such as Istella (Search Engine owner), Indoona (integrated Personal Unified Messaging system) and Streamago (live video streaming integrated in the main social networks). The development of such products and services qualifies Tiscali as an operator historically focused on innovation made available to its customers, and as a market player able to provide a comprehensive offer integrating access products with digital and web-based services.

Merger with the Aria Group

During the year 2015, the Tiscali Group has worked on the implementation of a business combination with the group headed by Aria S.p.A. (hereinafter "Aria" and, together with its subsidiaries, the "Aria Group"). The transaction is elucidated in detail in the paragraph “4.4 Relevant facts during the financial year “ and it was completed on December 24th, 2015 via the merger by incorporation by Tiscali S.p.A of Aria Italia S.p.A..

This aggregation has an important significance on industrial side and could have significant impacts on future development strategies of Tiscali Group.

In fact, thanks to the merger with Aria Group, the Tiscali Group broadened its portfolio of industrial assets, specifically acquiring the licence on 40MHz of spectrum on 3.5Ghz frequency on a “technology-neutral” basis and the Fixed Wireless proprietary access network, owned by Aria. By aggregating the assets of Aria, Tiscali is currently one of the few national operators to have a proprietary End-to-End network infrastructure (Core Network + Access Network), a quintessential asset for operating successfully in the telecommunications market, and thanks to which it is possible to increase the competitiveness of its offers and its overall profitability. Through this proprietary network infrastructure, Tiscali will launch the new UltraBroadBand Fixed Wireless LTE services (with speed up to 50Mbps) that will considerably enhance its portfolio of offerings in connectivity services.

Aria was established in 2005 as a small operator specialising in the provision of broadband Internet via HyperLan network to local customers unable to access fast Internet services via the network of traditional operators. In 2008, the company was strongly recapitalised by a group of international partners and in February 2008 took part in the tender issued by the Ministry of Communications for the assignment of a relevant portion of the spectrum on 3.5GHz frequency.

Thanks to an investment of EUR 47.5 million, Aria obtained –as sole Italian provider – the licence for use throughout the entire national territory of 40MHz of spectrum on 3.5GHz frequency so as to offer telecommunications services (Internet and telephone services) to its Retail customer base. The duration of the award of this licence shall be 15 years. This frequency was acknowledged as "technology-neutral", namely any transmission device able to provide data/voice services may be used on it. Aria's proprietary network is currently based on a technological transmission standard that allows for the provision of broadband telecommunications services (BWA - Broadband Wireless Access), of a wireless type and based on WiMax technology (acronym of Worldwide Interoperability for Microwave Access). However, an LTE-TDD technological ecosystem on 3.5GHz frequency has already been broadly developed, entirely compatible and interoperable with LTE systems still operating on other frequencies. All the principal vendors of telecommunication devices (Huawei, ZTE, Nokia, Alcatel, Ericsson) currently have a comprehensive suite of LTE-TD devices on 3.5GHz frequency available in their product portfolio. This enables the migration of the Aria network from WiMax to LTE, allowing for the significant optimisation of the quality of the service provided to its customers (from BroadBand offers up to 7 Mbps to UltraBroadBand offers up to 50Mbps).

At the end of 2015, Aria had a proprietary access network infrastructure made up of approximately 520 Base Stations situated all throughout Italy and thanks to which in 2012 it received the final certification from the Ministry of Economic Development attesting the compliance with the coverage requirements associated with the licence obtained in 2008 on 3.5GHz frequency and thanks to which Aria currently covers over 7 million Families and Companies, to which it provides its BroadBand Fixed Wireless services.

Aria's development strategy focuses particularly on covering via its proprietary access network the Digital Divide areas, namely those areas in which ADSL services are not available. Hence, the model guiding the development of Aria's network is based on a precise geomarketing strategy developed and reinforced by the management, with a view to making bandwidth available in areas where it is needed. In the areas covered by the service, Aria offers to its customers post-paid subscriptions with a monthly flat fee for unlimited BroadBand services, to which the customer may add flat-rate or pay-as-you use voice services. The Aria offer is specifically targeted at Consumer and SOHO (Small Office and Home Office) customer segments.

From an industrial perspective, the merger transaction between the Tiscali Group and the Aria Group has therefore allowed for a substantial increase in Tiscali's asset portfolio and it believes it will ensure to the Group a better future competitive positioning on the telecommunications market, apart from an increase in the overall levels of profitability. The principal advantages for the Tiscali Group are further summarised below:

- The integration of a strategic asset such as the 3.5 GHz frequency to complement the portfolio of technological assets already held by the Tiscali Group (particularly, Infrastructure of Fibre-based Fixed network at the level of Core and MAN Networks) enabling Tiscali to equip itself with a proprietary Access network, crucial for successfully competing in a telecommunications market characterised by a boom in wireless and mobile broadband data traffic;
- The expansion of the market that can be targeted at areas as yet not monitored by Tiscali, such as Digital Divide areas and the areas in which the quality of services is especially low, where it will be possible to offer high-quality UltraBroadBand services by relying on the LTE Fixed Wireless proprietary access network;
- The launch of UltraBroadband Fixed Wireless LTE services with a capacity above 50Mbps, using in a reinforcing manner the spectrum and the Fixed Wireless proprietary access network provided by Aria and Tiscali's existing assets (infrastructure of Fibre-based network, Tiscali trademark and consolidated organisational structure), increasing the competitiveness and overall profitability of the BroadBand offer provided by Tiscali;
- The further increase in corporate global profitability thanks to the possibility of transferring a portion of those Tiscali customers currently served via the LLU rental of Telecom Italia with Bitstream technology (characterised by low profitability and high costs to be paid to Telecom Italia for LLU rental – more than EUR 17 a month per customer) on its Fixed Wireless proprietary access network. Already today about 20% of Tiscali's Bitstream customers are covered by Aria's current Fixed Wireless network and this percentage will increase further in the future thanks to the focus of the new coverage of the BroadBand Fixed Wireless LTE services also in the areas with a higher density of Tiscali's Bitstream customers as well as in the areas in which the quality of the current ADSL services is particularly lacking or even absent.

Aside from the foregoing, the acquisition of the 3.5GHz spectrum licence, also opens up for Tiscali the prospective possibility of launching on the market a converged fixed-mobile Ultra-broadband product, making it possible to also manage on Tiscali proprietary network Mobile Data services integrated with the BroadBand Fixed Wireless services in the areas covered by the LTE network on 3.5GHz frequency. This possibility is becoming increasingly topical given the following events taking place in the past few months that support this development:

- The allocation at the end of 2014 in Japan of a 40MHz portion of 3.5GHz spectrum (the same spectrum portion held by the Tiscali Group) to each of the three principal Japanese Mobile network operators declaring their intention to cover over 50% of the Japanese population with a LTE network on a 3.5GHz frequency in order to provide Mobile Data services in view of a gradual saturation of the existing networks given the exponential growth of the Wireless and Mobile Data traffic in higher consumption areas;
- The emergence of chipsets natively also endowed with 3.5GHz frequency among the frequencies managed, that is enabling the development of LTE 3.5GHz compatible smartphones and tablets

Research & Development Activities

In 2015, the Company continued its activities for the development of what are referred to as: Over The Top products/services:

- Indoona: in the course of the first half of 2015 it received the prestigious “Global Telecoms Business” award (that each year rewards the most innovative projects in the telecommunications industry) in the innovation category, in consumer services and especially for the voice service provision mode. Indoona is among the first worldwide to use a Voip NFV (network function virtualisation) platform, namely a technological platform that does not reside in a private data centre but is distributed via the cloud worldwide. Likewise, the chat has improved enabling the exchange of all file types, not only music and video files, but also documents, pdfs and presentations.

  On 19 November 2015, Tiscali presented *Indoona Open Platform,* the first development platform that makes it possible to connect and enabling dialogue across applications, services and intelligent objects via the channel most used and appreciated by users, namely the chat. The Indoona features have been integrated by a number of innovative Italian startups such as Eventa, Lifely, Easy Network, GuideMeRight and Entando.

  At 31 December 2015 Indoona boasted 2.4 million downloads, compared to 2.2 million downloads recorded at 31 December 2014. The net book value at 31 December 2015 ascribable to the investments carried out for Indoona amounts to EUR 0.5 million. The revenues currently generated by the service are not significant (about EUR 24 thousand);

- Istella is a search engine for the Italian web devised for arranging and spreading the 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 by sharing files, documents, photos, images, videos and soundtracks. Istella was launched on the market on 19 April 2013;

  On 9 September 2015, Tiscali, the CNR, the University of Pisa and the Ca’ Foscari University of Venice developed QuickScorer, a new algorithm that makes it possible to speed up the identification of the most interesting Web pages in response to a query posted by a user to a search engine. QuickScorer received the “Best Paper” prize (best scientific contribution) in the 38th edition of the International ACM SIGIR Conference on Information Retrieval, the main global meeting for scientific and industrial research in the Web search sector that was held this year in Santiago de Chile.

  The net book value at 31 December 2015 of the investments ascribable to Istella amounts to EUR 3.3 million. The revenues currently generated by the service are not significant.

- Streamago is a platform which enables live streaming and broadcast recording vis-à-vis any fixed device (PC and MAC) or mobile device. In the first half of 2015, the “Streamago Social” version was launched that makes it possible to publish and transmit videos and live events on Facebook directly from browsers and smartphones.

  On 6 July 2015, the Streamago app (version 2.0) was enhanced with the addition of a new feature, Streamago TV, a window on the world in real time providing access to the videos of the Streamago world and of Facebook friends, with the possibility of live interaction while viewing the video.

  On 2 October 2015, Tiscali Italia S.p.A. transferred corporate assets relative to the Streamago project to Streamago Inc, a company with registered office in Delaware, for a book value at 30 September 2015 of approximately EUR 0.7 million, receiving in exchange 51,577,564 privileged shares, equal to about 97% of the share capital approved by the company itself. During the 2015 financial year, the revenues relative to Streamago amount to EUR 305 thousand, with an increase by approximately 230% compared to the previous 2014 financial year (EUR 92.3 thousand). The total investments on Streamago, from the year 2012 until 2015, amounted to EUR 1.1 million.

4.2 Regulatory background

The main spheres of regulatory intervention which have been witnessed during 2015 are illustrated in a concise manner below.

Digital Agenda

The “Autorità per le Garanzie nelle Comunicazioni Elettroniche” (Authority for Communications Guarantees) provided its contribution to favour the implementation of the policies indicated in the digital agenda for Italy and for Europe, with specific reference to the development of state-of-the-art network infrastructures and to the protection of digital content, taking a wealth of actions comprising in particular the recent Resolution No. 575/15/CONS, by which the Authority, within the scope of its competence with respect to the development of broadband networks, started a public consultation relative to the “Guidelines for the conditions for wholesale access to ultra-broadband networks that are the recipients of public contributions”, so as to define a framework of rules at the wholesale level ensuring to all subjects involved in the implementation of a fibre-optic network (operators that create the infrastructure and subjects operating in the market further downstream) the proper return on investment, in order to foster the rapid circulation of the services.

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

In October 2013, AGCOM launched a procedure (resolution No. 563/13/CONS), postponed several times and recently concluded in April 2015, by means of which the Authority executed the sentences of the Council of State No. 1837/13, No. 1645/2013 and No. 1856/2013 relating to resolutions No. 731/09/CONS and No. 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. 5733/2014 by means of which the approval of the fees for the Bitstream Naked service for 2009 was cancelled, AGCOM opened a new procedure (resolution No. 68/15/CONS) for the recalculation of this value, and accordingly of the values relating to the Bistream and WLR services for the years 2010 to 2012.

These procedures were completed via the publication on 11 November 2015, of Resolution No. 578/15/CONS “Execution of the sentence of the Council of State No. 5733/2014 relative to resolution No. 71/09/CIR concerning the approval of the reference offer of Telecom Italia for 2009 relating to bitstream services” and of Resolution No. 579/15/CONS “Amendment to the prices of the bitstream and WLR services for the years 2010-2012 pursuant to art.2 of resolution No. 86/15/CONS implementing the sentences of the Council of State No. 1837/2013, No. 1645/2013 and No. 1856/2013.” With the first of the cited Resolutions, Agcom leaves the value of the Bitstream unaltered for 2009, whereas with the second it slightly amends the values of the services concerned for the 2010-2012 three-year period, determining, on average, a slight reduction of fees and a limited increase in the activation/termination contributions.

Market analysis of the fixed network access services

Following the positive feedback on its notification, as received by the European Commission, on 5 November 2015, AGCOM definitively approved the resolution scheme relating to the market analysis on the wholesale access to the fixed network of Telecom Italia, valid for the 2014-2017 period (Resolution No. 623/15/CONS). With this decision, the Authority defined the rules and uniform prices on the entire national territory for the access to the Telecom Italia copper and fibre network by the competing operators.

The cardinal rules concern:

a) the unbundled copper-based access from local exchange (unbundling) or from street cabinets (sub-loop unbundling), in step with the current regulatory framework;

b) the unbundled supply of services for the maintenance and activation of the lines on an unbundling and sub-loop unbundling basis;

c) new non-discrimination measures aimed at bridging the gap in the supply and quality of the access services across the internal divisions of Telecom and the competing operators;

d) administrative simplification;

e) the review of the penalties for Telecom Italia in the event of delay in the provision of access services and troubleshooting;

f) clear rules for the use of MOV (Multi-Operator Vectoring), in the event of access to the cabinet;

g) new measures promoting the opening, on an unbundling basis, of exchanges smaller in size;

h) clear rules in the event of switch-off by Telecom Italia of the exchanges open to unbundling, with incentives for the migration to fibre by the operators already placed.

The price monitoring measures comprise:

i. wholesale access charges, for 2014, equal to the values of 2013;

ii. coherent definition of costs, according to criteria of efficiency, of all the services for access to the copper and fibre-optic network from 2015 to 2017;

iii. substantial stability of the unbundling fee and of the prices for access to the fibre infrastructures;

iv. further streamlining of the costs of virtual access services (so-called active products): bitstream, VULA;

v. valuation at cost of the sub-loop fee.

This package of measures will provide:

A. a greater incentive to fibre-optic infrastructure, encouraging the migration from copper- to fibre-based services;

B. certainty of the rules in the market analysis time frame;

C. improved quality of the wholesale services with positive effects on the competition and, indirectly, on the consumers;

D. greater non-discrimination guarantees for alternative operators;

E. spaces for further decreases in the retail prices.

Following the approval of resolution No. 623/15/CONS the Authority restarted the procedure concerning the update of the methodology for replicability testing (as per resolution No. 537/13/CONS), at the same time starting the public consultation on the “Guidelines for appraising the replicability of retail offers of the notified operator”. With this provision, the Authority intends to fulfil the need to align the system of the ex ante verifications of replicability with the new retail offer typologies and, more generally, with the evolution of the market given the growing investments in the development of state-of-the-art networks and the resulting diffusion of innovative services based on the fibre-optic access infrastructure.

Management of radio spectrum and use of the frequency bands for wireless broadband services

With regard to mobile telecommunications, the activity of the Authority concerning the discipline of the use of radio spectrum for electronic communication systems is aimed at fostering the development of broadband and ultra-broadband services, in step with the objectives provided for by the Community framework.

Among the significant interventions in this sphere, it is worth flagging resolution No. 659/15/CONS that establishes "Procedures and rules for the allocation and use of the frequencies available in the 3.600-3.800 MHz band for terrestrial systems capable of providing electronic communications services".

The document identifies different allotment lots according to geographical areas, enabling a sort of breakdown of the work into greater value uses in higher density areas (for which the auction mechanism may be more suitable), and uses currently quintessential for reducing the digital divide in the broadband and ultra-broadband in the less dense and least served areas of the country (for which a beauty contest mechanism may be more appropriate).

This is an important innovation that Tiscali intends to monitor carefully considering the opportunities that could further open up in the Fixed Wireless and LTE services market, for, being the 3.6-3.8GHz frequency object of future allocation, substantially complementary to the 3.5GHz one, acquired by Tiscali following the merger with Aria Group carried out in 2015.

Main consumer protection initiatives

I. There is an ongoing analysis on the regulatory evolution of customer assistance services, also in light of the new market context and the new contract models, via digital instruments and social networks.

   The main innovative aspect in this context is the Authority's opening to the potential introduction of a regime providing for conditions of onerousness (predefined reasonable price) for calls to operator assisted customer service numbers.

II. By means of resolution No. 519/15/CONS, the Authority approved the new regulation regarding contracts relating to the supply of goods and electronic communication services up for consultation.

   With this provision, the Authority defined precise informative obligations for the operators, particularly in the case of distance contracts or contracts entered into away from business premises: specifically, the communication of the amendments to the terms in force should be clear, effective and carried out according to a standard format. The Regulation entered into force in its entirety except for the provision relative to the maximum contract duration, for which an extension was granted by the Authority both for the impact of its implementation on the IT systems of the companies concerned, and because it introduces a norm that may be in conflict with, or in any case deviate from, the one provided for by the so-called "competition" draft law under discussion in Parliament.

III. Moreover, by means of resolution No. 23/15/CONS the Authority decided yet again to intervene with regard to the transparency of the telephone bill and via the 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.

IV. Lastly, with resolution No. 227/15/CONS, AGCOM started the public consultation procedure relative to the amendment to the regulation concerning the compensation applicable in the definition of disputes between users and operators. With this resolution, AGCOM intends to amend the discipline of automatic compensation, specifically providing that the operator victim of the damage may request the Authority to ascertain the responsibility between operators and to take legal action, if need be, against the "third party" operator proportionally to the disruption caused.

International roaming

The European Union fixed at 30 June 2017 the date of complete suppression of extra roaming-related costs (originally set at 2018).

This suppression will be preceded by a reduction of costs that operators may charge for roaming: as from 30 April 2016, in fact, the ceilings currently in force will be replaced by an extra maximum cost of EUR 0.05 per minute for calls, 0.02 for SMSs and 0.05 per megabyte for data.

The EU indications also provide for a clause for the fair use of roaming to prevent the potential abuse by anybody using their number abroad for reasons other than travel. In this case, protection clauses will be introduced enabling operators to recover the costs.

Information System on wilful default in the telephony industry

In October 2015, the Garante della Privacy (Italy's personal-data protection authority) initiated the constitution of the Information System on wilful default in the telephony industry (S.I.Mo.I.Tel.) that will conduct a census on natural or legal persons, bodies, associations, owners of sole proprietorships and self-employed professionals guilty of failure to fulfil obligations relating to the payment of telephone bills relative to packages inclusive of subscription and smartphone or tablet supply.

Defaulting users due to occasional delays in payment will not be entered in the system. The database may be consulted by the operators prior to the activation of a new contract.

The exchange of information on wilful default could therefore prove useful to assess and contain any conduct that in the long term may affect not only operators, but also paying users, who may be forced to sustain costs that are otherwise not due.
The system, managed by a subject as yet to be identified by the telephone operators, may only process information regarding non-payment by the customer.

Strategy for the digital single market

The European Commission's strategy for the Digital Single Market published in May 2015, comprises an assortment of legislative and non-legislative measures that will be presented in the course of 2016.

They set out three objectives:

- Improved access to online products and services;
- Improved conditions so that digital networks and services may develop and prosper;
- Fostering of the growth of European digital economy

In this context is introduced the public consultation announced by the EC on the subject of the Digital Single Market.

Many topics were discussed in the consultation, from computer security to the enhancement of e-commerce; from the interoperability of networks and technologies to the development of ultra-broadband; and still the penetration and assertion, in the digital market and, more generally, in the electronic communications market, of new subjects such as Over the Top (OTT) subjects.

The preliminary analysis of the contributions transmitted, as disclosed to the public by the EC already displays a number of dominant trends: connectivity is widely acknowledged as the driving force behind society and digital economy and a "sound connectivity" is deemed a necessary requisite for the creation of the Digital Single Market.

Upon completion of the consultation stage, the Commission will examine in detail the contributions received, based on which it will develop the final proposal of the legislative intervention expected by the end of 2016.

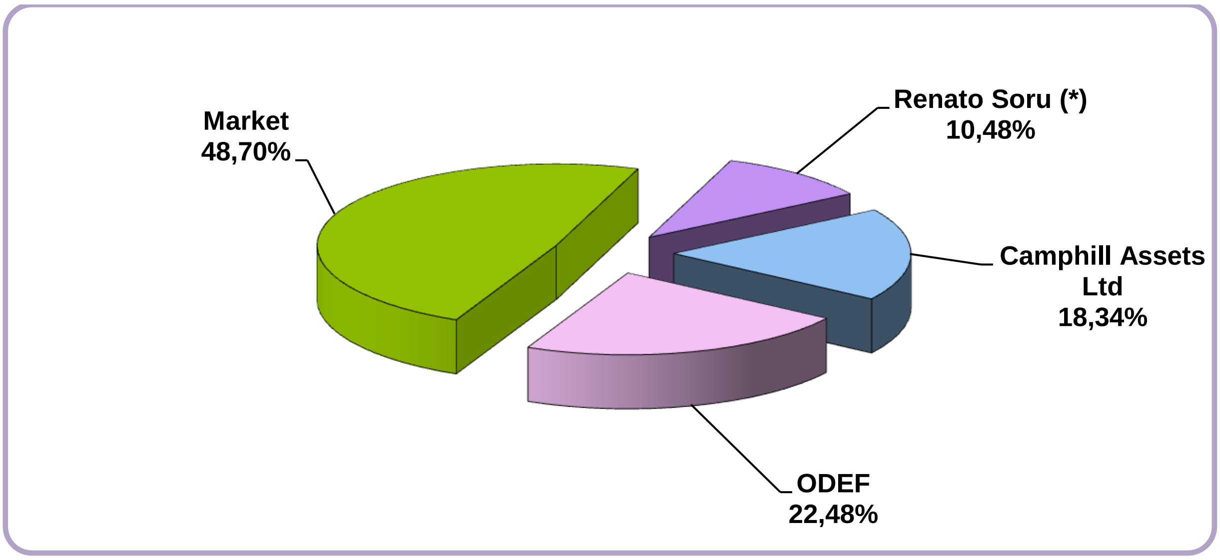
4.3 Tiscali shares

Tiscali shares have been listed on the Italian Stock market (Milan: TIS) since October 1999. At 31 December 2015, market capitalisation came to EUR 180,853,709 million, calculated on the value of EUR 0.0575 per share as at that date.

At 31 December 2015, the number of shares representing the Group's share capital amounted to 3,145,281,893.

Tiscali's shareholder base at 31 December 2015 is illustrated below:

Fig. 1 Tiscali Shares



Source: Tiscali

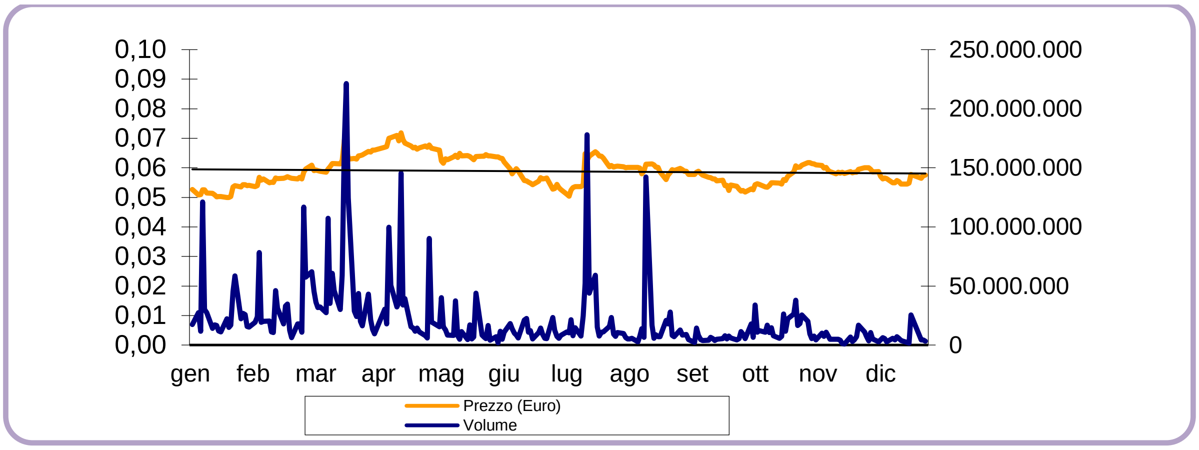
(*) Directly by around 8,87 and, indirectly through the investee companies Monteverdi Srl (0.56%), Cuccureddus Srl (1.05%).

Share capital structure at 31 December 2015

SHARE CAPITAL STRUCTURE		
	No. of shares	**As % of share capital**
Ordinary shares	3,145,281,893	100%

The graph below illustrates Tiscali's share trend during 2015, characterised by sustained trading volumes, particularly in the months of March, July and August.

Fig. 2 - Tiscali's share performance in 2015



Source: Bloomberg data processing

The average monthly price in 2015 stood at EUR 0.059. The maximum price of EUR 0.0719 for the period was recorded on 15 April 2015 and the minimum of EUR 0.0500 on 19 January 2015.

Trading volumes stood at a daily average of about 21.1 million items, with a daily average trade value of EUR 1.2 million.

Average Tiscali stock trading on the Italian Stock Exchange in 2015		
	Price (EUR)	**No. of shares**
January	0.052	27,217,956
February	0.056	30,335,421
March	0.062	58,710,939
April	0.068	34,997,383
May	0.064	14,116,320
June	0.058	11,282,704
July	0.058	24,583,213
August	0.060	16,516,420
September	0.056	6,553,217
October	0.056	16,197,445
November	0.060	7,391,822
December	0.057	5,874,119
Average	**0.059**	**21,148,080**

4.4 Relevant events during the financial year

Events connected to the corporate aggregation with the Aria Group

During the year 2015, the Tiscali Group has worked on the implementation of a business combination (the "Operation ") with the group headed by Aria S.p.A. (The "Aria Group"). The operation, outlined in the agreement signed between Tiscali, Aria Telecom Holdings B.V. ("ATH") and Otkritie Disciplined Equity Fund SPC ("ODEF") in July 2015 (the " Merger Agreement "), was completed on 24 December 2015.

Aria S.p.A. (hereinafter "Aria") is a company operating on national territory within the provision of broadband Internet services and is the holder of a licence for 40MHz of spectrum on 3.5Ghz frequency on a technology-neutral basis, enabling the provision of LTE services in Fixed Wireless Access mode with a capacity above 50MB/s. Aria provides broadband Internet services especially in areas as yet not receiving broadband services (below 2Mb/s) of traditional telecommunications operators or affected by structural causes related to the low quality of the services provided.

The merger strategically aims to accomplish the industrial integration across the activities headed by Tiscali in relation to telecommunications, access to Internet and digital media with the activities headed by Aria in relation to telecommunications and access to Internet in BWA (Broadband Wireless Access) mode, as well as the reduction of the outstanding debt of the Tiscali Group thanks to the cash made available as part of the Operation.

The Operation was carried out via merger by incorporation by Tiscali of a newly incorporated company, Aria Italia S.p.A. (“Aria Italia”) , whose assets were made up of: i) a shareholding representing the entire share capital of Aria following the conferment on 24 August 2015 subject to an estimate report as per art. 2343 ter of the Civil Code amounting to EUR 34.6 million; ii) liquid assets equal to about EUR 42.4 million contributed through the subscription of an increase in capital, equal to the same amount, as deliberated by Aria Italia S.p.A. itself on 7 September 2015, by the ODEF, headed by Otkritie Holding, a Russian financial group and financial partner of the Operation.

The merger by incorporation into Tiscali Spa was accomplished via an increase in the share capital of Tiscali S.p.A, with the issue of new ordinary shares offered in exchange to the shareholders of Aria Italia according to the share-exchange ratio of 50 Tiscali ordinary shares for every 3 Aria Italia ordinary shares.

The merger became effective as of 24 December 2015. The amount of EUR 42.4 million, paid by ODEF to Aria Italia before the merger, was used at the same date in order to extinguish Facility A1 of Tiscali financial indebtedness in its entirety in pursuance of the *Group Facilities Agreement* – GFA- , as restructured on 23 December 2014 (“Restructuring Agreements “)

Following the merger transaction, Aria's shareholders acquired a total shareholding equivalent to approximately 18,33% of the combined entity, while another 22,48% is held by ODEF, for a total volume of new shares issued equal to 40.81% of the combined entity.

Aside from the required resolutions of the Shareholders' Meetings preceded by the fulfilment of all legal obligations, the optimisation of the merger was subject to the fulfilment of a few conditions as per the market practice, including the attainment of the ministerial authorisations for the transfer of licences and ownership of frequencies of the Aria Group and the consent of the Senior Lenders pursuant to the Agreements for the Restructuring of the indebtedness of the Tiscali Group signed in December 2014.

At the effective merger date, all the conditions stated in the Merger Agreements and in the Merger project, including those relative to the total assets of the Aria Group and Tiscali Group, were all fulfilled or waived by the entitled parties.

In regard to the governance of the new Tiscali, under the Shareholders' Agreements signed among shareholders, Renato Soru retained the position as Executive Chairman, whereas Riccardo Ruggiero, the CEO of Aria before the merger, took on the role as CEO while the remaining members of the Board of Directors were appointed by the shareholders on the basis of the shareholdings ensuing after the merger.

The events leading to the accomplishment of the merger transaction are briefly listed below in chronological order:

- 19 March 2015 - Preliminary non-binding agreement for the business combination transaction with Aria

  On 19 March 2015, a non-binding letter of agreement was signed for an industrial aggregation with Aria.

- 15-16 July 2015 - Merger Agreement between the Tiscali and Aria Groups

  On 15 July 2015, the Board of Directors of Tiscali resolved to grant to the Chairperson the powers to proceed with the signing of the final agreement aimed at the merger between the Company and the Aria Group, signed on 16 July 2015.

- 24 August 2015 - Conferment of Aria shareholding to Aria Italia

  On 24 August, the shareholding representing the entire share capital of Aria was the subject of an estimate report as per art. 2343 ter of the Civil Code, and was conferred for a value equal to EUR 34,574,360.54 to Aria Italia

- 25-28 August 2015 - Approval of the Merger Project by Tiscali and Aria Italia and the issuance of a fairness opinion on the exchange ratio

  On 25 August 2015, the administrative bodies of the Companies taking part to the merger, Tiscali and Aria Italia, pursuant articles 2501 and subsequent of the Civil Code have edited and approved the Merger project accompanied by the relating reports as per art. 2501-quinquies of the Civil Code Code that illustrate and justify the share-exchange ratio for the Operation, which is 50 ordinary shares Tiscali, without par value and having the same features of the ordinary Tiscali shares on the market at the effective date of the merger, for every 3 ordinary shares Aria Italia, with par value equal to EUR 1.

  The Merger Plan has been prepared based on the financial situation of Tiscali as of 30 June 2015 and on the financial position of Aria Italia as of August 24, 2015

  On 28 August 2015, Reconta Ernst&Young S.p.A., in its capacity of expert appointed by the Court of Cagliari pursuant to art. 2501-sexies of the Civil Code, issued its report on the adequacy of the said share-exchange ratio.

- 28 August 2015 - Registration of the merger Project in the Business Register

  On 28 August 2015, the Participating Companies, each for its part, transmitted the merger project to the Business Registers of Cagliari and Rome, requesting its registration in pursuance of art. 2501-ter, paragraph 3 of the Civil Code. On 28 August 2015, the merger project and its annexes were deposited at the registered offices of the Participating Companies involved into the merger and published on Tiscali's website.

- 15 September 2015 - Publication of the Informative Document relating to the Merger

  On 15 September 2015, Tiscali disclosed to the public the informative document drawn up in pursuance of art. 70 of the Issuers' Regulations in order to provide to its shareholders all the necessary informative elements pertaining to the merger, as a significant transaction pursuant to Annex 3B of the very Issuers' Regulations.

- 17 September 2015 - payment by ODEF of the amount equivalent to EUR 42.4 million to Aria Italia spa,

  On 17 September 2015, the ODEF fund has paid in Aria Italia the amount of EUR 42,444,179.51. This amount, at the effective merger date (24 December 2015), was used for the reimbursement of Facility A1 pursuant to the Restructuring Agreement.

- 25 September 2015 - Signing of the Voting Agreement

  On 25 September 2015, Renato Soru, ATH, the reference shareholders of the latter and ODEF signed a voting agreement - relevant in pursuance of art. 122 of the Consolidated Law on Finance and disclosed to the public in pursuance of the law - to serve and avail for all legal purposes with reference and limited to the Shareholders' Meeting of Tiscali convened after the effective Merger date, upon every summons, and with the following agenda: (i) the appointment of the corporate bodies; (ii) an incentive plan in favour of the members of the administrative body and of the senior management. More specifically, the adhering subjects: (a) committed to submitting and voting common lists for the appointment of the corporate bodies of post-Merger Tiscali; (b) committed to voting in favour of a compensation plan providing for the attribution to the Executive Chairman of post-Merger Tiscali of a stock-option plan with the same characteristics indicated in the agreement itself; (c) acknowledged a mutual interest in the appointment of Renato Soru as Executive Chairman of post-Merger Tiscali and Riccardo Ruggiero as CEO.

- 28-29 September 2015 - Approval of the merger project by the Participating Companies

  On 28 and 29 September 2015, the Merger Project was approved by the extraordinary Shareholders' Meetings of Aria Italia and Tiscali respectively.

  The Shareholders' Meeting also conferred the authorisation to the Board of Directors of post-Merger Tiscali, pursuant to art. 2443, paragraph 2 of the Civil Code, for a paid increase in share capital, in one or more instalments, via the issue of a maximum total of 250,000.000 ordinary shares without nominal value, with the exclusion of pre-emption rights, in pursuance of art. 2441, paragraph 5 of the Civil Code, reserved for Bank Otkritie Financial Corporation (Public Joint-Stock Company) – (“Bank Otkritie”) - to be exercised at the option of the administrative body of post-merger Tiscali as an alternative to the repayment of the loan granted by Bank Otkritie to the Aria Group and that would be headed by the post-merger Tiscali Group.

  The merger project was approved by the extraordinary Shareholders' Meeting of Tiscali on 29 September 2015 with the favourable vote of 99.565% of attendees and of 98.733% of those attending other than the previous major shareholder of the Group, and had already been approved by the extraordinary Shareholders' Meeting of Aria Italia held on 28 September 2015.

- 26 November 2015 - Consent of the Lender Institutions upon completion of the merger transaction: “Consent and Amendment Letter”

  On 26 November 2015, the Group received the consent of all Senior Lender, pursuant to the Restructuring Agreements upon completion of the merger by incorporation of Aria Italia in Tiscali, in compliance with the Shareholders' resolution dated 29 September 2015.

- 15 December 2015 - Stipulation of the Merger Deed by the Participating Companies

  On 15 December 2015, the Participating Companies stipulated the Merger Deed as per art. 2504 of the Civil Code.

- 22 December 2015 - Issue of the judgement of equivalence by Consob

On 22 December 2015, Consob issued its judgement of equivalence (pursuant to article 57, paragraph 1, lett. d) of Consob Regulation No. 11971 of 1999 of the Issuers' Regulations) on the informative document relative to the merger by incorporation of Aria Italia into Tiscali

- 23- 24 December 2015 - registration of the Merger Deed in the Business Register

  On 23 and 24 December, the Merger Deeds of Aria Italia and Tiscali were registered in the Business Registers of Rome and Cagliari respectively. Following last registration at the Register of Companies pursuant the art. 2504 of the Civil Code, the Merger became effective

- 28 December 2015 - Variation in Share Capital following the merger by incorporation of Aria Italia S.p.A. into Tiscali S.p.A

  Following the effective outcome of the merger taking place on 24 December 2015, the Company, in order to finance the merger, increased its share capital via the issue of a total of 1,283,746.550 ordinary shares without nominal value offered to the Shareholders of Aria Italia on the basis of the share-exchange ratio of 50 Tiscali ordinary shares for every 3 Aria Italia ordinary shares. By effect of the share-exchange ratio indicated in the merger project, the Shareholders of the Aria Italia have a share in Tiscali of 40.81%.

- 29 December 2015 - Resignation of the Directors and of the Board of Statutory Auditors, renewal of corporate positions and convening of Shareholders' Meeting

  On 29 December 2015, upon completion of the process of merger., the members of the Board of Directors and of the Board of Statutory Auditors resigned due to the entry of new shareholders in the corporate structure of Tiscali S.p.A, leaving to the new shareholders of .the Company the decision relating to the composition of the corporate bodies.

  Furthermore, in view of implementing the new structure of the post-merger Company, the Board decided to place the following additional items on the agenda:

  As regards the ordinary part:

  - A 2015-2019 Stock Option plan regarding Tiscali ordinary shares reserved for the Chairman of the Board of Directors of the Company, Renato Soru.

  As regards the extraordinary part:

  - The Proposal of delegation of powers to the Board of Directors for increasing the paid share capital, in one or more instalments, via the issue of a maximum total of 250,000,000 ordinary shares without nominal value, the exclusion of pre-emption rights, reserved for Rigensis Bank AS, assignee for EUR 15 million due from the subsidiary, Aria S.p.A., which provides for a right of conversion in Tiscali shares of new issuing exercisable by Tiscali in 2018. This increase voids and replaces the previous increase not exceeding 250,000,000 ordinary shares without nominal value, that was reserved for Bank Otkritie (Public Joint-Stock Company), decided by the Shareholders' Meeting held on 29 September 2015, due to Rigensis Bank AS taking over the credit position previously held by Bank Otkritie;

  - The Proposal of paid capital increase, by means of share split, via the issue of a total maximum amount of 295,241,904 ordinary shares without nominal value, to service a maximum of 295,241,904 options valid for the subscription of ordinary shares of the Company to be reserved for the Chairman of the Company, Renato Soru, as beneficiary of the 2015-2019 Stock Option Plan.

  The Board of Directors has furthermore delegated the Chairperson to convene the Shareholders' Meeting for the appointment of the new Board of Directors and the new Board of Statutory Auditors and for discussing the aforementioned items on the agenda on Tuesday 16 February 2016, furthermore remaining in office until their appointments are renewed.

Events connected with the debt restructuring activities

Indebtness pursuant the Restructuring Agreement (GFA)

- 30 January 2015 - Authorisation granted by Tiscali's Shareholders' Meeting to the Board of Directors for the Share Capital Increase

  On 30 January 2015, in execution of the Restructuring Agreements signed on 23 December 2014 and of the SEF Agreement entered into with Société Générale on 24 December 2014, the Extraordinary Shareholders' Meeting of Tiscali issued to the Board of Directors of the Company a proxy to increase the capital by means of share split, via the issue of a maximum of 1,000,000,000 ordinary shares of the Company, reserved for subscription to Societé Générale. This transaction was structured to allow Tiscali to collect the cash required in order to repay the Facilitry A1 pursuant to the Restructuring Agreement, expiring at the end of November 2015.

- 16 February 2015 - Approval of the Share Capital Increase by Tiscali's Board of Directors

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

  However, it should be noted that in view of the fact that the repayment of the Facility A1 pursuant to the Restructuring Agreements was made through cash provided by ODEF as part of the Merger, the Company has not exercised the right to implement the capital increase approved on February 16, 2015 through the SEF instrument.

- March 31, 2015 and September 30, 2015 - Payment of interest and share capital pursuant to the Restructuring Agreements

  On 31 March 2015, EUR 5 million of the debt was repaid pursuant to the Restructuring Agreements (hereinafter also referred to as "Senior Loan"), under the short-term financial liabilities, as well as the payment of interest on the capital for EUR 2.7 million. Moreover, on the same date, approximately EUR 0.2 million of belated interest was paid, in relation to the previous GFA loan agreement restructured on 23 December 2014.

  On 30 September 2015, a further EUR 5 million of the Senior Loan was paid, under the short-term financial liabilities, as well as the payment of interest on the capital for EUR 5 million.

- 26 November 2015 - Consent and Amendment letter – reactivation of the SEF Agreement

  On 26 November 2015, the Tiscali Group and the Senior Lenders have signed the *Consent and Amendment letter*, in which, further to give the consent to the merger operation, the Senior Lenders have defined few modifications to the terms and contractual conditions included in the restructuring agreement signed on 23 December 2014

  In particular, the Senior Lenders have:

- released their consent to the Merger operation with the Aria Group, basing their consent on the analysis of a business plan prepared by the Management assuming the integration of activities of the two groups (so called Combined Plan)
- allowed the postponement of the repayment date of the Facility A1, originally scheduled for November 30, 2015, postponing to 29 December 2015 (in order to allow the Group to access the availability of the financial resources needed to repay, made available as part of the Merger by ODEF fund);
- allowed a redefinition of the financial covenants in order to take into account the forecasts included in the Combined Plan

Furthermore, in the Consent and Amendment letter, for the companies of the Tiscali Group the following additional commitments that are part of the Restructuring Agreements were provided for; (a) prohibition on making available to Aria financial resources exceeding the limit of EUR 1.35 million for each financial year included in the period of validity of the Restructuring Agreements; (b) prohibition on engaging in commercial relations with Aria for an amount higher than EUR 5 million for each financial year; (c) obligation on ensuring that Aria does not make the early repayment of the Rigensis Loan prior to the full reimbursement of Facility A2 and Facility B.

In addition, pursuant to the Consent and Amendment Letter, Tiscali specifically committed to ensuring that the increase in capital under the SEF Agreement is carried out as per detailed procedures therein.

However it should be noted that these commitments are to be read according to the refinancing transaction called later and, if finalized, thye would in fact fall.

- 24 December 2015– Repayment of Facility A1

On December 24, 2015, as a result of the finalization of the Merger, thanks to the financial resources made available by the Operation financial partner, the ODEF fund, the Tiscali Group has fully repaid the Facility A1 pursuant to the Restructuring Agreements , amounting to EUR 42.4 million; EUR 0.75 million were also paid as interest.

With reference to the residual debt pursuant to the Restructuring Agreements (nominal debt amounting to EUR 84.2 million at December 31, 2015, inclusive of nominal interest accrued up to that date and amounting to EUR 1.6 million), as a result of the finalization of the Merger, in the early months of 2016, the Tiscali Group has launched an intense negotiation activity aimed at refinancing the entire amount. Please refer to what reported about in the section "4.7 Significant events after year-end, business outlook and evaluations regarding the business continuity" with reference to the current status of the senior debt rescheduling.

Restructuring of the Leasing Contract concerning the Sa Illetta property

On 22 December 2014, during the definition of the Restructuring Agreements, Tiscali Italia had accepted the offer from a key Italian real property fund - Fondo Castello SGR - in relation to the assignment of the leasing contract concerning the Sa Illetta property, namely the Group headquarters. Completion of the assignment of the Leasing Contract was subject to the fulfilment of a number of conditions precedent to be accomplished by 31 March 2015.

On 30 March 2015, the Fondo Castello SGR requested an extension by three additional months after the date initially set at 31 March 2015 in order to enable the fulfilment of the conditions precedent. Tiscali declared its willingness to grant this extension.

In June 2015, the Company acknowledged that, owing to the non-occurrence of one of the conditions precedent contained in the offer from Castello SGR, the planned assignment of the Leasing Contract could not be implemented, and thus proceeded with the restructuring of the Leasing Contract itself with the pool of leasing companies.

On 2 October 2015, the Group signed with the pool of leasing companies headed by Mediocredito Italiano an Amending Agreement of the Leasing Contract, providing for the remodulation of the contract in line with the commitments taken by the leasing companies on June 2015.

Specifically, the Agreement, as compared to the previous conditions, provides for a lower disbursement due as an annual fee for the years 2015, 2016 and 2017, equivalent to about EUR 4.2 million. As from 2018 the fees will amount approximately EUR 9.1 million/year. The repayment of the surrender value, amounting to EUR 12.2 million, is expected on 1 February 2022.

Events linked to the industrial activity

Tiscali launches Streamago Social

In the first week of April, Tiscali presented Streamago Social, the iOS app that for the very first time allows for the video and audio live transmission on the Facebook profile and pages, thus enhancing social network communication with a new powerful live broadcasting tool.

Incorporation of Streamago Inc and conferment of assets.

On 8 July 2015, the “Streamago Inc” corporation was set up, with registered office in Dover, in the state of Delaware (USA). The company aims to develop and promote the Streamago service in technological and commercial terms.

On 2 October 2015, Tiscali Italia S.p.A. transferred corporate assets relative to the Streamago project to Streamago Inc, a company with registered office in Delaware, for a book value at 30 September 2015 of approximately EUR 0.7 million. The participation of Tiscali Italia S.p.A.in Streamago Inc amounted to 97.1%.

Tiscali-Mediaset Agreement for the online dissemination of TV contents

On 14 July 2015, Tiscali and Mediaset signed an agreement for the broadcasting of the videos of the TV editor on the Tiscali.it and Istella.it portals. Mediaset will make available via an *embedding* mode a selection of the best entertainment programmes, fictional programmes and news of Videomediaset.it. The broadcast contents will be indexed by the istella search engine and will expand the offer of multimedia contents of the Tiscali.it portal. The Mediamond concessionaire (Publitalia Group) will be responsible for the advertising sales for the “pre-roll” and “post-roll” formats in the videos that are the subject of the agreement, whereas Tiscali's concessionaire, Veesible, will continue to be responsible for the general sales of the two portals, Tiscali.it and Istella.it.

QuickScore, the new algorithm developed by Tiscali, CNR and the Universities of Pisa and Venice which won the award for “Best Paper” in the 38th «Annual International ACM SIGIR Conference on Information Retrieval»

Tiscali, the CNR, the University of Pisa and the Ca’ Foscari University of Venice developed QuickScorer, a new algorithm that makes it possible to speed up the identification of the most interesting Web pages in response to a query posted by a user to a search engine. QuickScorer received the “Best Paper” prize (best scientific contribution) in the 38th edition of the International ACM SIGIR Conference on Information Retrieval, the main global rendezvous for scientific and industrial research in the Web search sector that was held this year in Santiago de Chile.

Extension throughout the entire Italian territory of the Multimedia Offer of Tiscali and CN Lab.

On 14 September 2015, notice was given of the growth of the partnership between Tiscali and CN Lab for the broadcasting of regional news, thanks to which coverage is extended to the entire Italian territory..

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

On 28 April 2015, Tiscali obtained from Consip S.p.A. (hereinafter referred to as “Consip” or “CONSIP”) the final award of the tender for the concession of the connectivity services of the Public Administration within the System of Public Connectivity SPC - (“CONSIP Tender”). After submitting the most advantageous offer, as decreed by Consip itself in May 2014, the offer submitted by Tiscali successfully passed all economic and technical consistency tests (as confirmed by various communications received by Consip on 24 December 2014, 17 February 2015 and 16 April 2015), thus confirming its first place position in the classification drawn up by Consip.

In May 2015, Tiscali completed the activities associated with the attainment of the deposit, for an amount equal to EUR 10.8 million (on 11 May 2015), required for the stipulation of the contract, and provided for the stipulation of a liability insurance policy (on 10 May 2015) and for transmission to CONSIP of a declaration attesting the details of the current account dedicated to the tender (on 4 May 2015).

On 11 September 2015, at the specific request of Consip, Tiscali forwarded to Consip itself the technical documentation relative to the services to be issued, as well as the detailed specifications of the acceptance testing and the security planning document.

Tiscali now awaits the appointment of the inspection body by AgID (Italy's agency digital). The said body will be responsible for analysing the copious documentation produced and for requesting any potential amendments/integrations before proceeding with the operational phase.

Moreover, it is pointed out that, as per the practice for such tender types, several appeals have been lodged with the Regional Administrative Court of Lazio. On 13 January 2016, was held at the Regional Administrative Court of Lazio the full hearing on the appeals filed by the competitors: Tiscali is currently waiting for delivering of the judgement.

Tiscali is currently in the process of interacting with CONSIP and AgID (Agenzia per l’Italia Digitale) for the purposes of defining the plan for testing the services that are the subject of the agreement. Specifically, the testing methods and time frames have been agreed upon and the first phase is in the process of being completed. The conclusion of activities is expected by May 2016.

Please refer to what reported about in the section "4.7 Significant events after year-end, business outlook and valuations regarding the going concern" with regard to the future management by the Group of services related to CONSIP tender.

4.5 Analysis of the economic, equity and financial situation of the Group

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, Fixed Wireless), 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) "Services for Businesses" (so-called B2B), which, amongst others, 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.

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 relating to the high level of competitiveness of the markets and price trends

The Tiscali Group and the Aria Group both operate within the market for telecommunication services characterised by a high degree of competitiveness.

With respect to the two main markets in which Tiscali operates it should be noted that on the basis of the AGCOM analyses for September 2015 Tiscali's market share in the broadband Internet-access sector is about 3.1%, while in the mobile virtual operator (MVNO) sector, Tiscali's share of the market is not significant.

Tiscali's main competitors are Internet Service Providers owned or controlled by national telecommunications operators which held the monopoly over telecommunications services before the liberalisation of the sector (so-called Incumbent). These competitors have the advantage of a strong trade-mark recognisability in their respective countries, a consolidated client base and high financial resources, which allow for a very high level of investment, especially in the research sector aimed at developing both technology and services.

Besides telecommunications operators, which may use new access technology, Tiscali also competes with suppliers of other services, such as satellite television, terrestrial digital television and mobile telephony. These suppliers, also on account of the convergence between the various technologies and among the telecommunications and entertainment markets, might also extend their offer to Internet and voice services, with a consequent possible increase in the concentration of the relevant market and of the level of competitiveness.

Aria operates exclusively in the broadband Internet service sector and in particular with BWA technology in the digital-divide areas, characterised by significant infrastructural deficiencies and the presence of just a few operators.

On the basis of AGCOM survey data at the end of the second quarter of 2015 (source: AGCOM – Telecommunications Market Observatory ref. No 3/2015 published in October 2015), the market share of the Aria Group in the Internet broadband services sector is not significant as it is below 1%.

In order to compete with its competitors Tiscali's strategy aimed to provide high-quality Internet access services at competitive prices. Any difficulty found by the Group to compete successfully in sectors in which it operates with respect to current or future competitors might have a negative impact on its market position with a consequent loss of clients and a negative effect on the activity and position of the Broadcaster and company and its subsidiaries at the economic and financial level and in terms of equity.

Risks relating to any system interruptions, delays or breaches of the security systems

The Group, which operates in a highly complex market from a technological point of view, is exposed to a high risk regarding the IT and ICT systems. As regards the management of 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.

A loss of electric energy or any interruptions in the telecommunications, breaches of the security system and other similar unforeseeable negative events, such as also the complete destruction of the data centre, might cause interruptions or delays in the delivery of services with consequent negative effects on the activity and position of the Group at the economic and financial level and in terms of equity.

Although and Aria have adopted rigid protocols to protect data acquired during the course of its operations and operate in strict compliance with current regulations on the subject of data-protection and privacy, it cannot be excluded that intrusions in its systems may occur in future, with a consequent negative impact on the results of the Group at the economic and financial level and in terms of its equity.

Finally, it should be noted that the companies of the Group have stipulated specific insurance policies to ensure coverage against damage which its infrastructures might be subject to as a consequence of the aforesaid events. Nonetheless, should there be an occurrence of any harmful events that are not covered by the insurance policies or, even though these events may be covered, should these events cause damages exceeding the limits insured and, that is, on account of breaches of its own systems the reputational damage incurred were to involve a loss of clientele, such circumstances might cause a significantly negative impact on the activity of the Group and at the economic and financial level and in terms of equity.

Risks relating to the evolution of technology and commercial offer

The sector in which the Tiscali Group operates is characterised by profound and sudden technological changes, by a very high level of competitiveness and also by rapid obsolescence of products and services. the success of the Group in future will also depend on its capacity to foresee any such technological changes and on its ability to adapt very quickly through the development of products and services suitable to satisfy its customers' demands. An incapacity to adapt to new technology and thus to changes in the demands of its clients might involve negative effects on the on the activity of the Group and at the economic and financial level and in terms of equity.

Risks relating to changes occurring in regulations in the sector in the Company operates

The telecommunications sector in which the group operates is a highly regulated field governed by extensive, stringent and complex norms and legislation, especially regarding the concession of licences, competition, the attribution of frequencies, the setting of tariffs, interconnection agreements and leased lines. Legislative and regulatory changes or modifications in policies which may involve the activities Group and also disciplinary provisions established by AGCOM may have negative effects on the activity and reputation of the Group and, consequently, on the activity of the Broadcaster and company and its subsidiaries at the economic and financial level and in terms of equity.

In particular, such modifications might involve the introduction of greater burdens, in terms of both direct outlay and in terms of the additional cost of adaptation, as well as new aspects of liability and regulatory barriers with respect to the supply of services. Furthermore, any changes in the legislative framework and also the adoption of provisions on the part of AGCOM might make it more difficult for the Group to obtain services from other operators at competitive rates or might restrict access to the systems and services necessary for the implementation of the activities of the Group.

Among the regulatory modifications to be introduced recently we should note, in particular, the approval on 1 December 2015 of the AGCOM ruling n. 659/15/CONS. aimed at defining the criteria for assignment and use of the frequencies available in the 3600-3800 MHz band for terrestrial electronic communication systems on which it will be structured the future contract notice.

The outcome of that procedure might on the one hand involve a possibility for the post-merger Tiscali Group to extend its services and, on the other hand, the risk of seeing new operators entering the market and, that is, already existing BWA operators extending their offer to the LTE area.

Moreover, considering the manner in which the companies of the Group are dependent on the service of other operators, the Group might not be capable of assimilating and/or rapidly adapting to any provisions involving modification of the current legal and/or regulatory regime, with consequent negative effects on the activities of the companies of the Group and at the economic and financial level and in terms of equity.

Risks relating to the high level of financial debt of the Group

The evolution of the Group's financial situation depends on various factors and, in particular, on the achievement of the objectives provided for in its business plan, the trend in the general conditions of the economy, the financial markets and the sector in which the Group operates.

As from the 2013 financial year, the Group has undertaken a multi-step negotiation process aimed at restructuring its senior financial indebtedness 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 process was materialised, from the end of the 2014 financial year and during the course of the 2015 financial year, with the transaction described above:

- subscription of the Restructuring Agreements on 23 December 2014 for the original nominal sum of EUR 140 million; during the course of 2015 Tiscali fulfilled its commitments relating to capital and interest reimbursement provided for in the Restructuring Agreements;
- enterprise integration with the Aria Group: through the enterprise integration operation with the Aria Group (fully described in par. 4.4: "Significant events during the financial year") the company acquired the financial resources which allowed it to reimburse the EUR 42.4 million of principal of the Facility A1 (repaid on 24 December 2015), thereby significantly reducing the senior debt of the Group. As at 31 December 2015 the nominal value of the debt to the Senior Financiers amounted to EUR 84.3 million, of which approximately EUR 62,6 million due to expire on 30 September 2017.
- Subscription of the Amending Agreement 'Sa Illetta': on 2 October 2015, the group signed with the leasing pool guided by Mediocredito Italiano an Amending Agreement relating to the Leasing Contract concerning Sa Illetta's building, providing for the modification of the contract according to the terms provided for in the commitment presented by the leasing pool to the Company in June 2015. In particular, with respect to the previous conditions, the Agreement in question provides for a lower disbursement in terms of the annual fee for the years 2015, 2016 and 2017, amounting to approximately EUR 4.2 million, having a significant positive impact on the financial debt of the group.

The above-mentioned actions have resulted in a significant reduction of the risk relating to the high level of financial debt.

If the Tiscali Group were not able to meet commitments undertaken with respect to the Senior Financiers (including compliance with the financial covenants), the latter might request immediate and full reimbursement of their credit, with this having a consequent impact at the economic and financial level and in terms of the assets of the Group and also in relation to the possibility to carry on its business activities under appropriate conditions of business continuity as far as commercial debt is concerned.

It should be observed that the Company foresees the possibility to carry out an operation for the refinancing of the entire residual financial debt in accordance with the Restructuring Agreements expiring in 2017 in line with the provisions of the Business Plan approved on March 25, 2016. Reference is made to paragraph "*4.7*

Significant events after year-end, business outlook and valuations regarding the going concern.

<u>Risks associated with fluctuations in interest and exchange rates</u>

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

In relation to exposure to the risks associated with interest rate fluctuations, in view of 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 to be insignificant.

<u>Risks linked to relations with employees and suppliers</u>

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 the downsizing or closure of departments and a 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 employment relationships is subject to government authorisation and the consent of the trade unions. Trade union protests by workers could negatively affect the company's activities.

The activities of the Tiscali Group also depend on the currently valid contracts with its strategic suppliers and in particular with Telecom Italia, concerning both the use of the network infrastructures and interconnection.

In particular, there are ongoing contracts with Telecom Italia having as their subject the supply of direct and reverse interconnection services, co-location, disaggregate access, single-access ADSL Bitstream flat, shared access and mobile wireless services.

Given the hypothesis that: (i) these contracts were not renewed on expiry or were renewed under terms and conditions less favourable with respect to those currently valid; or (ii) the Group were unable to conclude with Telecom Italia the new contracts necessary for the development of its business; or (iii) in the aforesaid cases Tiscali were unable to conclude equivalent agreements with third-party operatoris; or (iv) there were an occurrence of a serious contractual default on the part of the Broadcaster or Telecom Italia, such circumstances might have negative effects on the activity and on the economic, equity and financial situation of the Broadcaster and of the Company and its subsidiaries, with a consequent impact on the possibility to continue to perform its operations under appropriate conditions of business continuity.

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

The sector in which the Tiscali Group operates is characterised by a limited availability of specifically-trained specialist personnel. The evolution of technology and the need to satisfy a demand for increasingly sophisticated products and services make ti necessary for firms operating in this field to hire staff having highly-specific specialist training in particular technological areas, applications and solutions associated with a consequent increase of competition in the labour market and salary levels.

In the case in which a significant number of highly-trained professional operators or entire work groups dedicated to specific product types were to leave the Group and it were unable to attract qualified personnel to replace these workers, the capacity for innovation and the growth prospects of the Tiscali Group might suffer as a result, with possible negative effects on its activity and on the economic, equity and financial situation of the Broadcaster and the Company and its subsidiaries of the group.

Risks associated with business continuity

In this regard, please refer to the section "4.7 *Significant events after year-end, business outlook and evaluations regarding the business continuity*".

Risks associated with disputes and contingent liabilities

For further information please refer to the section “4.9 *Ongoing disputes, contingent liabilities and commitments*”.

Economic situation of the group

Consolidated Profit and Loss Statement	**2015**	**2014**	**Variation**
(EUR mln)			
Revenue	202.1	212.8	(10.7)
Other income	17.3	2.1	15.2
Purchase of materials and outsourced services	131.5	132.5	(1.0)
Payroll and related costs	37.0	35.1	1.9
Other operating costs / (income)	(5.3)	(1.8)	(3.5)
Adjusted Gross Operating Result (EBITDA)	**56.2**	**49.1**	**7.1**
Write-downs of receivables from customers	17.2	10.3	6.9
Gross Operating Result (EBITDA)	**39.1**	**38.8**	**0.2**
Restructuring costs, provisions for risk reserves and write-downs	3.2	2.7	0.5
Amortisation/depreciation	37.8	36.4	1.4
Operating result (EBIT)	**(1.9)**	**(0.3)**	**(1.6)**
Net financial income (charges)	(16.5)	(15.7)	(0.8)
Pre-tax result	**(18.4)**	**(16.0)**	**(2.4)**
Income taxes	(0.1)	(0.4)	0.3
Net result from operating activities (on-going)	**(18.5)**	**(16.4)**	**(2.1)**
Result from assets disposed of and/or destined for disposal	(0.0)	0.0	(0.0)
Net result	(18.5)	(16.4)	(2.0)
Minority interests	0.0	0.0	0.0
Group Net Result	**(18.5)**	**(16.4)**	**(2.0)**

Tiscali Group revenue during the financial year 2015 came to EUR 202.1 million, down by 5% with respect to the balance of EUR 212.8 million in 2014. The net variation, amounting to EUR 10.7 million, is essentially attributable to the following factors:

- reduction of EUR 3.7 million (-2.4%) in revenue from the “Access and MVNO” segment mainly due to strong pressure from competition and the loss of ADSL clients (-8.8%) following massive cancellations amounting to about 24 thousand; MVNO revenue increases by about 54.3%, rising from EUR 5.8 million in the 2014 financial year to EUR 8.9 million in 2015;
- BTB revenue decreased by around EUR 0.6 million (-3.1%);
- "Analogical Voice" revenue decreased by EUR 3.1 million (a decrease of 21.4%) mainly due to a decline in the volume of wholesale services (EUR -2.2 million, with a negative impact of 50.5% compared with 2014);

- Media revenues declined by EUR 2.7 million (a decrease of 11.8%) due to a sharp drop in the market which also affected the on-line segment.

During the financial year 2015, internet access and voice services – the Group's core business – represented around 79% of turnover.

Other income mainly includes compensation granted by a primary telecommunications operator active in the Italian market by way of a definitive renunciation of the claims made by the Company against it within the framework of a settlement agreement reached during the first semester. This income was identified as non-recurring; in this regard see the comments in the section *Non-recurrent operations*.

Costs for the purchase of materials and services totalling EUR 131.5 million decreased by EUR 1 million with respect to the previous financial year.

The effects illustrated above led to an adjusted Gross Operating Result (EBITDA) before provisions and write-downs on receivables totalling EUR 56.2 million, an increase of EUR 7.1 million with respect to the corresponding result in the financial year 2014 (EUR 49.1 million). This increase mainly refers to the positive impact of certain non-recurring transactions concluded during the period.

The Gross Operating Result net of the devaluation of receivables from clients (EBITDA), amounts to EUR 39.1 million, showing a slight increase with respect to the same value for the financial year 2014 (EUR 38.8 million). The EBITDA is affected by the positive impact of non-recurrent operations concluded in the period with a value of EUR 11.4 million.

The net operating result (EBIT), net of provisions, write-downs and restructuring costs, was a loss of EUR 1.9 million, and recording a decrease of EUR 1.6 million with respect to the result for 2014, which showed a negative result of EUR 0.3 million. The EBIT is affected by the positive impact of non-recurrent operations concluded in the period with a value of EUR 7.3 million.

Among provisions, write-downs and restructuring costs during the financial year 2015 charges and burdens were recorded amounting to EUR 2.3 million mainly due to the end-of-mandate indemnity of the member of the board of directors of Tiscali S.p.A. (as well as general director of Tiscali Italia) Luca Scano, who resigned on 19 February 2016, and also the charges sustained for the postponement of the reimbursement terms of Facility A1 (and redefinition of the covenants), amounting to about EUR 0.7 million in addition to burdens relating to the restructuring of the senior debt which cannot be included in assets for EUR 0.3 million.

The result of the (on-going) operating activities, showing a loss of EUR 18.5 million, deteriorated with respect to the same figure in the previous year, presenting a negative balance of EUR 16.4 million.

The result of assets disposed of and/or destined for disposal was void.

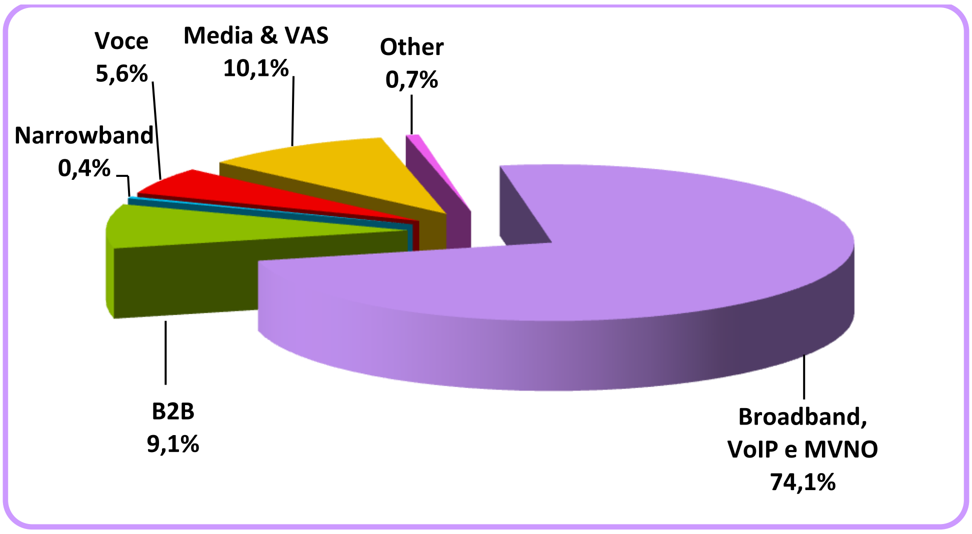
The net result of the group was a loss of EUR 18.5 million, a deterioration with respect to the comparable figure in the previous year, with a loss of EUR 16.4 million. The net result of the Group is affected by the positive impact of non-recurrent operations concluded in the period for a value of EUR 6.9 million.

The Profit and Loss Statement of the Group

The Profit and Loss Statement of the Group	**2015**	**2014**
(EUR mln)		
Revenue	**202.1**	**212.8**
Access revenues (including VoIP)	149.7	153.4
of which: ADSL	*82.5*	*86.8*
of which: VOIP	*58.3*	*60.9*
of which: MVNO	*8.9*	*5.8*
Dial-Up revenues (narrowband)	*0.8*	*1.4*
Voice revenues	11.4	14.4
Business service revenues	18.5	19.1
Media and value-added service revenues	20.4	23.1
Other revenues	1.4	1.5
Gross operating margin	**92.1**	**105.7**
Indirect operating costs	**58.5**	**60.4**
Marketing and sales	8.9	10.5
Payroll and related costs	37.0	35.1
Other indirect costs	12.6	14.8
Other (income) / expenses	(22.6)	(3.9)
Adjusted Gross Operating Result (EBITDA)	**56.2**	**49.1**
Write-down of receivables	17.2	10.3
Gross Operating Result (EBITDA)	**39.1**	**38.8**
Amortisation/depreciation	37.8	36.4
Gross result (EBIT) before restructuring costs and risk-provision fund	**1.3**	**2.4**
Operating result (EBIT)	**(1.9)**	**(0.3)**
Net Result pertaining to the Group	**(18.5)**	**(16.4)**

Revenues by business segment

Fig. 3 - Breakdown of revenue by business line and access mode



Source: Tiscali

<u>Access</u>

The segment in question, which includes revenues from Internet access services via broadband (ADSL), the flat component of the bundled ranges (access fees) and mobile telephone revenues, in 2015 generated revenues of around EUR 149.7 million, down by 2.4% with respect to the figure in the same period in 2014 (EUR 153.4 million).

The decrease in revenue is to be mainly attributed to ADSL access services.

Revenues relating to ADSL access services amount to EUR 82.5 million in the year 2015 with respect to EUR 86.8 million in the year 2014 (down by 4.9%); the VOIP sector amounts to EUR 58.3 million in the year 2015 with respect to EUR 60.9 million in the year 2014 (down by 4.3 %).

Conversely, the MVNO segment showed an increase of 54.3%, from EUR 5.8 million in 2014 to EUR 8.9 million in 2015.

On 31 December 2015, including users of the Aria Group, total active clients were 667.2 thousand units, a figure that had risen by 80.5 thousand units with respect to the figure recorded on 31 December 2014 (586.7 thousand units).

Broadband clients were 541.8 thousand units, showing an increase of about 60.5 thousand units (about 103 thousand Broadband Fixed Wireless clients of the Aria Group are included), MOBILE clients (Voice and Data) amounting to 116.5 thousand, revealing a strong level of growth (+24.1 thousand units) with respect to the figure recorded on 31 December 2014, and OTHER clients were 8.8 thousand units.

On a like-for-like basis (excluding users of the Aria Group) the total number of clients was 564.2 thousand units (down by 22.6 thousand units with respect to the recorded figure on 31 December 2014). In this area

ADSL clients amounted to 438.8 thousand units, down by 42.5 thousand units with respect to the corresponding figure on 31 December 2014. This reduction can be mainly attributed to the decrease of approximately 24 thousand units caused by the massive cancellations for delayed payment effected by the company during the financial year 2015.

Evolution of the customer base

(000)	**31 December 2015**	**31 December 2014**
Total number of Clients	**667.2**	**586.7**
of which: Broadband (*)	*541.8*	*481.3*
of which: MOBILE (Voice and Data)	*116.5*	*92.4*
of which: OTHERS	*8.8*	*13.0*
(*)		
of which: Voip (Dual Play)	*344.0*	*357.0*
of which: Vula, new clients	*0.7*	*0.0*
of which: Broadband fixed wireless service of the ARIA Group	*103.0*	*0.0*

The LLU network coverage on 31 December 2015 amounted to 688 sites.

Since 20 July 2015, through adherence to Telecom Italia's offer of Virtual Unbundling Local Access (VULA), the Company has been offering ultra-wideband with Fiber to the Cabinet Technology (FTTC) for the consumer and Soho market. Tiscali proposes a dual-play offer with speed up to 100 Mbps in download and 20 Mbps in upload.

The Company will soon launch a solution using FTTH technology through adherence to the Virtual Unbundling Local Access offer of Telecom Italia in areas directly covered by the Tiscali network.

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 2015, there was a decrease in revenues relating to analogue voice services, equating to EUR 3.1 million (-21.4% with respect to 2014), essentially attributable to the decrease in volumes of wholesale services (-50.5%).

Narrowband

The narrowband segment was naturally down and passed from EUR 1.4 million in 2014 to EUR 0.8 million in 2015.

Business services

Revenues deriving from services to businesses (VPN services, housing, hosting, domains and leased lines), which exclude those regarding access and/or voice products for the same client group which are already included in the relative business lines, in the financial year 2015 amounted to EUR 18.5 million, down by 3.1% with respect to the EUR 19.1 million recorded in 2014.

Media

During 2015, revenues for the Media and value added services segment (mainly concerning sales of advertising space) amounted to around EUR 20.4 million and were down with respect to the previous year (EUR 23.1 million in 2014).

Indirect operating costs during 2015 came to EUR 58.5 million, an increase with respect to the same figure in 2014 (EUR 60.4 million). Within indirect operating costs, marketing costs amounted to around EUR 8.9 million and were down with respect to the previous year (EUR 10.5 million).

Payroll and related costs amounted to EUR 37 million (18.3% of revenues), up slightly with respect to 2014 (EUR 35.1 million, 16.5% of revenues). The increase in personnel costs may be attributed to a decreased use of 'solidarity contracts' and a lower level of capitalisation of charges for OTT and other projects.

The effect of the above led to an **Adjusted Gross Operating Result (EBITDA),** before provisions for risks, write-downs and amortisation/depreciation, totalling EUR 56.2 million (27.8% of revenue). This figure, which is seen to have increased with respect to 2014 (EUR 49.1 million), is mainly affected by the positive impact of non-recurrent operations concluded in the period for approximately EUR 16.5 million.

The Adjusted Gross Operating Result (EBITDA) net of the write-down of receivables and other provisions amounted to EUR 39.1 million in 2015 (19.3% of revenue), showing a slight rise of 0.6% with respect to the corresponding figure in 2014 (EUR 38.8 million, amounting to 18.3% of revenue).

This figure is mainly affected by the positive impact of non-recurrent operations concluded in the period for a value of EUR 11.4 million.

The write-down of receivables and other provisions in the financial year 2015 reached an overall figure of EUR 17.2 million (EUR 10.3 million in the corresponding period in 2014) and, besides allocation to the allowance for the write-down of receivables for the period, also reflects the effect of some instalments of credit positions deriving from the conciliatory agreement concluded by the Company in the year 2015 for a value of about EUR 5.1 million.

Amortisation/depreciation came to EUR 37.8 million (EUR 36.4 million in the same period in 2014).

The operating result (EBIT) for 2015, net of provisions, write-downs and restructuring costs, was a loss of EUR 1.9 million (-0.9% of revenues), with respect to the balance in 2014, showing a negative result of EUR 0.3 million. This figure is mainly affected by the positive impact of non-recurrent operations concluded in the period for a value of EUR 7.3 million.

The net result of the Group was a loss of EUR 18.5 million, compared with a loss in 2014 of EUR 16.4 million. This figure is mainly affected by the positive impact of non-recurrent operations concluded in the period for a value of EUR 6.9 million.

Financial and economic results of the Group

Consolidated Statement of Equity and Liabilities (abridged form)	**31 December 2015 (*)**	**31 December 2014**
(EUR mln)		
Non-current assets	233.0	147.9
Current assets	57.4	60.1
Total Assets	**290.5**	**207.9**
Group shareholders' equity	(121.4)	(168.8)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
Total Shareholders' equity	**(121.4)**	**(168.8)**
Non-current liabilities	164.9	137.0
Current liabilities	247.0	239.8
Total Shareholders' Equity and Liabilities	**290.5**	**207.9**

(*) Following the finalization of the business combination's transaction with the Group headed by Aria SpA, which took place at the end of 2015, the balance sheet data and the operational data as at December 31st, 2015 are not comparable with prior year figures presented.

Assets

Non-current assets

Non-current assets at 31 December 2015 amounted to EUR 233 million. This figure includes EUR 87 million relating to the Aria Group, of which EUR 13.1 million related to the increase of the value of the Wi-Max Licence, which has been evaluated at its fair value as at December 31, 2015 (for further details, please refer to the paragraph " Business aggregation with Aria group").

On a like-for-like basis, with respect to the figure as at 31 December 2014 the non-current activities increased EUR 2 million. Investments, amounting to around EUR 38.1 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 equipment for the new OTT projects.

Current assets

Assets as at 31 December 2015 amounted to EUR 57.4 million, of which EUR 11.5 million relating to the Aria Group.

On a like-for-like basis, with respect to the figure as at 31 December 2014 current assets decreased by EUR 14.2 million. They mainly include receivables due from clients, which, as at 31 December 2015 amounted to EUR 35.3 million (of which EUR 3.9 million relating to the Aria Group), with respect to EUR 43.5 million on 31 December 2014. In addition to cash equivalents, the item in question also includes other receivables and other current assets, amounting to EUR 16.3 million (of which, EUR 6 million relating to the Aria group), represented by prepaid expenses for service costs, accrued income on access services and sundry receivables.

Shareholders' equity

The consolidated shareholders' equity amounted to negative EUR 121.4 million as at the 31 December 31 2015, with an increase of EUR 47.4 million compared to 31 December 2014 due to:

- increase for additional share capital with a nominal value of EUR 77 million adjusted to fair value as at the Merger date for EUR 3.9 million. The net value is therefore equal to EUR 73.1 million;
- decrease relative costs concerning the additional share capital for EUR 3.2 million;
- decrease reflects the recognition of the 'Put Option" for EUR 4.25;
- decrease concerning the net comprehensive loss amounted to EUR 18.2 million.

Liabilities

Non-current liabilities

Liabilities as at 31 December 2015 amounted to EUR 164.9 million, of which EUR 28.9 million relating to the Aria Group. This figure includes EUR 0.6 million relates to the allocation to provision for deferred taxes of the adjustment of the IRES tax on surplus value attributed to the Wi-Max license (for further details please refer to the "Business combination with the Aria group).

On a like-for-like basis, with respect to the figure as at 31 December 2014 non-current liabilities decreased by EUR 1 million. They include, besides the items pertaining to the financial position, for which reference should be made to the position described below, the provision for risks and charges for EUR 10.2 million (of which, EUR 8.4 million relating to the Aria Group), the TFR (severance-pay) allocation for EUR 6.3 million (of which, EUR 1.2 million relating to the Aria Group) and other non-current liabilities for EUR 2 million (of which, EUR 0.7 million relating to the Aria Group).

Current liabilities

Current liabilities as at 31 December 2015 amounted to EUR 247 million, of which EUR 37.4 million relating to the Aria Group.

On a like-for-like basis, with respect to the figure as at 31 December 2014 current liabilities decreased by EUR 30.2 million. These mainly comprise the current part of financial debts, sums owing to suppliers, together with accrued liabilities relating to the purchase of access services, rent and fiscal debts.

Financial situation of the group

At 31 December 2015, the Tiscali Group held cash and cash equivalents totalling EUR 4.8 million (of which, EUR 1.7 million relating to the Aria Group) against a negative net financial position on the same date of EUR 165.6 million Group (EUR 192.6 million on 31 December 2014), of which EUR 21.7 million relating to the Aria.

Financial Situation	**Notes**	**31 December 2015 (*)**	**31 December 2014**
(EUR 000)			
A. Cash and Bank deposits		4.8	4.8
B. Other cash equivalents		0.0	0.0
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		***4.8***	***4.8***
E. Current financial receivables		***0.0***	***0.1***
F. Non-current financial receivables	(1)	7.6	6.9
G. Current bank payables	(2)	11,6	12.5
H. Current portion of non-current debt	(3)	16,9	52.8
I. Other current financial payables	(4)	3.6	10.6
J. Current financial debt (G) + (H) + (I)		***32.1***	***75.9***
K. Net current financial debt (J) – (E) – (D) - (F)		**19.7**	**64.1**
L. Non-current bank payables	(5)	94.5	80.5
M. Bonds issued		-	-
N. Other non-current payables	(6)	51.3	48.0
O. Non-current financial debt (N) + (L) + (M)		**145.8**	**128.5**
P. Net Financial Debt (K) + (O)		**165.6**	**192.6**

(*) Following the finalization of the business combination's transaction with the Group headed by Aria SpA, which took place at the end of 2015, the balance sheet data and the operational data as at December 31st, 2015 are not comparable with prior year figures presented.

Notes:

(1) Mainly includes amounts lodged as security relating to the CONSIP tender.
(2) Includes bank payables of Tiscali Italia S.p.A., Tiscali S.p.A., Veesible S.r.l. and the Aria Group.
(3) Includes the short-term component amounting to EUR 11.6 million relating to debt payable to Senior Lenders (capital shares and cash interests reimbursable within 12 months).
(4) Essentially includes the short-term portion of the 'Sale & Lease Back – Sa Illetta' debt.
(5) Mainly includes the long-term component amounting to EUR *72.6 million relating to debt payable to the Senior Lenders (GFA) and EUR 19.2 million relating to the Aria Group Rigensis Loan;*

(6) *Essentially includes the long-term portion of the 'Sale & Lease Back – Sa Illetta' payable of Tiscali Italia S.p.A.*

The change in the net financial position at 31 December 2015 compared to 31 December 2014 is mainly attributable to the following factors: (i) repayment Facility A1 for EUR 42.4 million made on December 24, 2015 (the effective date of merger) ; (Ii) consolidation of the net financial position of the Aria Group, amounting to EUR 21.7 million.

The above table includes guarantee deposits under 'Other cash and cash equivalents' and 'Non-current financial receivables'. The table below provides a reconciliation of the above financial position with the financial position drawn up in accordance with Consob communication No. DEM/6064293 dated 28 July 2006 as shown in the explanatory notes.

	31 December 2015	**31 December 2014**
(EUR mln)		
Consolidated net financial debt	**165.6**	**192.6**
Non-current financial receivables	7.6	6.9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	**173.1**	**199.5**

4.6 Analysis of the income, 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 statement as at 31 December 2015, to which reference should be made. In this regard, it should be noted that the 2015 statutory financial statement represents the separate financial statements of the Parent Company Tiscali S.p.A. and was 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 provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005. The IFRS are also understood to be all of the reviewed international accounting standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC").

The economic situation of the Parent Company

(EUR 000)	**2015**	**2014**
Revenues from services and other income	3,831	4,399
Payroll-related, services and other operating costs and revenues	(2,574)	(629)
Other write-downs and provisions	(37,715)	(1,580)
Net financial income (charges)	192	(1,590)
Income taxes	91	(49)
Result from assets disposed of and/or destined for disposal	-	-
Net result	**(35,175)**	**550**

Revenues from services and other income 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 pay-roll costs, amounted to EUR 1.5 million, while costs for external management consulting services and professional expenses amounted to EUR 0.8 million.

The other write-downs include the write-down of credit payable to the subsidiary Tiscali UK Holdings arising in relation to the merger operation with Aria Italia Spa and the simultaneous payment of the A1 tranche of the senior debt, amounting to EUR 35.1 million, and also other restructuring charges for about EUR 2 million (of which, EUR 1.1 million relating to the end-of-mandate indemnity of the managing director and CEO of Tiscali Italia S.p.A. Luca Scano, and EUR 1 million for fees relating to the senior loan).

Financial Position of the Parent Company

(EUR 000)	**31 December 2015**	**31 December 2014**
Non-current assets	178,925	138,370
Current assets	2,165	1,666
Total Assets	**181,090**	**140,036**
Shareholders' equity	91,158	61,667
Total Shareholders' equity	**91,158**	**61,667**
Non-current liabilities	31,908	22,475
Current liabilities	58,024	55,895
Total Shareholders' Equity and Liabilities	**181,090**	**140,036**

Assets

Non-current assets

Non-current assets include controlling equity investments for a total of EUR 176.5 million and other financial assets amounting to EUR 2.4 million essentially represented by financial receivables due to Group companies.

Current assets

Current assets include "Receivables from customers" for EUR 1.2 million, "Other receivables and other current assets" for about EUR 1 million, essentially relating to tax receivables, accrued income and prepayments on services, as well as cash and cash equivalents for EUR 71 thousand.

Shareholders' equity

The parent company shareholders' equity amounted to EUR 91.2 million as at the 31 December 31 2015, with an increase of EUR 29.4 million compared to 31 December 2014 due to:

- increase for additional share capital with a nominal value of EUR 77 million adjusted to fair value as at the Merger date for EUR 3.9 million. The net value is therefore equal to EUR 73.1 million;

- decrease relative costs concerning the additional share capital for EUR 3.2 million;
- decrease reflects the recognition of the 'Put Option" for EUR 4.25;
- decrease concerning the net comprehensive loss amounted to EUR 36.2 million.

Liabilities

Non-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 for EUR 0.7 million and relating to disputes with third parties or ex-employees initiating in the previous financial years. The provision for restructuring 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 and was entirely reclassified in the provision for credit write-downs relating to the same subsidiary.

Current liabilities

Current liabilities not relating to the financial position are mainly represented by payables to suppliers amounting to EUR 6.7 million (EUR 0.6 million of which due to Group companies).

Financial situation of the Parent Company

The financial position of the parent company is summarized in the following table:

Information:

(Thousands of Euro)	**31-Dec-15**	**31-Dec-14**
A. Cash	-	-
B. Other cash equivalents	71	368
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	**71**	**368**
E. Current loan receivables	**837**	**986**
F. Current bank loans	-	-
G. Current accounting of non-current debts		
H. Other current financial debts	33,640	33,640
I. Current financial debt (F) + (G) + (H)	**33,640**	**33,640**
J. Net current financial debt (I) - (E) - (D)	**32,732**	**32,286**
K. Non-current bank Loans	-	-
L. Bonds issued	-	-
M. Other non-current payables to Group companies	31,015	3,918
N. Other non-current payables to third parties	-	-
O. Non-current financial debt (K) + (L) + (M) + (N)	**31,015**	**3,918**
P. Net financial debt (J) + (O)	**63,748**	**36.204**

"Other current financial payables" are represented by financial payables to subsidiary Tiscali International BV, a sub-holding of the Tiscali Group.

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.

	31 december 2015	
EUR 000	**Net Result**	**Shareholders' equity**
Shareholders' equity and net profit (loss) of Tiscali S.p.A.	**(36,175)**	**91,158**
Net profit and Shareholders' equity of consolidated companies	(7,187)	(672,475)
Book value of consolidated equity investments and consolidation entries	24,881	459,896
Shareholders' equity and net profit (loss) for the year pertaining to the Parent Company	(18,480)	(121,421)
Shareholders' equity and net profit (loss) for the year pertaining to minority shareholders	0	0
Shareholders' equity and net profit (loss) for the year as per the Consolidated Financial Statements	**(18,480)**	**(121,421)**

4.7 Significant events after year-end, business outlook and evaluations regarding the business continuity

The Tiscali Group ended FY 2015 with a consolidated loss of EUR 18.5 million (influenced by the positive effect of EUR 6.9 million, resulting from non-recurring transactions concluded during the year 2015) and with a negative net worth equal to EUR 121.4 million. In addition, as of 31 December 2015 the Group reported gross financial debt equal to EUR 177.9 million and current liabilities exceed the current (non-financial) assets for EUR 162.5 million.

At 31 December 2014, the consolidated loss was approximately EUR 16.4 million, with negative net consolidated equity equal to EUR 168.8 million. In addition, as at 31 December 2014 the Group showed a gross financial debt equal to EUR 204.3 million and current liabilities exceed the current assets (non-financial) for EUR 108.9 million.

It is to be noted that the balance sheet at 31 December 2015, following the Merger described in paragraph "4.4. Significant events during the year "which shall be operative from December 24, 2015, does include the balance sheet items of the Aria Group.

During FY 2015 from a management point of view, in a context with strong competitive pressure to fixed-line market access, continued in the actions aimed at reducing costs and streamlining of internal processes in order to improve profitability.

Specifically, the results for 2015 show the following:

- from the perspective of the core business (Access, particularly ADSL and VOIP) there is slight decline in revenues (-2.4%), despite strong competitive pressure and loss of active customers (-8.8% on a comparable basis), largely due to massive cancellations of approximately 23,6 thousand units during FY 2015;
- an increase in gross profit mainly due to the positive impact equal to EUR 6.9 million arising from non-recurring transactions concluded during the period;
- an increase of the base of mobile telephony customers (SIM cards active and operating on 31 December 2015 were equal to approximately 116,5 thousand units, an increase of 26% over the comparable figure recorded in 2014);
- focusing on innovation through a strategy of development of web services and Over-The-Top.
- launch of ultra-wideband offers in FTTC (Fibber To The Cabinet) technology for consumer and SOHO market (through membership, since July 2015, offering Virtual Unbundled Local Access of Telecom Italia). The new fibre offerings enrich the product portfolio for the private and the professional world. Thanks to this new technology infrastructure Tiscali offers the market high-performance services created to meet the ever increasing demand for speed, contributing to the development of UltraBroadband in Italy

All the activities listed above has made it possible to generate cash from operations, before changes in working capital, of approximately EUR 64.4 million.

As detailed in the section "*4.4 Significant events during the year* ", during the year 2015, the Tiscali Group has also worked to the implementation of the industrial merger with Aria Group, finalized on 24 December 2015.

The operation, which has the strategic objective of achieving an industrial integration between the assets held by Tiscali and the assets held by Aria Group, allowed the Tiscali Group to reduce its financial indebtedness, through full repayment of the Facility A1 carried out in December 2015 thanks to the liquidity made available by the financial partner of Operation (EUR 42.4 million).

After the Merger,

- on February 16, 2016, the Ordinary and Extraordinary Shareholders' Meeting of Tiscali proceeded with the appointment of the members of the new Board of Directors, Board of Supervisory Auditors and its Chairman, as well as the Committees of the Board of Directors.

  Riccardo Ruggiero, CEO of Aria prior to the merger effective date, has assumed the position of CEO, and Renato Soru has maintained the position of Executive Chairman;

- the new managment of the Company has prepared a new business plan for the years 2016 -2021 (the "Plan 2016 -2021"), approved by the Board of Directors on March 25 2016, based on a new strategic vision of the combined entity, which provides

  - the integration of a strategic asset as the frequency 3.5 GHz complements the portfolio of technology assets already held by the Tiscali Group (particularly in Fixed Network infrastructure Fiber Network at Transport Network and MAN level) which allows Tiscali to acquire a network of proprietary access, critical to compete successfully in a telecommunications market that is witnessing an explosion of wireless broadband data and mobile traffic;

  - the expansion of the addressable market to areas that are not controlled by Tiscali, such as the Digital Divide areas and areas where the quality of services is particularly low already hedged by the fixed wireless network of Aria, and where it will be possible to offer ultra-broadband services of high quality by leveraging proprietary LTE fixed Wireless access network;

  - the launch of UltraBroadband Fixed Wireless LTE services with capacity greater than 50Mbps, synergistically using the spectrum and fixed wireless access network owner made by Aria and the existing assets of Tiscali (network infrastructure in Fiber Optics, Tiscali brand and consolidated organizational structure), increasing competitiveness and overall profitability of the Broadband Tiscali offer;

  - the further increase of the company's overall profitability through the ability to migrate a portion of Tiscali customers now served by the rental of the network of Telecom Italia in Bitstream Access mode (characterized by low profitability and high costs to be paid to Telecom Italia for renting network access - over EUR 17 per month per customer) on its own proprietary Fixed Wireless access network. To date, approximately 20% of Bitstream Tiscali customers is covered by existing Aria fixed wireless network of and this percentage will increase further in the future thanks to the focus of the new coverage of Broadband Fixed Wireless LTE services also in higher density areas of Bitstream Tiscali customers as well as in areas where the quality of existing ADSL services is particularly deficient or absent.

The acquisition of the license on the 3.5GHz spectrum, also opens possibility for Tiscali of launching a converged Ultrabroadband fixed-mobile product on the market, also enabling management on Tiscali proprietary network of Mobile services integrated to Fixed Wireless Broadband services in areas covered by LTE network on the 3.5GHz frequency. This incremental development on the Mobile Data however is not being valued in the 2016-2021 Plan

The 2016-2021 Plan also provides:

- in relation to the Leasing Contract concerning the Sa Illetta building, headquarters of the Group, a repayment plan consistent with the one defined in the Amending Agreement signed on 2 October 2015, which states the payment of a leasing installment of EUR 3.5 million for 2016 and 2017 and EUR 9.1 million from 2018 to 2021;

- in relation to CONSIP tender, the prudential exclusion of the Contract execution which has not been signed yet, pending the final judgment by the TAR of Lazio. The Company believes, however, that the activities to be performed under the contract with CONSIP remain an important opportunity and believes that the Group has adequate resources even if even in case of confirmation of the award of the CONSIP tender, to ensure the business continuity;

- from the financial point of view the refinancing of the entire debt outstanding pursuant to the Restructuring Agreements, as described below.

With reference to the last point, in the early months of the year, Tiscali has appointed its business, financial and legal advisors in order to assist the company in defining a possible refinancing of the entire debt outstanding deriving from the Restructuring Agreements in the month of December 2014 (the "Refinancing") which provides:

- the granting of a new loan from two primary Italian banks, for a total amount of EUR 88 million, which expires at the end of the sixth year following the signing of the related agreements;
  - the definition of an amortization schedule that provides for the payment of monthly installments to repay the capital of EUR 4.3 million as of the first year following the signing of the relevant agreements, and an overall final installment of EUR 40.7 million to be paid in the year 2022.

The 2016-2021 Plan is to use this new funding to:

- fully repay the remaining amount of the debt pursuant to the Restructuring Agreements; as well as
- prepay a portion of EUR 5 million of the loan granted, for a total amount of EUR 15 million, from Rigensis Bank AS to Aria.

In view of the expected full repayment of the debt in accordance with the Restructuring Agreements, the commitments assumed by the Group pursuant to the Restructuring Agreements as supplemented and modified by the Consent and Letter of Amendment as of 26 November 2015 would be discarded .

Up to date, we have already taken a number of meetings between the Group management and the technical and commercial structures of the aforementioned credit institutions and a part of the preparatory activities for the operation has already been completed.

In particular, a so called Independent Business Review, prepared by a leading business advisor has been de facto completed and delivered in draft form, together with the draft of the business and financial plan to the banks, which did not express any critical issues about it.

As part of the Refinancing, the Group also appointed an external consultant to carry out an analysis of feasibility of the Plan 2016-2021, activity which today is at an advanced stage of development and for which the consultant has issued on March 24, 2016 a *comfort letter* to the Board of the Company declaring that, at the state of his analysis, no critical issues are arisen that may create obstacles to the issuance of a positive opinion on the business plan of Tiscali analyzed.

Finally, on March 24, 2016, each of the banks sent Tiscali a *comfort letter* in order to communicate, inter alia, that they started the preliminary phase of the operations, that they have not found any critical issues in their investigation process and to confirm their commitment, subject to the success of such feasibility analysis to accelerate as much as possible the process in order to submit the matter to the competent bodies for the credit approval.

In light of the Refinancing in place of the Facility A2, the lenders under the Restructuring Agreements, dated March 22, 2016, have confirmed their willingness to put back a month to pay the scheduled installment, only for the principal amount, to March 31, 2016, while a similar formal request was made to the lender of the Facility B pursuant to the Restructuring agreements, with which it is in an advanced stage of the operation Refinancing above.

In this context, achieving a balanced equity, economic and financial situation in the long-term for the Group is therefore subjec to:

i. the achievement of the results expected in the Business Plan and, therefore, on whether the forecasts and assumptions therein contained could be realized in general, to the evolution of the telecommunications market and, in particular, to the achievements of the growth targets set in a market characterized by strong competitive pressure, as well as with regard to obtaining the assumed synergies;
ii. the successful finalization of the Refinancing described above;
iii. the subsistence of the financial support provided by the lending banks so far.

Management Board’s assessment

The Board of Directors pointed out that the Group has:

- Generated in the year 2015, before working capital changes, cash from operating activities and cash equivalents at approximately EUR 64,4 million;
- Finalized the transaction of business integration with the Aria Group, which runs from the effective date of 24 December 2015, it is expected that integration will allow the Company to reinforce the leading position of Tiscali in broadband access on fixed and mobile line network, creating a single operator in the domestic market;
- Fulfilled its financial commitments contained in the Restructuring Agreements, and specifically proceeded to the full repayment of Facility A1 for EUR 42.4 million (plus interest of EUR 0.7 million), with the financial resources made available by the integration with Aria Group, thus reducing significantly the senior debt of the Group;
- Finalized with the leasing companies pool the redefining of the lease contract for the building of Sa Illetta, instead of the proposed sale transaction of the same; Said operation allows for a savings compared to previously applicable agreements, of approximately 4.2 million EUR/year for the 2016-2017 financial years;
- Started the negotiations with the banks about the operation of Refinancing described above, as well as preparatory activities for the completion of the procedure of deliberation by the same banks
- Elaborated the Industrial Plan 2016 - 2021 in order to take account of the full year results for 2015, as well as the effects of these transactions carried out during 2015, the negotiations that occurred in early

2016 with the lending banks, in particular the effects / synergies arising from industrial integration with the Aria Group.

The Directors, highlight, as already stated in the preparation of Financial Statements for 2014, the persistence of material uncertainties that may cast significant doubt on the Tiscali Group's ability to continue to operate on a going concern basis, attributable to:

- the establishment of the Plan 2016-2021 objectives, with particular reference to the evolution of the telecommunications market and to achieve its growth targets, relating in particular to Ultrabroadband LTE services, the main development area planned in the Plan, of a market context characterized by strong competitive pressure, as well as with reference to the expected synergies resulting from the integration of Aria and Tiscali Group;
- The outcome of the aforementioned negotiations developed to define the refinancing of the senior debt in line with the goals of the Plan which are also subordinated to the good outcome of the feasibility analysis by the professional appointed for this purpose;
- the subsistence of the financial support provided by the lending banks so far.

The directors, in analysing what has already been built as part of the path to enable the group to achieve long term financial and economic balance, recognize that up to date, and in the presence of intrinsic issues into the 2016-2021 Plan - despite the strong Group debt reduction that took place in the year 2015 -uncertainties remain related to events or circumstances that could rise doubts on the Group's ability to continue to operate on the basis of the going concern assumption but after having implemented the necessary analysis and having taken into account the uncertainties identified in the view of the aformentioned elements, are confident in the ability of being able to implement the targets forecasted in the Plan 2016- 2021, in particular with regard to the finalization of the senior debt refinancing, the Directors have a reasonable expectation that they can reach a group's financial structure consistent with the expected cash flows and that the Group has adequate resources even if in case of awarding the CONSIP tender, to continue in operational existence in a foreseeable future and have therefore adopted the going concern assumption in preparation of these financial statements.

This determination is of course the result of a subjective judgment, who compared, with respect to the events described above, the degree of likelihood of their occurrence compared to the opposite situation. It should be noted that the forecast underlying the determination of the Board, is likely to be contradicted by events. Precisely because the Board is aware of the inherent limitations of its determination, said Board of Directors will maintain constant monitoring on the progression of the factors taken into account (as well as any circumstances that would acquire additional relief), in order to take the necessary measures promptly, even in terms of recourse to due process of law for corporate crises

Business Outlook

In line with the developments related to the integration of Tiscali and Aria assets, the Tiscali Group will adopt an increasingly geo-marketing driven approach to the market, aimed to focus its marketing efforts on markets where the competitiveness and profitability of its offer is greater.

In addition, in the next few months, Tiscali will be engaged in the launch of the new LTE ultra-broadband services, as well as in rationalizing its consumer and business offer while enhancing the convergence among the Fixed, Mobile and Wireless components, and implementing a distribution strategy based on a multi-channel approach. This strategy is based on:

- a further optimization of web and inbound customer acquisition channels, the historical strength of Tiscali;
- a strengthening of the “physical” distribution structure (shops, stores and distribution agencies) through the integration of the current structure of Tiscali sale points throughout the country with the current structure of the Aria channels (dealers and installers) and the progressive introduction of important distribution points to cover the more strategic Tiscali areas and market segments.

4.8 Other events subsequent to year end

15 January 2016 - Approval of the Information Document of the Stock Option Plan 2015-2019

On 15 January 2016, the Board of Directors of the Company and the Remuneration Committee approved the Stock Option Plan, subsequently submitted to the Meeting of 16 February 2016. This plan was the proposal to increase the paid capital, in tranches, by issuing a maximum total of 251,622,551 ordinary shares without par value, at the service of a maximum of 251,622,551 valid options to subscribe for ordinary shares of the Company reserved for the Chairman Renato Soru as beneficiary of the Stock Option Plan 2015-2019. The options granted will be exercisable in three tranches, with effect from 24 December 2016 until 24 June 2019

16 February 2016 - Ordinary General Meeting for the appointment of Directors and Statutory Auditors and extraordinary Meeting for capital increase to service Rigensis Loan and the Stock Option Plan 2015-2019, renewal of corporate offices.

The ordinary shareholders' meeting voted on the following agendas:

- Appointment of members of the Board of Directors and approval of their compensation;
- Appointment of the Board of Statutory Auditors, its President and approval of their fees compensation;
- Constitution of the Committees of the Board of Directors.

Regarding the Rigensis Loan and the Stock Option Plan, the Extraordinary General Meeting resolved as follows:

- Approval of the proposal to authorize the Board of Directors for the increase in share capital for payment by issuing a maximum total of 250,000,000 ordinary shares. The increase is reserved to Rigensis Bank AS, the owner of a credit for EUR 15 million from the subsidiary Aria S.p.A. This increase cancels and replaces the former delegate increase for a maximum 250,000,000 ordinary shares reserved to Bank Otkritie (Public Joint-Stock Company), approved by the September 29, 2015 Shareholders Meeting;
- Approval of the stock option plan 2016-2019 fro the benefit of Renato Soru as Chairman of the Board of Directors and the related proposal of a delegation to the Board for the capital increase of the above Plan. The delegation regards the issue of up to 251,622,551 ordinary shares, to the service of maximum 251,622,551 options to be reserved to the President Renato Soru as beneficiary of the Stock Option Plan 2016-2019.

19 February 2016 - termination of employment of Luca Scano, Tiscali Board Member and General Manager of Tiscali Italia SpA

On 19 February 2016 Luca Scano ceased his employment as General Manager of Tiscali Italia SpA and left all positions held in Group companies. Scano's leaving occurred at the completion of the important merger by incorporation of Aria Italia into Tiscali.

24 February 2016 - Technology Partnership between Tiscali and Huawei for the development of ultra-broadband network with multimedia services in Italy

On 24 February 2016, Tiscali and the Italian subsidiary of Huawei Technologies, a global leader in ICT solutions, signed a memorandum, not binding on the parties, aimed at creating a technological partnership aimed at the development of an ultra-broadband network in Italy. The alliance between the two companies provides for establishing a technical and commercial partnership.

The project's objective is to achieve more than 1250 *Base Stations* at a national level, over the next three years starting from the third quarter of 2016, on LTE-TDD technology in the 3.5GHz frequency. The agreement provides for the supply of network equipment from the so-called *core and radio network* and CPE (*Customer Premises Equipment*). The result will be a TDD WTTx 4.5G network (Wireless fibre to the X) for the provision of services *Multimedia Broadband* up to 1Gbps in Italy. In particular, the TDD 4.5G technology will allow users to take advantage of streaming services in high definition, such as the videos in 4K.

Tiscali and Huawei have agreed to proceed in negotiations to arrive at the signing of a definitive agreement that will provide for the intervention of a lender partner for most of the investments.

The agreement document (*non-binding term sheet*) was signed in Barcelona by Riccardo Ruggiero, CEO of Tiscali SpA, and Edward Chan, CEO of Huawei, at the "Mobile World Congress 2016".

This agreement forms part of Tiscali's development strategy which provides the launch during the year of LTE ultra-broadband fixed wireless services of Tiscali brand on proprietary End-to-end network, thanks to the integration of the Tiscali fibre transport network with Fixed Wireless access network acquired through the merger with Aria. With ultra-broadband Fixed Wireless LTE services, the company intends to expand the market accessible also to the Digital Divide areas and where the quality of the Broadband Fixed Broadband network services is particularly low and improve competitiveness and overall profitability of the services offered to its customer portfolio.

Disputes, contingent liabilities and commitments

During the normal course of its business, the Tiscali Group is involved in certain legal and arbitration proceedings, as well as being subject to tax audit.

The following is a summary of the main proceedings in which the Group is involved.

Civil and administrative proceedings

TeleTu Litigation

On June 2011, Tiscali Italia sued TeleTu SpA, at the Court of Milan, demanding damages of approximately EUR 10 million caused by unlawful conduct by the defendant in user migration during the period of January 2009-April 2011. The defendant filed a counterclaim for alleged similar acts performed by Tiscali Italia, in turn demanding damages of more than EUR 9 million. The outcome of the case is not predictable.

Consip procedure

On 13 January 2016 at TAR Lazio, the hearing took place on the merits of the appeal submitted by Telecom Italia and Fastweb against the awarding procedure of the SPC Consip tender award to Tiscali Italia. The decision of the Administrative Court is awaited and the outcome of the appeal is not predictable

WOL Litigation

In connection with participation in World Online International BV company, which was acquired by the Group in 2000, it is reported that in July 2001, the Dutch association Vereniging van Effectenbezitters and the

Stichting VEB-Actie WOL, representing a group of approximately 10,000 former minority shareholders of World Online International NV (hereinafter "WOL") minority, issued a claim against WOL (currently 99.5% owned by Tiscali) and against 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 listing prospectus of WOL and of certain public statements made by WOL and its Chairman, immediately before and after the listing.

By decision of 17 December 2003, the Dutch Court of First Instance held that in certain press releases issued by WOL prior to 3 April 2000 did not sufficiently clarify comments made by its former Chairman at the time of listing of its participation equity. Consequently, WOL was deemed liable in respect of persons who subscribed to the company's shares during the IPO of 17 March 2000 (the start date of trading) and which acquired shares on the secondary market until 3 April 2000 (the date on which a press release was issued, specifying the actual shareholding held by the former Chairman of WOL). WOL has appealed against this decision referencing the accuracy of the listing prospectus.

The Court of Appeal of Amsterdam on 3 May 2007 partially amended the decision of the Court of First Instance, holding 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. In addition it was felt that WOL had created optimist expectations on its business.

On 24 July 2007, the above-mentioned association and the foundation submitted an appeal to the Dutch Supreme Court against the Court of Appeal's judgment. On 2 November 2007, WOL and financial institutions tasked with the stock market listing filed their counter-appeal. The Dutch Supreme Court issued its final ruling in November 2009, upholding the judgment of Appeal and ruled that the listing prospectus was not complete in some aspects, which management of WOL would have provided additional information during listing . It should be mentioned, that the ruling is limited to ascertaining certain aspects of WOL liability and financial institutions tasked with the stock market listing by reference to the full the obligations on disclosure of the IPO and defines certain principles that might be considered applicable to future court decisions (e.g. regarding the causal link), while not ruling on the actual expectancy of any damage, which should be the subject of new, separate and independent proceedings before the competent courts by investors; to date, no such proceedings have been initiated.

A dispute of a similar nature to that described above was undertaken by another Dutch foundation, Stichting Van der Goen WOL Claims, in August 2001, and letters were subsequently received from other parties, hypothesising to proceed with similar actions, if the conditions should apply.

In August 2013, the Tiscali Group, also taking into account the existing insurance coverage, has entered into a settlement agreement with the financial institutions, under which the same financial institutions waive any claim for damages towards WOL in relation to transactions with the shareholders' associations mentioned above

The agreement provides for a payment by WOL, of a sum of EUR 1.75 million, carried out in September 2013.

We also report that Stichting Van der Goen WOL Claims in December 2011 made an additional request for compensation on behalf of 28 other shareholders entitled, in which it is suggested to proceed with legal proceedings. Such a claim is outside the aforementioned settlement agreement that the Tiscali Group finalized with financial institutions. Said Stichting Van der Goen WOL Claims reiterated its claims in a letter dated 6 March 2013, and subsequently initiated legal proceedings, received on 19 June 2014, against WOL and financial institutions tasked with the listing of the same WOL.

On 1 October 2014 WOL filed the defence briefs which was followed by the submission of briefs by Van der Goen on 7 January 2015. WOL has submitted its observations on 1 April 2015.

On 22 October 2015 the Dutch Tiscali Attorneys have been informed by the Attorneys of the banks that they have agreed with Stichting Van der Goen WOL Foundation on the terms of a possible settlement agreement, later reached. With this in mind, the parties jointly requested the Court, and obtained, the suspension of the proceedings.

In March 2016, World Online N.V., part of The Tiscali Group, entered into a settlement agreement with certain financial institutions in relation to the claim of certain former shareholders of Telinco Ltd, employees and management staff of Telinco Ltd and certain of their family members and dependants.

The agreement entails overall costs for WOL of EUR 0.3 million and brings an end to the dispute with aforementioned shareholders of Telinco Ltd

Proceedings of a criminal nature

In September 2013, Tiscali SpA received, pursuant to Legislative Decree 231/2001, a notice of conclusion of preliminary investigations into alleged conduct of false corporate communications related to the financial statements from 2008 to 2012; the subsidiary Tiscali Italia received the same notice in January 2014. The offense refers to alleged incorrect accounting entries in respect of provisions for doubtful debts. Under Article. 25-ter, Letter c), Legislative Decree 231/2001, if convicted only monetary sanctions of 400 to 800 shares would be applicable. The preliminary hearing stage is being carried out, and the Company has put in place the necessary defensive activities.

Non-recurring transactions

Pursuant to Consob Resolution no. 15519 of 27 July 2006 it is reported that in FY 2015, non-recurring transactions were recorded with a total positive effect on the Group's income statement equal to EUR 6.9 million, which mainly includes the positive effects of the agreement concluded by the conciliation agreement of the Company during the period and from write-offs of trade positions and some negative effects. Among the negative impacts, the most significant concerns the loss of potential credits allocated in the previous year, related to the repricing of Bistream services tariffs, redefined definitively by AGCOM in the year 2015.

The following table shows the exposure in the consolidated income statement of the amounts related to non-recurring transactions:

Non-recurring transaction	**2015**
Revenues	0.0
Other income	13.0
Purchase of external materials and services	1.7
Personnel costs	0.0
Other operating expense (income)	(5.2)
Adjusted Gross operating Result (EBITDA)	**16.5**
Write-downs accounts receivable from customers	5.1
Cost for stock option plans	0.0
Gross operating Result (EBITDA)	**11.4**
Restructuring costs, provisions for risks and write-downs	**4.1**
Operating profit (EBIT)	**7.3**
Net Financial income (charges)	**0.4**
Pre-tax result	**6.9**
Income taxes	
Net result from operating activities (on-going)	**6.9**
Result from assets disposed of and/or destined for disposal	0.0
Net result for the period	**6.9**

Atypical and/or unusual transactions

Pursuant to the Consob Communication of 28 July 2006, it should be noted that during the year 2015, the Group did not execute atypical and/or unusual transactions, as defined in said Communication.

Related-party transactions

During the FY 2015 the Tiscali Group had a number of dealings with related parties on terms deemed customary in the respective reference markets, taking into account the characteristics of goods or services involved.

The related parties with whom the transactions were concluded during FY 2015 are as follows:

- Law Firm Racugno: Board Member, Gabriele Racugno, member of Tiscali SpA's Board of Directors since 21 December 2009 provided Tiscali Italia SpA legal assistance, judicial and extrajudicial;
- Monteverdi Srl: a company owned by the majority shareholder and Chairman of the Board of Directors Renato Soru. The report in question refers to a lease of a space used for the storage of business records.
- Aria SpA: a company acquired by Tiscali Group on 24 December 2015 following the merger by incorporation of Aria Italia SpA into Tiscali SpA. In advance of the effective date of the merger, Tiscali Italia SpA has provided connectivity services to Aria Group.

The economic and financial transactions with related parties are detailed in the section "Transactions with related parties" in the notes to the 2015 Financial Statements.

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 2015 in relation to the performance of their functions, in the parent company and other consolidated subsidiaries, is presented below:

(Thousands of Euro)	**2015**	**2014**
Directors	782	765
Statutory Auditors	175	207
Total remuneration	**958**	**972**

The total cost incurred in 2015 for the key management personnel’s compensation amounts to approximately EUR 2.4 million, of which EUR 1.1 million refers to the termination’s indemnity in favour of the Director and General Manager of Tiscali Italia S.p.A. Luca Scano, who resigned on February 19, 2016.

Adhesion to the Fiscal Consolidation

The Company has exercised its option for consolidated taxation of the parent company Tiscali SpA for the following companies:

- Tiscali SpA
- Tiscali Italia S.p.A.
- Veesible Srl
- Indoona Srl
- Istella Srl

The relationships arising from consolidation are regulated by a special "Rules" agreement, which provides for a common procedure for the application of laws and regulations.

Cagliari, 25th March 2016

The Executive Chairman

Renato Soru

The Executive appointed to draw up the Corporate Accounting Documents

Pasquale Lionetti

5 Corporate Governance Report and Ownership Structure

5.1 Introduction

In accordance with Article 123-*bis* of Legislative Decree 58/1998, as implemented by Article 89-bis of the Issuers Regulations adopted by Consob with resolution 11971 of 14 May 1999, listed companies are required to prepare a report, on an annual basis, providing information on their *Corporate Governance* system and adherence to the Code's recommendations (as defined below). This report shall be made available to the Shareholders at least 21 days before the Meeting for approval of financial statements for the year and shall be published in the "*investor relations*" section of the Company's website, at www.tiscali.com.

The Board of Directors of Tiscali S.p.A. ("Tiscali “or the "Company"), in compliance with the prescribed obligation and with the intention of providing extensive corporate disclosure to Shareholders and investors, has prepared this report (the “Report"), in compliance with the guidelines published by Borsa Italiana and in view of information provided by Assonime.

Moreover, the Report consists of two parts. The first part fully illustrates the corporate governance model adopted by Tiscali and describes the corporate bodies and the shareholders, and other information referred to in the aforementioned Art. 123 bis of Legislative Decree 58/98. The second part however, provides detailed disclosure regarding compliance with the recommendations of the Code through a comparison between the choices made by the Company and said recommendations of the Code. On 25 March 2016, the Board of Directors evaluated, in accordance with the Code, the size, composition and operation of the Board and its Committees considering them adequate to the managerial and organizational needs of the Company. The Board took into account the professional qualifications, experience and managerial skills of its members and examined the practical operation of the corporate bodies during 2015. Of the nine Members in office since 16 February 2016, only the Chairperson and the Managing Director have executive powers, three non-executive directors are also independent. In its evaluation, the Board took into account the positions held by the Directors in other companies, and the real commitment of the Directors in the Company's operations.

5.2 Corporate Governance Structure

General principles

"*Corporate Governance*" means the overall processes to manage the business with the objective of creating, preserving and increasing value, over time, for Shareholders and investors. These processes must ensure the achievement of corporate goals, maintaining responsible corporate behaviour, transparency and accountability to the Shareholders and the investors.

In order to ensure the transparency of management operations, full disclosure to the market and the protection of relevant corporate interests, the corporate governance system adopted by Tiscali fully draws on the recommendations of the Corporate Governance Code (the "Code") Approved by the Committee for *Corporate Governance* in March 2006, as last updated in July 2015 and available at http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.htm page.

The Company adopts practices and principles of conduct, formalized in procedures and codes, in line with the indications of Borsa Italiana S.p.A., the recommendations of CONSOB and with *best practices* in place at national and international level, in addition, Tiscali is equipped with an adequate organizational structure to manage, with correct methods, business risks and potential conflicts of interest that might arise between Directors and Shareholders, between majority and minority interests and between the different stakeholders.

Model adopted

In relation to the management and control system, the Company has adopted the traditional model, which requires the presence of the Board of Directors and the Board of Statutory Auditors, the Company believes that this system should provide a clear division of roles and responsibilities between governing bodies and an effective management of the Company.

Corporate bodies and company assigned for auditing

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

Board of Directors

On 30 April 2015, the Shareholders' Meeting appointed the Board of Directors in office until approval of the financial statements at 31.12.2017. Below, the composition and activities of the Board of Directors during 2015 and until the termination of the office took place on February 16, 2016:

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties – role (***)
Renato Soru	1957	Chairperson and Chief Executive Officer	30/04/2015	Executive	approval of financial statements as at 31.12.2017	9 June 1997	-	11/11			
Luca Scano	1971	Director	30/04/2015	Non-Executive	approval of financial statements as at 31.12.2017	21 December 2009	-	11/11	M 6/7		
Gabriele Racugno	1944	Director	30/04/2015	Non-Executive	approval of financial statements as at 31.12.2017	5 May 2005	-	8/11		M 3/4	M 0/1
Assunta Brizio	1950	Independent Director	30/04/2015	Non-Executive and Independent TUF	approval of financial statements as at 31.12.2017	28 August 2012	-	11/11	M 7/7	M 3/4	M 1/1
Franco 7Grimaldi	1955	Independent Director	30/04/2015	Non-Executive and Independent	approval of financial statements as at	21 December 2009		11/11	P - 7/7	P 4/4	

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties – role (***)
				TUF	31.12.2017		-				P 1/1

(*) The position may not have been covered on an ongoing basis from the date of first appointment

(**) This column shows the attendance of directors at meetings of the Committees and qualifications of adviser within the Committee: "P": Chairperson; "M": member.

(***) Appointments as directors or statutory auditors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

Subsequently, following the resignation, in December 2015, by a majority of the Directors, the Shareholders' Meeting took steps, on 16 February 2016, for the appointment of a new Board of Directors. Below, the composition and activities of the appointment to the date of this report:

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties – role (**)	Investment Committee (**)	Committee for Extraordinary Financial Transactions (**)
Renato Soru	1957	Chairperson	16 February 2016	Executive	approval of financial statements as at 31.12.2017	9 June 1997	-	**-**	**3/3**				M
Riccardo Ruggiero	1960	Chief Executive Officer (CEO)	16 February 2016	Executive	approval of financial statements as at 31.12.2017	16 February 2016			**2/3**				P
Alexander Okun	1952	Vice - Chairperson	16 February 2016	Non-Executive	approval of financial statements as at 31.12.2017	16 February 2016	-	**-**	**3/3**				**M**

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties – role (**)	Investment Committee (**)	Committee for Extraordinary Financial Transactions (**)
Konstantin Yanakov	1977	Director	16 February 2016	Non-Executive	approval of financial statements as at 31.12.2017	16 February 2016	6		**3/3**		M 3/3		
Nikolay Katorzhnov	1984	Director	16 February 2016	Non-Executive	approval of financial statements as at 31.12.2017	16 February 2016	2	**2**	**3/3**		M 3/3		M
Paola De Martini	1962	Independent Director	16 February 2016	Non-Executive and Independent TUF	approval of financial statements as at 31.12.2017	16 February 2016	1		**3/3**	M 1/1	P 3/3	P 1/1	
Anna Belova	1961	Independent Director	16 February 2016	Non-Executive and Independent TUF	approval of financial statements as at 31.12.2017	16 February 2016	2	**2**	**3/3**	P 1/1	M 3/3	M 1/1	
Franco Grimaldi	1955	Independent Director	16 February 2016	Non-Executive and Independent TUF	approval of financial statements as at 31.12.2017	21 December 2009	-	**-**	**2/2**	M 1/1	M3/36	M 1/1 M	
Alice Soru	1980	Director	16 February 2016	Non-Executive	approval of financial statements as at 31.12.2017	16 February 2016	-	**-**	**3/3**				

(*) The position may not have been covered on an ongoing basis from the date of first appointment

(**) This column shows the attendance of directors at meetings of the Committees and qualifications of adviser within the Committee: "P": Chairperson; "M": Member

(***) Appointments as directors or statutory auditors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

It is noted, that the current Board was elected on the single list submitted to the Assembly of 16 February 2016 jointly by Renato Soru, Aria Telecom Holding BV and Otkritie Disciplined Equity Fund.

Board of Statutory Auditors

On 30 April 2015, the Shareholders' Meeting elected the Board of Statutory Auditors in office until approval of the financial statements at 31.12.2017. The Board of Statutory Auditors of the Company consisted of:

Statutory Auditor	Year of birth,	Office	Date of appointment for this term	Date of first appointment (*)	Independence Code	Participation in the Board of Statutory Auditor's meetings **during the year 2015 and until February 16 2016**	No. of other positions in issuers
Paolo Tamponi	24/07/1962	Chairperson	30 April 2015	21 December 2009	yes	17/17	-
Piero Maccioni**	07/04/1962	Standing Statutory Auditor	30 April 2015	30 June 1999	yes	7/7	-
Andra Zini	31/01/1963	Standing Statutory Auditor	30 April 2015	17 April 2000	yes	17/17	-
Rita Casu***	07/11/1963	Alternate Statutory Auditor	30 April 2015	30 November 1998	yes	9/10	-
Valeria Secchi	30/08/1965	Standing Statutory Auditor	30 April 2015	30 April 2015	yes	-	-

(*) The position may not have been covered on an ongoing basis from the date of first appointment

(**) Statutory Auditor from 15/05/2012 to 30/04/2015 and Alternate Statutory Auditor from 04/30/2015

(***) Alternate Statutory Auditor from 15/5/2012 to 30/4/2015 and Effective Statutory Auditor since 04/30/2015

Subsequently, following the resignation in the month of December 2015 by all of the Statutory Auditors, the Shareholder's Meeting proceeded on 16 February 2016 to the appointment of a new Board of Statutory Auditors consisting of:

Statutory Auditor	Year of birth,	Office	Date of appointment for this term	Date of first appointment (*)	Independence Code	Participation in the Board of Statutory Auditor's meetings **at the date of the present report**	No. of other positions in issuers
Paolo Tamponi	24/07/1962	Chairperson	16 February 2016	21 December 2009	Yes	3/3	-
Emilio Abruzzese	18/07/1957	Standing Statutory Auditor	16 February 2016	16 February 2016	Yes	3/3	-
Valeria Calabi	22/08/1966	Standing Statutory Auditor	16 February 2016	16 February 2016	Yes	3/3	-
Federica Solazzi Badioli	23/12/0966	Alternate Statutory Auditor	16 February 2016	16 February 2016	Yes	-	-
Augusto Valchera	01/06/1966	Alternate Statutory Auditor	16 February 2016	16 February 2016	Yes	-	-

(*) The position may not have been covered on an ongoing basis from the date of first appointment

It is noted, that the current Board was elected on the single list submitted at the Meeting of 16 February 2016 jointly by Members Renato Soru, Aria Telecom Holding BV and Otkritie Disciplined Equity Fund.

Corporate Financial-Accounting Reporting Officer

As required by Article 14 of the Bylaws and in compliance with the provisions of Law 262/2005, on 30 April 2015 the Board of Directors appointed the Corporate Finance Accounting Reporting Officer, Pasquale Lionetti, executive of the Company in possession of the necessary requirements and proven expertise in accounting and finance. The office of Dr Lionetti will expire with the subsequent renewal of the Board of Directors upon approval of the 2017 financial statements.

Company appointed to audit

The assignment for auditing was awarded to Reconta Ernst & Young S.p.A. on 29 April 2008. This appointment will expire with the approval of the 2016 financial statements by the Shareholders' Meeting.

Committees

At the meeting of the Board of Directors of 30 April 2015, following the appointment of the new Board of Directors to replace the previous with an expired mandate, the following internal Committees were set up:

- *Audit and Risk Committee*, composed of Franco Grimaldi (Chairperson), Assunta Brizio and Luca Scano.
- *Committee for Appointments and Remunerations*, composed by Franco Grimaldi (Chairperson), Assunta Brizio and Gabriele Racugno.
- *Committee for Transactions with Related Parties,* composed by Franco Grimaldi (Chairperson), Assunta Brizio and Gabriele Racugno.

In addition, pursuant to the Regulations containing provisions relating to transactions with related parties, adopted by Consob with resolution no. 17221 of 12 March 2010 and subsequently amended by Resolution no. 17389 of 23 June 2010, the Company has adopted a regulation for transactions with related parties, in connection to which the Committee for Transactions with Related Parties operates.

Subsequently, following the resignation in the month of December 2015 by the majority of the Directors, and the appointment by the Shareholders' Meeting held on 16 February 2016, a new Board of Directors, the same, took steps to establish within it, during its first meeting on 16 February 2016, the following committees:

- *Audit and Risk Committee*, consisting of Anna Belova (Chairperson), Paola De Martini and Franco Grimaldi;
- *The Committee for Appointments and Remunerations*, composed of Paola De Martini (Chairperson), Konstantin Yanakov, Nikolay Katorzhnov, Anna Belova and Franco Grimaldi;
- *Committee for Transactions with Related Parties*, composed of Paola De Martini (Chairperson), Anna Belova and Franco Grimaldi;
- *Investment Committee*, composed of Riccardo Ruggiero (Chairperson), Renato Soru, Alexander Okun and Nikolay Katorzhnov;
- *Committee for Extraordinary Financial Transactions*, composed of Riccardo Ruggiero (Chairperson), Renato Soru, Alexander Okun, Nikolay Katorzhnov and Anna Belova.

The committees will expire in conjunction with the Board of Directors with the approval of the financial statements at 31 December 2017.

Supervisory Body

During the board meeting of 30 April 2015, the new Supervisory Body was appointed, composed by Attorney Maurizio Piras, external member acting as Chairperson, Angelo Argento, external member, and Carlo Mannoni, Head of Regulatory Affairs of the company function. Then Mr Mannoni resigned and he was replaced in September 2015 by Paolo Sottili, head of the HR department of the Company. The Supervisory Body will remain in office until approval of the financial statements at 31 December 2017 and will also carry out its supervisory functions on the subsidiary Tiscali Italia S.p.A. and Veesible Srl.

Lead Independent Director

In line with the recommendations of the Corporate Governance Code, the Board of Directors, at its board meeting on 30 April 2015, appointed Lead Independent Director, Franco Grimaldi, this position is required by the Corporate Governance Code for listed companies where the same person holds the office of Chairperson of the Board and Chief Executive Officer or the latter is the main shareholder. The office was terminated following default of the conditions for its existence, since, with the appointment of the new Board of Directors on 16 February 2016, the positions of CEO and Chairperson were entrusted to two different persons.

Director in Charge of the Internal Control and Risk Management System

In line with the recommendations of the Corporate Governance Code, during the board meeting of 30 April 2015, Board Member Luca Scano was appointed Director in charge of internal control and risk management system (henceforth also Director in Charge). After the appointment of the new Board of Directors on 16 February 2016, the office was held by the CEO.

Secretary of the Board of Directors

Luca Naccarato, Manager of Legal and Corporate Affairs of the Group, has served as Secretary of the Board of Directors with the task of: assisting the Board in the preparation of board and shareholders' meetings and the preparation of its relative decisions, supervising and ensuring the adequacy, completeness and clarity of information flows to the Board and to the corporate bodies. On 22 February 2016, the Board of Directors appointed Paola De Martini as new Secretary of the Board of Directors.

Shareholding

At the date of this report, the share capital subscribed and paid amounts to EUR 169,076,822.67, divided into 3,145,281,893 ordinary shares with no par value, freely transferable in accordance with law without there being any securities that confer special control rights.

Stock option incentive plans

The Shareholders' Meeting of 16 February 2016 approved the Stock Option plan for 2015-2019 aimed at Renato Soru as Chairman of the Board of Directors and the relative approval to the Board for a capital increase of a maximum amount of EUR 16,371,192.25 to service the aforementioned Plan. The authorisation regards the issuing of a maximum of 251,622,551 ordinary shares, to service a maximum of 251,622,551 options to be reserved for the beneficiary of the Plan. For more information, please refer to the Information Document on the Stock Option Plan 2015-2019 of Tiscali S.p.A. prepared by the Board of Directors pursuant to Art. 84 bis of the Issuer Regulations available on the website of the Company in the governance section http://investors.tiscali.it/it/governance/assemblee_azionisti/2016/16_02.php.

Increases authorised pursuant to Art. 2443 of the Italian Civil Code

The resolutions adopted during 2015, and pertaining to the share capital, are shown below:

(i) By a resolution of 16 February 2015, the Board of Directors, following the authorization granted by the Extraordinary Shareholders' Meeting of 30 January 2015, increased its share capital with the ability to issue, in one or more tranches, a maximum number of 1,000,000,000 no par value ordinary shares. This share capital increase, to be executed by 31 December 2017, is aimed at Société Générale with the exclusion of right of first refusal. The execution of the increase will be preceded by publication of a special prospectus;

(ii) by resolution of 29 September 2015, the Shareholders' Meeting granted the Board of Directors approval, in accordance with Art. 2443, Par. 2 of the Italian Civil Code, to increase the share capital from 1 to 31 March 2018, by issuing up to a total of 250,000,000 no par value ordinary shares at a subscription price of EUR 0.06. The increase is aimed at subscription by "Bank Otkritie Financial Corporation" (Public Joint-Stock Company);

(iii) by a resolution of 16 February 2016, the Shareholders' Meeting cancelled the resolution referred to in the above-mentioned point (ii), and approved at the same a resolution to the Board of Directors pursuant to Art. 2443, Par. 2, of the Italian Civil Code, to increase the share capital from 1 to 30 March 2018, by issuing up to a total of 250,000,000 no par value ordinary shares at a subscription price of EUR 0.06. The increase is aimed at subscription by Rigensis Bank AS.

The following table specifies the name or the entity name of the Shareholders with voting rights holding a stake of more than 5% that have informed the Company and CONSOB of their participation. There are no restrictions on voting rights or the transfer of securities.

Shareholder	Percentage of the ordinary share capital and voting shares	Shares owned
Otkritie Disciplined Equity Fund	22.47%	706,997,483
Camphill Assets Ltd	11.68%	367,510,441
of which Aria Telecom Holdings B.V. under liquidation	5.59%	175,980,946
of which Askovia Investments Limited	6.08%	191,529,495
Renato Soru	10.48%	329,650,508
of which Cuccureddus	1.05%	33,112,352
of which Monteverdi	0.56%	17,609,873
of which Soru direct	8,87%	278,928,283

The remaining 55.37% of the capital is distributed by the market.

There are no statutory restrictions on voting rights or the transfer of securities, such as limitations on ownership of securities or acceptance clauses. In addition, there are no special systems for exercising voting rights in case of employee share ownership, which exercise their right in accordance with the provisions of the Bylaws.

Shareholders' Agreements

As at the date of this report, the Company is not aware of any shareholders' agreements in place. It is noted that, as reported in accordance with Law, 25 September 2015 Renato Soru, and the direct and indirect shareholders of Aria Italia signed a shareholders' agreement relating to the presentation of a common list to be submitted to the Tiscali Meeting that, after the effective date of the merger of the Tiscali Group and Aria Group, may be been convened for the appointment of corporate offices as well as for the approval of a stock option plan in favour of the administrative body members. The agreement has been applied with reference to the Shareholder's Meeting of 16 February 2016.

Amendments to significant agreements of the Company because of a change of Control

In case of *change of control* of the Company or certain companies within the Group, relevant under the loan agreements with senior creditors of the Company, an amendment of the financing agreements is foreseen. In particular, the change of control implies the requirement of prepayment with reference to the aforementioned financing arrangements.

5.3 Report on compliance with the recommendations contained in the Corporate Governance Code

Board of Directors

Position

The Board of Directors plays a prominent role in the life of the Company, since it is the body entrusted with management of the company, as well as the task of strategic and organizational guidelines and as such is responsible for identifying the Company objectives and the achievement thereof.

This body has, pursuant to Article 14 (Powers of the administrative body) of the Corporate Bylaws in force, all the powers of ordinary and extraordinary administration. The Board of Directors reviews and approves the strategic, industrial and financial plans of the Company and the Group that it heads; reports quarterly to the Board of Auditors on the activities carried out and the most significant economic, financial and equity transactions carried out by the Company or its subsidiaries. The functions and powers exercised by the Company's Board of Directors, also in its function of strategic guidance, supervision and control of corporate activities, as provided for in the Corporate Bylaws and implemented in operational practice, are substantially in line with the provisions of the principles and application criteria of Art. 1 of the Code.

Composition

Article 10 (Company Administration) of the Bylaws provides that the Board of Directors must be composed of nine members, and that however, gender balance be assured in accordance with current legislation. The Board of Directors has set up the following internal committees: Audit and Risk Committee, Committee for Appointments and Remunerations, Committee for Transactions for Related Parties, Investment Committee and the Committee for Extraordinary Financial Transactions.

Chairman of the Board of Directors

The Corporate Bylaws provide that the Chairman of the Board of Directors convene the Board and oversee and coordinate its activities. At meetings of the Board of Directors, the Chairman ensures that the necessary documentation is prepared and distributed to the Directors, reasonably in advance, to allow the Board to express an informed opinion on the matters under its consideration. In addition, at the meeting of 16 February 2016 the Chairman was delegated some executive powers to supervise the Company's management with respect to certain specific areas.

Chief Executive Officer (CEO)

The Corporate Bylaws also state that the Board of Directors, within legal limits, may appoint one or more Chief Executive Officers, establishing powers to be granted to them, within legal limits. The Board of Directors has granted executive powers to the CEO. In general, the CEO powers may be exercised up to a maximum value of EUR 10 million.

The delegated bodies report, at meetings of the Board of Directors and other venues to other Board Members and the Board of Statutory Auditors the transactions of greatest economic, financial and capital impact made by the Company or its subsidiaries. In addition, they provide adequate and continuous information to the Board of Directors in relation to atypical or unusual transactions which approval is not reserved to said Board, as well as on the most significant activities carried out in the context of the powers and duties conferred. It is common procedure, except in cases of necessity and urgency, that these activities are submitted in advance to the Board of Directors so that the same may decide upon them in a knowledgeable and thoughtful manner.

At its meeting of 16 February 2016, the Board appointed Alexander Okun as Vice Chairperson of the Board of Directors.

Non-executive, minority and independent Directors

In compliance with the provisions of Law 262/2005 and subsequent amendments, the Corporate Bylaws state that the composition of the Board of Directors meets the criteria established by law about the presence of independent directors within the Board. The Company complies with the Code and, currently, there are three independent Directors with a Board of nine members, of which only Renato Soru, Chairperson, and Riccardo Ruggiero, CEO, are in possession of the executive powers delegated by the Board.

The Board, at the time of appointment and, however, annually when this Report is prepared, evaluates the independence of the Directors, in consideration of the information provided by the individuals concerned, and will ensure appropriate disclosure to the market by publishing said Report. In the view of this analysis, the existence of the independence requirements was confirmed for Assunta Brizio and Franco Grimaldi and, after the appointment of the new Board of Directors, headed by Paola De Martini, Anna Belova and Franco Grimaldi. The independent Directors, in line with the recommendations of the Code, met without the other directors on 19 March 2015 as convened by the Lead Independent Director. On this occasion, compliance was assessed with the independence requirements and the corporate governance system and transactions with related parties entered into in 2014 were assessed, as well as the existence of any conflicts of interests for the Executive Directors.

In relation to the administrative or control positions in other companies, the Board did not deem it necessary to define general criteria regarding the maximum number of offices compatible with the effective performance of the role of director in the Company, notwithstanding the duty of each Board Member to evaluate the compatibility of the offices of Director and Statutory Auditor, possibly held in other companies listed on regulated markets, in financial companies, banks, insurance or large companies, with the diligent performance of the duties assumed as Board Member of the Company. They list below shows the positions held by the current members of the Board of Directors in their capacity as directors of other listed companies, banking, financial or insurance companies or large companies. It should be noted that none of the Board Members cover roles in Boards of Statutory Auditors of other listed companies, banking, financial or insurance companies or large companies.

The Company publishes, in a special section entitled "*governance"* on the Website: www.tiscali.com the *professional CV's* of its Directors, to allow Shareholders and Investors to assess professional experience and authoritativeness of members of the Board of Directors.

Meetings

The Board of Directors meets on a regular basis and however, at the time of approval of the quarterly reports, the by-yearly reports and the drafting of financial statements. It is a well-established practice, that external managers and consultants are also called to attend the Board of Director's meeting, depending on the specific nature of the topics addressed, this also in order to facilitate timely and in-depth knowledge of the Company and the Group, as well as increasing the capacity to supervise the Board of Directors on business activities. As summarized in the table below, during the 2015, the Board of Directors met ten times, while during the 2016, to the date of this report, the Board of Directors met four times. All of the Directors and members of the Board of Statutory Auditors have attended most the aforementioned meetings, as evidenced by the details shown below.

Meetings 2015	16 February	19 March	30 April	15 May	15 July	25 August	14 September	13 November	17 December	29 December
Directors present	5/5	5/5	5/5	5/5	5/5	4/5	5/5	4/5	5/5	5/5
Percentage	100%	100%	100%	100%	100%	80%	100%	80%	100%	100%
Statutory Auditors Present	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3
Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Meetings 2016	15 January	16 February	22 February	25 March
Directors present	4/5	9/9	8/9	9/9
Percentage	80%	100%	89%	100%
Statutory Auditors present	3/3	3/3	3/3	3/3
Percentage	100%	100%	100%	100%

The average duration of the meetings of the Board in 2015 and in 2016 up to the date of this report was approximately 60 minutes.

The Board of Directors and the Board of Statutory Auditors are sent draft documents in advance to be approved jointly with any information and instrumental documents to the various resolutions. These are sent by the Corporate Administrative Office, which proceeds to gather the documents from the sectors responsible and to forward them with as much notice as possible. In general, the documentation is sent jointly with the convening notice for the Board meeting, as an exception, if not yet available, some documents may be sent after the convening notice but always with sufficient advance notice regarding the meeting. It is noted that the established procedure in the case of particularly voluminous or complex documentation, is to provide support for the Board Members with an *executive summary* specifically prepared by the competent corporate departments, which summarize the most significant and relevant points of the documents placed before the Board.

On 13 November 2015, the Board of Directors approved the calendar of its meetings for 2016:

- 25 March 2016 (Approval of the Annual Financial Statements draft as at 31 December 2015),
- 27 April 2016 (Annual Shareholders' Meeting)

- 12 May 2016 (Approval of the Quarterly Report as at 31 March 2016),
- 26 August 2016 (Approval of the By-yearly Report as at 30 June 2016),
- 11 November 2016 (Approval of the Quarterly Report as at 30 September 2016).

Appointment of Directors

Article 11 (Board of Directors) of the Bylaws provides for the appointment of directors, a list voting system, which ensures the appointment of a number of Directors, also among those listed, who have not obtained the majority votes, and ensures transparency and fairness of the appointment procedure. The right to submit the lists is granted to Shareholders who alone or jointly with other Shareholders represent at least the percentage of Share capital required by applicable regulations, in particular, Consob ruled that the shareholding required for the presentation of a list for 2016 is equal to 2.5% of the share capital. The aforementioned system ensures, therefore, that even minority Shareholders have the power to submit their own lists. Any person entitled to vote may vote for one list only. The Company has adjusted the current appointment systems to Law no. 120/2011 on gender equality regarding to access to management and supervisory bodies of companies listed on regulated markets; therefore, each list has to submit a number of candidates belonging to the less represented gender at least equal to the minimum number required by law.

The election of Directors proceeds as follows:

a.1) Regardless of the number of lists submitted, subject to the restrictions provided within this statute, for the purposes of election of directors, no account shall be taken of lists that have not obtained a percentage of votes equal to at least half of that required this provision for the submission of said lists.

a.2) If only one list is submitted, all 9 candidates within it will be elected.

a.3) If two or more lists are submitted and none of them is voted on by at least 34% of the share capital, applicants will be allocated among the various lists as follows:

a.3.a) if two lists are submitted, the following will be elected: (i) the first 6 candidates on the first list by number of votes cast by shareholders; (ii) the first 3 candidates on the second list by number of votes cast by shareholders;

a.3.b) if three lists are submitted, the following will be elected: (i) the first 4 candidates on the first list by number of votes cast by shareholders; (ii) the first 3 candidates on the second list by number of votes cast by shareholders; (iii) the first 2 candidates on the third list by number of votes cast by shareholders;

a.3.c) if four lists are submitted, the following will be elected: (i) the first 3 candidates on the first list by number of votes cast by shareholders; (ii) the first 2 candidates in the second list by number of votes cast by shareholders; (iii) the first 2 candidates on the third list by number of votes cast by shareholders; (iv) the first two candidates of the fourth list by number of votes cast by shareholders;

a.3.d) if five lists are submitted, the following will be elected: (i) the first 3 candidates on the first list by number of votes cast by shareholders; (ii) the first two candidates on the second list by number of votes cast by shareholders; (iii) the first 2 candidates on the third list by number of votes cast by the shareholders; (iv) the first candidate on the list for the fourth list by number of shareholder votes; (v) the first candidate on the fifth list by number of shareholder votes;

a.3.e) if six or more lists are submitted, the following will be elected: (i) the first 3 candidates on the first list by number of votes cast by shareholders; (ii) the first 2 candidates on the second list by number of votes cast by shareholders; (iii) the first candidate on the third list by number of votes cast by shareholders; (iv) the first candidate from the fourth list by number of votes cast by shareholders; (v) the first candidate of the fifth list by the number of votes cast by shareholders; (vi) the first candidate on the sixth list by the number of votes cast by shareholders;

a.4) If two or more lists are submitted and none of them is voted on by at least 34% of the share capital, the applicants will be allocated among the various lists as follows:

a.4.a) if two lists are submitted, the following will be elected: (i) the first 6 candidates on the first list by number of votes cast by shareholders; (ii) the first 3 candidates on the second list by number of votes cast by shareholders;

a.4.b) if three lists are submitted, the following will be elected: (i) the first 5 candidates on the first list by number of votes cast by shareholders; (ii) the first 3 candidates on the second list by number of votes cast by shareholders; (iii) the first candidate on the third list by number of votes cast by shareholders;

a.4.c) if four lists are submitted, the following will be elected: (i) the first 5 candidates on the first list by number of votes cast by shareholders; (ii) the first 2 candidates on the second list by number of votes cast by shareholders; (iii) the first candidate on the third list by number of votes cast by shareholders; (iv) the first candidate on the fourth list by number of votes cast by shareholders;

a.4.d) if five or more lists are submitted, the following will be elected: (i) the first 5 candidates on the first list by number of votes cast by shareholders; (ii) the first candidate on the second list by number of votes cast by shareholders; (iii) the first candidate on the third list by number of votes cast by the shareholders; (iv) the first candidate on the fourth list by number of votes cast by shareholder; (v) the first candidate on the fifth list by number of votes cast by the shareholder;

a.5) in the event that there are two lists voted on by at least 34% of the share capital without any of them having reached a percentage higher than 50%, the provisions under previous point a.3) will apply;

a.6) in case the event that there are two lists voted on by at least 34% of the share capital of which one has reached a percentage higher than 50%, the provisions under the previous point a.4) will apply.

Where, in any cases pursuant to this point a), one or more lists obtain a number of votes greater than the percentage specified at point a.1) but lower than 5% of the share capital, for the purpose of identifying the directors to be elected : (i) only the most voted among them will be taken into account; (ii) only the first candidate indicated on said list will be elected; (iii) any remaining directors attributable to such a list under the provisions of the preceding paragraphs a.3.a), a.3.b), a.3.c), a.3.d), a. 3.e), a.4.a), a.4.b), a.4.c) and a.4.d), as referenced by the preceding points a.5) and a.6), will be allocated to the list with the highest number of absolute votes, subject to what is indicated therein, respectively, with regard to allocation of directors on several lists from the first to the last.

Where, under the aforementioned appointment procedure, at least two members who meet the independence requirements established by applicable law are elected, the last elected party not in possession of these requirements taken from the list that obtained the highest number of votes cast by shareholders after the first, that is not connected in any manner, even indirectly, with the shareholders who submitted or voted for this latter list must be replaced by the first candidate subsequently listed on said list who is in possession of such requirements and if as a result of such replacement, a member in possession of the independence requirements established by the applicable legislation still needs to be elected, the last of those elected not in possession of said requirements, drawn from the list that obtained the most votes, will be replaced with the first candidate subsequently listed on said list who is in possession of said requirements.

Where the Board of Directors elected in accordance with the above, does not allow for compliance with the balance between genders pursuant to current regulations, the last elected of the most represented gender of the list with the highest number of votes cast by shareholders, lack the number necessary to ensure compliance with the requirement and are replaced by the first unelected candidates of the less represented gender on the same list. In the absence of candidates of the less represented gender on the list with the highest number of votes cast by shareholders in sufficient number to proceed with replacement, the aforementioned criterion will apply to subsequent lists receiving the highest votes from which the elected candidates have been taken. If by applying the aforementioned criteria, it may not however be possible to identify the appropriate replacements, the Assembly will supplement the body with the legal majority, ensuring the fulfilment of the required balance between the genders required within the legal framework.

Pursuant to the aforementioned Article 11 (Board of Directors), the lists for proposal of appointment to the office of Director must be submitted to the registered headquarters at least twenty-five days before the date set for the Meeting, together with a description of the Professional *CV* of the candidates and a declaration by which each party accepts the appointment, certifying that there are no reasons for ineligibility or incompatibility, as well as certifying that the requirements of integrity and professionalism required by applicable regulations and Bylaws, substantially in line with the principles and criteria contained in Art. 5 of the Code, are in place. No later than twenty-one days before the date scheduled for the Meeting, the lists and the accompanying documentation should be disclosed as required by law. In the event of resolution to appoint individual members of the Board of Directors, the system of appointment by list vote, which Art. 11 (Board of Directors) of the Bylaws provides for solely in case of complete renewal of the Board of Directors, will not apply.

Although based on the provisions of the aforementioned Article 11 (Board of Directors) and the aforementioned considerations on the Directors' appointment system, ensures a fair system, respectful of minority interests, the Board of Directors, however, has deemed it appropriate that the Committee for Remuneration also assume functions in terms of appointments, thus becoming the Committee for Appointments and Remunerations. For more information, also with reference to the information required by Article 123-bis, First Paragraph, Letter i and the Code of Conduct, please refer to the Remuneration Report to be submitted to the Meeting convened to approve the financial statements as at 31 December 2015.

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

Meetings

In line with the principles and application criteria pursuant to Art. 9 of the Code, the Company encourages and facilitates the participation of Shareholders in Meetings, providing, in accordance with regulations governing *price sensitive*, communications, the information concerning the Company requested by the Shareholders. The Company, in order to facilitate the information and participation of its Shareholders, as well as facilitating access to documents which, pursuant to and in accordance with law, must be made available to them at the registered headquarters when Meetings are convened, has incorporated a special section entitled "*Investor Relations "* on the website www.tiscali.com, which allows for downloading said information in electronic format.

As suggested by the third policy application in Art. 9 of the Code, the Shareholders' Meeting adopted its own Meeting Regulations, latest version of the 29 April 2011, also available on the Company's website. The Meeting Regulations were adopted with the aim of ensuring an orderly and effective performing of the meetings, define the rights and duties of all participants, and establish clear and unambiguous rules, without intending in any way to limit or restrict the right of each shareholder to express its opinions and demand explanations on the matters on the agenda. The Board of Directors believes that the prerogatives of the minority interests should be respected when approving resolutions, because the current Bylaws do not require majorities other than those specified by law.

Under Art. 2370 of the Italian Civil Code and Art. 8 (Participation in the Meeting) of the Bylaws, Shareholders for which the Company has received communication sent by the authorized intermediary pursuant to current regulations, certifying the ownership of shares on the so-called record date, as well as any voting proxy, may participate in the Meeting.

Board of Statutory Auditors

<u>Appointment and composition</u>

Consistent with the first principle of Art. 8 of the Code, regarding the appointment of the Statutory Auditors, Article 18 (Board of Statutory Auditors) of the Bylaws, provides a list voting system which guarantees the transparency and fairness of the appointment procedure and protects the rights of minority interests.

Only Shareholders who alone or jointly with other Shareholders can document that they hold at least the percentage of Share Capital envisaged by applicable legislation, will have the right to submit the lists. The lists must indicate five candidates listed in numerical order, starting with the one who has seniority professionally. Consob established that the shareholding required for submission of a list for 2016 is equal to 2.5% of the share capital. Each Shareholder may submit or participate in submission of only one list and each candidate may appear on only one list subject to penalty of ineligibility. The lists of appointment proposals must be filed at the registered headquarters at least twenty-five days before the date scheduled for the Meeting, together with a description of the Professional *Resume* of the candidates and a declaration in which each accepts the appointment proposal, and states that there are no reasons for ineligibility or incompatibility, as well as the existence of requirements of integrity and professionalism required by applicable legislation and the Bylaws. No later than twenty-one days before the date scheduled for the Meeting, the lists and the accompanying documentation should be disclosed as required by law.

Each Shareholder may vote for only one list. The following are elected: a) the list that obtained the most votes, in the progressive order in which they appear in the list, two Acting Members and two Alternate Members b) the third Acting Members is the first candidate on the list obtaining the highest number of votes after the first. In compliance with Law 262/2005, as amended by Legislative Decree 303/2006, the Chairmanship of the Board of Statutory Auditors goes to the first candidate on the list that obtains the highest number of votes after the first. The Company also took steps to supplement the appointment system for the Board of Statutory Auditors in order to ensure, however, compliance with the Law 120/2011 on so-called gender equality.

Requirements

Article 18 (Statutory Board of Auditors) of the Bylaws state that at least one of the Acting Statutory Auditors, and at least one of the Alternate Auditors, should be chosen from those listed in the register of auditors who have worked on statutory audits for a period of not less than three years. Statutory Auditors failing to meet the aforementioned condition must have gained at least a total of three year's experience in specific activities in any way related to the corporate purpose and, in any event, relevant to the telecommunications sector. The aforementioned article also stipulates that parties, which are already holding offices as Acting Statutory Auditors in more than five listed companies, cannot be appointed as Statutory Auditors.

In a special section entitled *Investor Relations* on the website www.tiscali.com, the Company publishes the professional résumés of its Statutory Auditors, so that the Shareholders and investors may assess the professional experience and the authoritativeness of the Board of Statutory Auditors members.

Activity

The members of the Board of Statutory Auditors operate autonomously and independently, in constant liaison with the Audit and Risk Committee, attending its meetings regularly, and with the *Internal Audit* department, in line with the principles and application criteria of Art. 8 of the Code.

During the year under review, the Board of Statutory Auditors met 13 times, with the presence of all the Statutory Auditors, and recording an average duration of the meetings of approximately 120 minutes. For the 2016, it is expected that at least 15 meetings will be held, of which 7 have already been held.

Committees within the Board of Directors and other Governance Bodies

At the date of this report, the following internal Board Committees consist of the following: Audit and Risk Committee, Committee for Appointments and Remuneration, Committees with Transactions with Related Parties, Investment Committee and the Committee for Extraordinary Financial Transactions. The Corporate Finance Accounting Reporting Officer, the Internal Auditing Officer and the Supervisory Body, remain in office until approval of the financial statements as at 31 December 2017.

Audit and Risk Committee (reference)

For information on the Internal Audit and Risk Committee, reference may be made to the *Internal Audit* paragraph below.

Committee for Appointments and Remunerations

Since March 2001, the Company's Board of Directors, established its own internal Committee for Remuneration, as required by the third principle of Art. 6 of the Code and relevant application criteria. The Committee in office at the date of this report, appointed at the meeting of the Board of Directors on 16 February 2016, is composed of Paola De Martini Council (Chairperson), Konstantin Yanakov, Nikolay Katorzhnov, Anna Belova and Franco Grimaldi. The current Committee succeeded that elected during the Board meeting of 30 April 2015 which had appointed Franco Grimaldi (Chairperson), Assunta Brizio and Gabriele Racugno, no longer holding office following the resignation of the majority of Board Members in December 2015.

The Committee submits proposals to the Board of Directors for the remuneration of the CEO and other Directors with special duties and, in general, recommendations for the remuneration of key management personnel of the Group, assists the Board of Directors in preparing and implementing any remuneration plans based on shares or financial instruments, and evaluates the adequacy and application of the Remuneration Policy. In addition, the Committee makes proposals regarding the appointment of directors, in the event of co-option of upper management of the Company and other corporate figures. As part of its duties, the Committee may retain external advisors at the Company's expense. The Committee meets when the need arises, upon the request of one or more members. Upon convening and implementation of meetings, the provisions of the Bylaws shall apply, mutatis mutandis.

During 2015 and at the date of this report, the Committee for Appointments and Remunerations met seven times: 19 March, 30 April, and 14 September in 2015; 15 January, 16 February, 22 February and 25 March in 2016. The Committee for Appointments and Remunerations examined and approved the annual reports on remuneration, later approved by the Board of Directors and submitted to the Assembly, and the proposed appointment of certain company officers and contracts with the Executive Chairman and the CEO were discussed and approved, then submitting them to the Board of Directors, as more fully described in the Remuneration Report in 2015. Committee meetings are attended by all the members of the Committee, and the members of the Board of Statutory Auditors. The meetings had an average duration of approximately 30 minutes. The meetings scheduled for 2016 have already been held.

Committee for Transactions with Related Parties

The Committee for Transactions with Related Parties is responsible for the functions required by the CONSOB regulations and by the Regulations for Transactions with Related Parties, adopted by the Company on 12 November 2010 and entered into force on 1 January 2011 (hereinafter, the "RPT Regulations"). The RPT Regulations define the rules, procedures and standards aimed at ensuring the transparency and substantial and procedural fairness of transactions undertaken with related parties carried out by Tiscali. The current Committee, appointed by the Board at its meeting of 16 February 2016, is composed of three non-executive and independent directors, Paola De Martini (Chairperson), Anna Belova and Franco Grimaldi and succeeded the one elected in the meeting of the Board of 30 April 2015 that had appointed Franco Grimaldi (Chairperson), Assunta Brizio and Gabriele Racugno, which no longer held office upon resignation of the majority of the Directors during December 2015. The Committee shall perform the following functions: (i) give its non-binding opinion on the interest of the Company's fulfilment of minor transactions (as defined in the RPT Regulations) and the economic advantages and substantial fairness of the relevant conditions; (ii) in the case of major transactions (as defined in the RPT Regulations), it is also involved in the negotiations and in the investigation phase and then expresses its reasoned binding opinion, subject to special approval procedures, in the interest of the Company upon completion of the transaction in question, and the economic advantage and substantial fairness of the relative conditions.

Internal Auditing

The Company already formalized the organizational structure of internal auditing since October 2001. On 25 March 2004, following the changes to the Corporate Governance Code for listed companies and the Borsa Italiana S.p.A. suggestions, the Board of Directors updated the organizational structure of the internal auditing system of the Company, after the structure was updated also to take into account the amendments to the Code of Conduct. The internal auditing system is in line with the principles and application criteria contained in Art. 7 of the Code.

Internal auditing system

The internal auditing system is the set of processes designed to monitor the efficiency of company transactions, the reliability of financial reporting and compliance with laws and regulations, as well as the safeguarding of company assets.

The Board of Directors has the top responsibility for the internal auditing system, which sets the guidelines and periodically verifies the adequacy and effectiveness, ensuring that the main business risks are identified and appropriately managed. In addition to a continuous comparison and interchange between the various corporate bodies involved, the Audit and Risk Committee prepares every six months, upon approval of the draft of financial statements and the by-yearly interim report, a special report on the system of corporate governance of the Company and the Group and the activities undertaken during the period, the information issued by the Supervisory Board and the Internal Auditing Manager are annexed to the Committee's report. The Board of Directors examines the aforementioned information and evaluates the governance system jointly with the Internal Audit plans. With reference to the 2015, during the meetings of 19 March 2015 and 25 August 2015 respectively, during approval of the draft financial statements as at 31 December 2014 and the by-yearly report as at 30 June 2015, the Board has deemed the internal auditing system adequate relating to the needs of the Company, to the regulations in force and to the recommendations of the Code, approving the plans for Internal Audit. The Committee has also met, to exercise its functions, on 30 April, 15 May, 10 June, 14 September and 13 November 2015.

The Audit and Risk Committee plays a key role in the internal auditing system, for its tasks and operation, the next paragraph may be referenced. Other bodies that are part of the internal auditing system are the Director In-Charge, and whose duties were taken over in the new Board of Directors took office last 16 February 2016 by the Chief Executive Officer, the Head of Internal Auditing and Internal Audit department.

The Director In-Charge operationally implements the instructions of the Board of Directors on internal auditing, also proceeding, to the actual identification and management of key business risks, submitting them for the assessment of the Board of Directors. The Director In-Charge proposes to the Board of Directors the appointment of the Chief Internal Auditor and Head of the Internal Auditing Department whose support is used for performance of its functions.

The Chief Internal Auditor is equipped with the resources to carry out his functions and does not report hierarchically to any operational area manager, he reports on his work to the CEO and to the Board of Directors as well as to the Audit and Risk Committee and the Board of Statutory Auditors, at least every three months. The Chief Internal Auditor has operational responsibility for coordinating activities of the Internal Auditing department, because it does not report to any operational manager hierarchically and is in possession of the necessary professional skills to perform pertaining duties in line with the recommendations of the Code. In order to further strengthen the independence requirement, the Chief Internal Auditor, and therefore the Internal Auditing department, hierarchically report to the Chairperson of the Audit and Risk Committee and, from an administrative point of view, these report to the CEO whose powers include the provision of suitable means to the Chief Internal Auditor and the Internal Auditing department. The Audit and Risk Committee, in reviewing the work plan prepared by the Chief Internal Auditor, also assesses the suitability of the means and resources granted supplied to the Chief Internal Auditor and to the Internal Auditing Department. The Board of Directors of 30 April 2015, upon proposal of the Director In-Charge and the opinion of the Audit and Risk Committee, of the Committee for Appointments and Remunerations and the Board of Statutory Auditors, has appointed Carlo Mannoni, Group Executive Director of Regulatory Affairs and member of the Supervisory Board, to the office of Chief Internal Auditor and Head of the Internal Auditing Department. Following the resignation of Carlo Mannoni, during the Board meeting of 14 September 2015, Maurizio Corazzini, Head of Regulatory Affairs division, was appointed to Chief Internal Auditor. On 25 March 2016 the Board of Directors appointed Daniele Renna as new Chief Internal Auditor.

During the period covered by the previous Report, the main activities in the area of internal auditing by the Chief Internal Auditor, the Committee and of the *Internal Audit* department were the following:

- assessment of the Group's governance and the activity conducted by different auditing bodies;
- preparation of monthly reports for the Board of Directors on governance activities;
- evaluation of the activity of the Supervisory Body and updating, dissemination and application of the "Organization, management and control model" pursuant to Legislative Decree 231/2001 of the Group;
- implementation of the auditing plan 2015, in particular with the verification procedures for management of contracting and activation of customers, purchasing of goods and services for the needs of the Company and the collection and recovery of customer accounts receivable;
- preparation of the audit plan 2016;
- verifying the adequacy of administrative and accounting procedures for the preparation of the by-yearly interim report and the 2015 financial statements in order to assess the relative efficacy. This activity is also aimed at the certification pursuant to Article 154 bis of the TUF.

<u>Audit and Risk Committee</u>

The Board of Directors, in line with the recommendations of the Code, has established an Audit and Risk Committee, with advisory and consulting functions, currently comprised of three independent Directors of the Company. The Audit and Risk Committee has consultative and advisory functions with the aim of improving the functionality and the ability for strategic planning of the Board of Directors in relation to the internal auditing system. In particular:

a) It assists the Board of Directors in setting guidelines for the internal auditing system and periodically verifies the adequacy and correct operation of the same, ensuring that the main business risks are identified and appropriately managed;

b) evaluates the work plan prepared by the Chief Internal Auditor and receives the periodic reports from the same;

c) assesses, jointly with the Company's directors and the independent auditors, the adequacy of accounting standards adopted and their consistency for the purpose of preparing the consolidated financial statements;

d) evaluates proposals submitted by auditing firms to obtain the relative audit engagement, as well as the work plan prepared for the audit and the results described in the report and letter of recommendations, and more generally interacts institutionally with the auditing company;

e) assesses bids of an advisory nature formulated by the auditing company - or its affiliated companies - to the benefit of Group companies;

f) assesses bids of an advisory nature to the benefit of Group companies that are for significant amounts;

g) reports to the Board of Directors at least twice a year, at the time of the annual and half-yearly report on the activities performed and on the adequacy of the internal auditing system;

h) performs the other duties that may be assigned by the Board of Directors.

Committee meetings are attended by the entire Board of Statutory Auditors, its Chairperson or an Auditor delegated by the Chairperson of the Board of Statutory Auditors. In view of the topics discussed from time to time, the Chairperson of the Audit and Risk Committee may invite to participate in the work other parties, in addition to the CEO, such as the auditing company, the General Manager, Chief Financial Officer and the Corporate Finance Accounting Reporting Officer, etc.

The meetings of the Audit and Risk Committee are held, as a rule, before meetings of the Board of Directors scheduled for approval of quarterly reports, the by-yearly report and the draft annual financial statements, and at least once every six months. The Chairman of the Audit and Risk Committee ensures that members are provided reasonably in advance of the meeting date, the documentation and information necessary to the work, except in cases of necessity and urgency. The work of the Committee is however summarized in written form.

During the course of 2015 the Audit and Risk Committee met seven times: 19 March, 30 April, 15 May, 10 June, 25 August, 14 September, 13 November; in 2016: on 24 March. At all meetings of the Committee were attended by the entire Board of Statutory Auditors, with the exception of one meeting on 13 November 2015 in which one member of the Board of Statutory Auditors was absent with apologies. In agreement with the topics on the agenda, the following attended the meetings: the Chief Internal Auditor, the Supervisory Body and the Corporate Finance Accounting Reporting Officer and the representatives of the auditing company or directors and consultants of the Company. All meetings were regularly convened and minuted and had an average duration of approximately 45 minutes.

5.4 Internal auditing relative to accounting and financial information

Introduction

The Internal Auditing System on company information must be understood as a process that by involving several company departments, provides reasonable assurance as to the reliability of financial information, the reliability of financial reporting and compliance with applicable regulations. The meaningful correlation is apparent with the risk management process which consists of the process of identifying and analysing those factors which may affect the achievement of business goals and the main purpose is to determine how these risks can be managed and monitored properly and rendered as harmless as possible. A system of appropriate and effective risk management system can indeed mitigate the adverse effects on business objectives, including the reliability, accuracy, reliability and timeliness of accounting and financial information.

Key characteristics of current risk management and internal auditing systems in relation to the financial reporting process

A) <u>Phases of the Risk Management and internal audit system in relation to the financial reporting process</u>.

Identification of financial reporting risks

The risk identification activity is conducted primarily through the selection of relevant entities (companies) for the Group and, later, through the analysis of risks that are found along the business processes giving rise to financial reporting.

This activity includes: i) the definition of quantitative criteria in relation to income and asset contributions provided by individual companies in the last financial statements and the selection rules with minimum thresholds. It does not exclude consideration of qualitative factors; ii) identifying key processes combined with material data and information, namely accounting items for which there is no remote possibility of containing errors with a potential significant impact on financial information.

For each significant account, the most significant "statements" are identified, always according to evaluations based on risk analysis. The financial statements assertions are represented by the existence, completeness, after the event, from the assessment, from rights and obligations and the presentation and disclosure. The risks therefore relate to the possibility that one or more account statements are not properly represented, with a consequent impact on the information itself.

Assessment of financial reporting risks

The risk assessment is carried out both on an overall company level and at the level of specific processes. The first area includes risks of fraud, improper operation of computer systems or other unintentional errors. At the process level, risks related to financial reporting (underestimation, overestimation of items, inaccuracy of information, etc.) should be analysed at the level of the activities within business processes.

Identification of controls for risks identified

Initially, attention is given to company-level controls connected to data / information and related statements, which are identified and evaluated both by monitoring of the reflection at the process level and at a general level. The company-level controls are designed to prevent, detect and mitigate any significant errors, although not operating at the process level.

Assessment of controls for risks identified

The assessment of the control system used is a function of several elements: timing and frequency; adequacy; operational compliance; organizational assessment. The overall control analysis overseeing each risk is defined autonomously as a summary of the assessment process of the adequacy and compliance correlating to said controls. Said analyses summarise considerations on the effectiveness and efficiency of the individual risk monitoring controls and the overall assessment on risk management is split into assessments of existence, adequacy and compliance. Information flows with the results of the activity performed submitted to administrative bodies by the Reporting Officer in support to accounting documents.

B) <u>Roles and departments involved</u>.

The Reporting Officer is in essence at the top of the system that oversees financial reporting and informs company management. At the end of the pursuit of its mission, the Reporting Officer has the power to dictate the organizational guidelines for an appropriate structure as part of its function; the officer also has the means and tools to carry out its activities; and has the ability to collaborate with other organizational units.

A variety of corporate departments contribute to the information of economic and financial nature. Moreover, the Reporting Officer sets up systematic and successful relationships with these departments. The Reporting Officer is obliged to inform the Board of Auditors if critical issues should emerge of an accounting, equity and financial nature.

The Consolidated Accounts Department serves as an intermediate layer and a link between the Financial Reporting Manager and Administrative Reporters in the Tiscali Group, arranged to collect, test, assemble, monitor the information received by the latter. The Consolidated Accounts Department cooperates with the Reporting Officer with regard to the documentation of accounting processes and their related updating over time. The Administrative Reporters of the Group, gather operational information, check it and guarantee the adequate flow of information concerning transposition of pertaining external regulations from time to time.

A steady flow of information if provided between the three levels described above, through which the Reporters inform the Consolidated Financial Statements Department and the Reporting Manager Officer, on the methods in which management and control activity is carried out for the preparation process of accounting documents and financial information, on any critical issues that emerged during the period and the remedial action to overcome any problems.

It is believed that the model used allows for providing sufficient guarantees for proper accounting and financial information.

5.5 Organisation, management and control model pursuant to Legislative Decree 231/2001

The company has adopted the "Organization, Management and Control Model pursuant to Legislative Decree 231/2001" for some time (hereinafter, the "Model"); during 2010, the process primarily aimed at adapting the Model to new regulatory changes and the new reality of the Company and the Tiscali Group, the new Model and Code of Ethics, have been approved by the 12 November 2010, Board of Directors. Subsequently, at its meeting on 14 May 2013, the Board approved the new updated Model to recent regulatory changes especially with regard to crimes against Public Administration, individuals, work safety and the environment. The Model also applies to other Group operating subsidiaries, Tiscali Italia SpA and Veesible Srl, in agreement with their specific characteristics and risk profile.

The Board of Directors of 30 April 2015 appointed the new Supervisory Board, which replaces the previous one expiring with the approval of the 2014 Financial Statements. To ensure independence and effective action of the Body, the same currently consists of two qualified external members to the Company or by one internal member: Atty. Maurizio Piras, external member in the office of Chairperson, Dr Paolo Sottili, head of the Company's HR function, and Atty. Angelo Argento, external member. The Body thus established expires with the approval of the 2017 Financial Statements and, up to said date, also operates for the subsidiaries Tiscali Italia S.p.A. and Veesible Srl.

5.6 Governance of Transactions with Related Parties

On 12 November 2010, with a positive opinion of the independent directors, the Company's Board of Directors approved the new Regulations for Transactions with Related Parties (the Regulations) in accordance with Art. 2391-*bis* of the Italian Civil Code and of Consob Regulation no. 17221 of 12 March 2010, available on the Company's website www.tiscali.com under the "Documents / Information Documents" section. The Regulations governing transactions with related parties carried out by Tiscali SpA and its subsidiaries or associates, entered into force on 1 January 2011. In 2015, a significant transaction with related parties was examined, pursuant to the Regulation.

5.7 Confidential information and market disclosure. Investor Relations

An *Investor Relations* department operates in the Company, which is entrusted with the task of establishing a dialogue with shareholders and institutional investors. The *Investor Relations* department, prepares, among other things, the text of press releases and in accordance with the said type of press, oversees, in consultation with the Legal and Corporate Affairs department, the internal approval procedure. In addition, it deals with their publication, also through a network of external companies specialising in such tasks.

Disclosure is ensured not only by press releases, but also through periodic meetings with institutional investors and the financial community, as well as by extensive documentation made available on the website in the section entitled www.tiscali.com *investor relations*. The use of online communication, which mainly benefits the non-institutional public, is considered key by the Company, because it makes possible a homogeneous distribution of information. Tiscali undertakes to systematically oversee to the accuracy, completeness, continuity and updating of financial matters disclosed via the Company's website. You may also contact the company through a specific e-mail address (ir@tiscali.com).

Directors, Statutory Auditors and top management of Tiscali and its subsidiaries are obliged to confidentiality of documents and information acquired in carrying out their tasks. Any dealings between these parties and the press and other mass media, as well as with financial analysts and institutional investors, which involve confidential documents and information concerning Tiscali or the Group, must only occur through the head of investor relations, with the exception of interviews and statements made by the executive Directors.

Management and, in any case, all employees and collaborators are required to maintain the confidentiality of *price sensitive* documents and information acquired as a result, and during the performance of their duties and cannot communicate them to others if not for reasons of function or position, unless such documents or information have already been published in the required forms. The aforementioned parties are prohibited from giving interviews to the press, or making any public statements, which contain information on relevant facts, classified as "confidential" pursuant to Art. 181 of Legislative Decree no. 58/1998, which have not been included in press releases or documents already disclosed to the public, or expressly authorized by the *Investor Relations* department. In accordance to what is stated in Paragraph 2 of Art. 114 of Legislative Decree no. 58/1998, the Company has established procedures for reporting by the various corporate department to the *Investor Relations* department of events deemed *price sensitive.* Implementing Art. 115-bis of Legislative Decree no. 58/1998 on keeping a register of persons with access to inside information, the Company has established a register of persons, at the *Investor Relations* department who, because of their working or professional activity or because of their duties, have access to this type of information. In accordance with the aforementioned legislation, the register managed with information systems, contains: the identity of any person having access to inside information, the reason why any such person is already on the list, the date on which such person was recorded in the register, the date of update of the information relating to that person.

Tiscali S.p.A. Consolidated Financial Statements as at 31 December 2015

6 Consolidated financial statements and explanatory notes

6.1 Comprehensive Income Statement

Consolidated Income Statement	**Notes**	**2015**	**2014**
(Thousands of Euro)			
Revenues	*1*	202,118	212,800
Other income	*2*	17,275	2,116
Purchase of external materials and services	*3*	131,468	132,501
Personnel costs	*4*	37,042	35,059
Other operating expense (income)	*5*	(5,347)	(1,772)
Write-downs accounts receivable from customers	*6*	17,162	10,285
Restructuring costs and other write-downs	*7*	3,171	2,679
Depreciation	*13-14*	37,761	36,439
Operating profit		**(1,864)**	**(274)**
Net Income (expenses)	*8*	(16,496)	(15,723)
Pre-tax profit		**(18,359)**	**(15,997)**
Income taxes	*9*	(116)	(437)
Net result from operating activities (ongoing)		**(18,475)**	**(16,434)**
Income from discontinued operations and / or targeted for disposal	*10*	(5)	0
Net income for the period	*11*	**(18,480)**	**(16,434)**
Attributable to:			
- Profit attributable to Parent Company		**(18,480)**	**(16,434)**
- Profit attributable to Minority Interests		0.00	0.0
Profit (loss) per share			
Earnings per share from continuing and discontinued operations:			
- Basic		(0.01)	**(0.01)**
- Diluted		(0.01)	**(0.01)**
Earnings per share from operating activity:			
- Basic		(0.01)	**(0.01)**
- Diluted		(0.01)	**(0.01)**

6.2 Overview of Comprehensive Income Statement

Comprehensive Income Statement	Notes	2015	2014
(Thousands of Euro)			
Operating results of period		**(18,480)**	**(16,434)**
Other items on comprehensive income statement:			
Items on comprehensive income statement that will subsequently be reclassified to FY Profit / (loss)		-	-
Items on comprehensive income statement that will not subsequently be reclassified in FY Profit / (loss)		288	(517)
(Loss) / profit from revaluation of defined benefit plans		*288*	*(517)*
Other items on comprehensive income statement:		**288**	**(517)**
Total operating results of Comprehensive income statement		**(18,192)**	**(16,951)**
Attributable to:			
Parent Company shareholders		**(18,192)**	**(16,951)**
Minority shareholders		**-**	**-**
		(18,192)	**(16,951)**

6.3 Statement equity and financial situation

Equity and Financial Situation	Notes	31 December 2015 (*)	31 December 2014
(Thousands of Euro)			
Non-current assets			
Intangible Assets	*13*	106,724	59,990
Property, Plant and Equipment	*14*	114,784	77,107
Other financial assets	*15*	11,496	10,775
Deferred Tax Assets	*16*	43	-
		233,047	**147,871**
Current assets			
Inventories	*17*	913	1,129
Receivables from customers	*18*	35,316	43,457
Other receivables and other current assets	*19*	16,345	10,518
Other current financial assets	*20*	68	162

Cash and cash equivalents	*21*	4,770	4,801
		57,412	**60,066**
Assets held for sale		(0)	**(0)**
Total Assets		**290,458**	**207,938**
Capital and reserves			
Capital		169,077	92,052
Results of previous years and Other reserves		(272,017)	(244,437)
The Group's operating result for the FY		(18,480)	(16,434)
Net equity of the Group	*22*	**(121,421)**	**(168,818)**
Minority interests		0	0
Net equity attributable to minority interests	*23*	**0**	**0**
Total net equity		**(121,421)**	**(168,818)**
Non-current liabilities			
Due to banks and other lenders	*24*	94,546	80,535
Finance lease payments	*24*	51,279	47,975
Other non-current liabilities	*25*	1,968	1,323
Liabilities due to pensions and employee severance indemnities	*26*	6,296	5,550
Provisions for risks and charges	*27*	10,165	1,600
Provision Deferred income tax	*28*	628	1,600
		164,882	**136,982**
Current liabilities			
Due to banks and other lenders	*29*	28,488	65,351
Finance lease payments	*29*	3,470	10,464
Payables to suppliers	*30*	131,743	91348
Other Current Liabilities	*31*	83,296	72,611
		246,997	**239,774**
Liabilities directly associated with assets sold		(0)	(0)
Total Net equity and Liabilities		**290,458**	**207,938**

(*) *Following the finalization of the business combination's transaction with the Group headed by Aria SpA, which took place at the end of 2015, the balance sheet data and the operational data as at December 31st, 2015 are not comparable with prior year figures presented.*

6.4 Cash flow statement

	2015	2014
(Thousands of Euro)		
OPERATING ACTIVITIES		
Revenue from operating activities	**(18,475)**	**(16,434)**
Adjustments for:		
Amortization of tangible assets	11,350	11,624
Amortization of intangible assets	26,411	24,815
Provision for write-downs accounts receivables from customers	12,060	10,285
Gain on disposal of non-current assets	(2,108)	(2,108)
Income taxes	120	437
Release of provisions for risks	0	(645)
Write-offs and settlement agreements with suppliers	(9,747)	
Other changes	2,927	501
Financial Charges / income	16,264	15,723
Cash flows from operating activities before changes in working capital	***38,801***	***44,197***
Changes in receivables	(4,860)	(8,513)
Change in inventories	217	(386)
Changes in payables to suppliers	30,140	(1,593)
Change in payables to long-term suppliers	1,084	(2,610)
Net change in provisions for risks and charges	(268)	0
Net change in provisions for TFR	(228)	(258)
Changes in other liabilities	(635)	3,676
Changes in other assets	136	(390)
Changes in working capital	***25,586***	***(10,072)***
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES	**64,388**	**34,125**
INVESTMENT ACTIVITY		
Change in other financial assets	(6,492)	(126)
Cash flow from business combinations	1,666	
Acquisitions of Fixed Tangible Assets	(1,363)	(4,115)

Acquisitions of Fixed Intangible assets	(36,726)	(16,695)
Payments for the sale of assets	0	(0)
AVAILABILITY OF CASH AND CASH EQUIVALENTS FOR INVESTMENT ACTIVITIES	**(42,915)**	**(20,936)**
FINANCIAL ASSETS		
Changes in payables to banks	(22,582)	(10,712)
of which:		
Repayment of share capital and interest Senior debt	(18,597)	(8,049)
Increase/Decrease in current accounts overdrafts	(3,985)	(2,663)
Repayment/acceptance of financial leasing	1,086	(800)
Exchange rate effect	(8)	(16)
OCI reserves	0	0
Changes in Net Equity	(0)	28
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES	**(21,504)**	**(11,500)**
Effect of Changes in exchange rates of foreign currencies	-	-
Cash flow generated / Absorbed from discontinued / held for sale assets	-	-
AVAILABILITY CASH ARISING FROM / (USED IN) FINANCIAL ACTIVITIES including cash generated / absorbed from assets sold / held for sale	**(21,504)**	**(11,500)**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(31)**	**1,689**
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,801**	**3,112**
CASH AND CASH EQUIVALENTS AT YEAR-END	**4,770**	**4,801**

6.5 Statement of changes in net equity

(Thousands of Euro)	Capital	Share premium account	Stock option reserve	Reserves for employee benefits	Accumulated losses and Other Reserves	Net equity of the Group	Minority interests	Total
Balance as at 1 January 2015	**92,052**			**(1,811)**	**(259,059)**	**(168,818)**		**(168,818)**
Capital increase / merger	77,025				(7,185)	**69,840**		**69,840**
Rigensis Loan Option					(4,250)	**(4,250)**		**(4,250)**
Operating results of Comprehensive Income Statement				288	(18,480)	**(18,192)**		**(18,192)**
Balance at 31 December 2015	**169,077**			**(1,523)**	**(288,974)**	**(121,421)**		**(121,421)**

(Thousands of Euro)	Capital	Share premium account	Stock option reserve	Reserves for employee benefits	Accumulated losses and Other Reserves	Net equity of the Group	Minority interests	Total
Balance as at 1 January 2014	**92,023**			**(1,294)**	**(242,624)**	**(151,896)**		**(151,896)**
Capital increase								
Increases / (Decreases)	29				(1)	**28**		**28**
Operating results of Comprehensive Income Statement				(517)	(16,434)	**(16,951)**		**(16,951)**
Balance as at 31 December 2014	**92,052**			**(1,811)**	**(259,059)**	**(168,818)**		**(168,818)**

6.6 Income Statement pursuant to Consob Resolution No. 15519 of 27 July 2006

Consolidated Income Statement	**Notes**	**2015**	**of which to related parties**	**2014**	**of which to related parties**
(Thousands of Euro)					
Revenues	*1*	202,118	420	212,800	
Other income	*2*	17,275		2,116	
Purchase of external materials and services	*3*	131,468	419	132,501	108
Personnel costs	*4*	37,042	1,967	35,059	
Other operating expense (income)	*5*	(5,347)		(1,772)	
Write-downs accounts receivable from customers	*6*	17,162		10,285	
Restructuring costs and other write-downs	*7*	3,171	1,120	2,679	
Depreciation	*13-14*	37,761		36,439	
Operating profit		**(1,864)**	**(3,085)**	**(274)**	**(108)**
Net Income (expenses)	*8*	(16,496)		(15,723)	
Pre-tax profit		**(18,359)**	**(3,085)**	**(15,997)**	**(108)**
Income taxes	*9*	(116)		(437)	
Net result from operating activities (ongoing)		**(18,475)**	**(3,085)**	**(16,434)**	**(108)**
Income from discontinued operations and / or targeted for disposal	*10*	(5)			
Net income for the period	*11*	**(18,480)**	**(3,085)**	**(16,434)**	**(108)**
Attributable to:					
- Profit attributable to Parent Company		**(18,480)**		**(16,434)**	
- Profit attributable to Minority Interests					
Earnings (Losses) per share					
Earnings per share from continuing and discontinued operations:					
- Basic		(0,01)		**(0,01)**	
- Diluted		(0,01)		**(0,01)**	
Earnings per share from continuing operations:					
- Basic		(0,01)		**(0,01)**	
- Diluted		(0,01)		**(0,01)**	

6.7 Balance Sheet pursuant to Consob Resolution no. 15519 of 27 July 2006

Financial and Economic Situation	Notes	31 December 2015 (*)	of which to related parties	31 December 2014	of which to related parties
(Thousands of Euro)					
Non-current assets					
Intangible Assets	*13*	106,724		59,990	
Property, Plant and Equipment	*14*	114,784		77,107	
Other financial assets	*15*	11,496		10,775	
Deferred Tax Assets	*16*	43		-	
		233,047		**147,871**	
Current assets					
Inventories	*17*	913		1,129	
Receivables from customers	*18*	35,316		43,457	
Other receivables and other current assets	*19*	16,345		10,518	
Other current financial assets	*20*	68		162	
Cash and cash equivalents	*21*	4,770		4,801	
		57,412		**60,066**	
Assets held for sale		(0)		**(0)**	
Total Assets		**290,458**		**207,938**	
Capital and reserves					
Capital		169,077		92,052	
Results of previous years and Other reserves		(272,017)		(244,437)	
The Group's operating result for the FY		(18,480)		(16,434)	
Net equity of the Group	*22*	**(121,421)**		**(168,818)**	
Minority interests					
Net equity attributable to minority interests	*23*				
Total net equity		**(121,421)**		**(168,818)**	
Non-current liabilities					
Due to banks and other lenders	*24*	94,546		80,535	
Financial lease payments	*24*	51,279		47,975	

Other non-current liabilities	*25*	1,968		1,323	
Liabilities due to pensions and employee severance indemnities	*26*	6,296		5,550	
Provisions for risks and charges	*27*	10,165		1,600	
Provision Deferred income tax	*28*	628		-	
		164,882		**136,982**	
Current liabilities					
Due to banks and other lenders	*29*	28,488		65,351	
Financial lease payments	*29*	3,470		10,464	
Payables to suppliers	*30*	131,743	317	91,348	8
Other Current Liabilities	*31*	83,296	1,588	72,611	
		246,997	**1,906**	**239,774**	**8**
Liabilities directly associated with assets sold		(0)		(0)	
Total Net equity and Liabilities		**290,458**	**1,906**	**207,938**	**8**

(*) *Following the finalization of the business combination's transaction with the Group headed by Aria SpA, which took place at the end of 2015, the balance sheet data and the operational data as at December 31st, 2015 are not comparable with prior year figures presented.*

6.8 Explanatory Notes

Tiscali SpA (hereinafter "Tiscali" or the "Company" and together with its subsidiaries the "Tiscali Group") is a limited company incorporated in Italy and registered at the Registry Office of Cagliari Companies, headquartered in Cagliari, Sa Illetta.

The Tiscali Group provides to its customers, individuals and companies, a wide range of services, from Internet access, dial-up and ADSL, as well as solutions and telecom services with high technological content.

As fully described in the Report on Operations in the section "*4.4 Significant events during the year*", at the end of 2015 was completed the business combination with the group headed by Aria S.p.A. (hereinafter "Aria" and together with its "Aria Group" controlled); the balance sheet data and the operational data as at December 31st, 2015 are not comparable with prior year figures presented.

This offer, which also includes voice services (including mobile telephony) and portal services, enables Tiscali to compete effectively with other market operators.

Through its network unbundling (ULL), its range of innovative services and its strong brand, Tiscali is placed in an important position in the Italian telecommunications market.

These consolidated financial statements (hereinafter “the financial statements”) have been prepared using the Euro as the currency of account, as this is the currency used to conduct most of the Group's operations; all values are rounded to thousands of Euro, unless otherwise stated Foreign operations are included in the consolidated financial statements in accordance with the principles described in the following notes.

In preparing these financial statements, management has made the existence of the going concern assumption and therefore have drafted the financial statements using the principles and criteria applicable to companies in operation.

The Board of Directors on 25 March 2015 authorized the publication of these financial statements.

Significant events after year-end, business outlook and evaluations regarding the business continuity

The Tiscali Group ended FY 2015 with a consolidated loss of EUR 18.5 million (influenced by the positive effect of EUR 6.9 million, resulting from non-recurring transactions concluded during the year 2015) and with a negative net worth equal to EUR 121.4 million. In addition, as of 31 December 2015 the Group reported gross financial debt equal to EUR 177.9 million and current liabilities exceed the current (non-financial) assets for EUR 162.5 million.

At 31 December 2014, the consolidated loss was approximately EUR 16.4 million, with negative net consolidated equity equal to EUR 168.8 million. In addition, as at 31 December 2014 the Group showed a gross financial debt equal to EUR 204.3 million and current liabilities exceed the current assets (non-financial) for EUR 108.9 million.

It is to be noted that the balance sheet at 31 December 2015, following the Merger described in paragraph "4.4. Significant events during the year " which shall be operative from December 24, 2015, does include the balance sheet items of the Aria Group.

During FY 2015 from a management point of view, in a context with strong competitive pressure to fixed-line market access, continued in the actions aimed at reducing costs and streamlining of internal processes in order to improve profitability.

Specifically, the results for 2015 show the following:

- from the perspective of the core business (Access, particularly ADSL and VOIP) there is slight decline in revenues (-2.4%), despite strong competitive pressure and loss of active customers (-8.8% on a comparable basis), largely due to massive cancellations of approximately 23,6 thousand units during FY 2015;
- an increase in gross profit mainly due to the positive impact equal to EUR 6.9 million arising from non-recurring transactions concluded during the period;
- an increase of the base of mobile telephony customers (SIM cards active and operating on 31 December 2015 were equal to approximately 116,5 thousand units, an increase of 26% over the comparable figure recorded in 2014);
- focusing on innovation through a strategy of development of web services and Over-The-Top.
- launch of ultra-wideband offers in FTTC (Fibber To The Cabinet) technology for consumer and SOHO market (through membership, since July 2015, offering Virtual Unbundled Local Access of Telecom Italia). The new fibre offerings enrich the product portfolio for the private and the professional world. Thanks to this new technology infrastructure Tiscali offers the market high-performance services created to meet the ever increasing demand for speed, contributing to the development of UltraBroadband in Italy

All the activities listed above has made it possible to generate cash from operations, before changes in working capital, of approximately EUR 64.4 million.

As detailed in the section "*4.4 Significant events during the year* ", during the year 2015, the Tiscali Group has also worked to the implementation of the industrial merger with Aria Group, finalized on 24 December 2015.

The operation, which has the strategic objective of achieving an industrial integration between the assets held by Tiscali and the assets held by Aria Group, allowed the Tiscali Group to reduce its financial indebtedness, through full repayment of the Facility A1 carried out in December 2015 thanks to the liquidity made available by the financial partner of Operation (EUR 42.4 million).

After the Merger,

- on February 16, 2016, the Ordinary and Extraordinary Shareholders' Meeting of Tiscali proceeded with the appointment of the members of the new Board of Directors, Board of Supervisory Auditors and its Chairman, as well as the Committees of the Board of Directors.

  Riccardo Ruggiero, CEO of Aria prior to the merger effective date, has assumed the position of CEO, and Renato Soru has maintained the position of Executive Chairman;

- the new managment of the Company has prepared a new business plan for the years 2016 -2021 (the "Plan 2016 -2021"), approved by the Board of Directors on March 25 2016, based on a new strategic vision of the combined entity, which provides

    - the integration of a strategic asset as the frequency 3.5 GHz complements the portfolio of technology assets already held by the Tiscali Group (particularly in Fixed Network infrastructure Fiber Network at Transport Network and MAN level) which allows Tiscali to acquire a network of proprietary access, critical to compete successfully in a telecommunications market that is witnessing an explosion of wireless broadband data and mobile traffic;

    - the expansion of the addressable market to areas that are not controlled by Tiscali, such as the Digital Divide areas and areas where the quality of services is particularly low already hedged by the fixed wireless network of Ari, and where it will be possible to offer ultra-broadband services of high quality by leveraging proprietary LTE fixed Wireless access network;

    - the launch of UltraBroadband Fixed Wireless LTE services with capacity greater than 50Mbps, synergistically using the spectrum and fixed wireless access network owner made by Aria and the existing assets of Tiscali (network infrastructure in Fiber Optics, Tiscali brand and consolidated organizational structure), increasing competitiveness and overall profitability of the Broadband Tiscali offer;

    - the further increase of the company's overall profitability through the ability to migrate a portion of Tiscali customers now served by the rental of the network of Telecom Italia in Bitstream Access mode (characterized by low profitability and high costs to be paid to Telecom Italia for renting network access - over EUR 17 per month per customer) on its own proprietary Fixed Wireless access network. To date, approximately 20% of Bitstream Tiscali customers is covered by existing Aria fixed wireless network of and this percentage will increase further in the future thanks to the focus of the new coverage of Broadband Fixed Wireless LTE services also in higher density areas of Bitstream Tiscali customers as well as in areas where the quality of existing ADSL services is particularly deficient or absent.

The acquisition of the license on the 3.5GHz spectrum, also opens possibility for Tiscali of launching a converged Ultrabroadband fixed-mobile product on the market, also enabling management on Tiscali proprietary network of Mobile services integrated to Fixed Wireless Broadband services in areas covered by LTE network on the 3.5GHz frequency. This incremental development on the Mobile Data however is not being valued in the 2016-2021 Plan

The 2016-2021 Plan also provides:

- in relation to the Leasing Contract concerning the Sa Illetta building, headquarters of the Group, a repayment plan consistent with the one defined in the Amending Agreement signed on 2 October 2015, which states the payment of a leasing installment of EUR 3.5 million for 2016 and 2017 and EUR 9.1 million from 2018 to 2021;

- in relation to CONSIP tender, the prudential exclusion of the Contract execution which has not been signed yet, pending the final judgment by the TAR of Lazio. The Company believes, however, that the activities to be performed under the contract with CONSIP remain an important opportunity and believes that the Group has adequate resources even if even in case of confirmation of the award of the CONSIP tender, to ensure the business continuity;

- from the financial point of view the refinancing of the entire debt outstanding pursuant to the Restructuring Agreements, as described below.

With reference to the last point, in the early months of the year, Tiscali has appointed its business, financial and legal advisors in order to assist the company in defining a possible refinancing of the entire debt outstanding deriving from the Restructuring Agreements in the month of December 2014 (the "Refinancing") which provides:

- the granting of a new loan from two primary Italian banks, for a total amount of EUR 88 million, which expires at the end of the sixth year following the signing of the related agreements;
    - the definition of an amortization schedule that provides for the payment of monthly installments to repay the capital of EUR 4.3 million as of the first year following the signing of the relevant agreements, and an overall final installment of EUR 40.7 million to be paid in the year 2022.

The 2016-2021 Plan is to use this new funding to:

- fully repay the remaining amount of the debt pursuant to the Restructuring Agreements; as well as
- prepay a portion of EUR 5 million of the loan granted, for a total amount of EUR 15 million, from Rigensis Bank AS to Aria.

In view of the expected full repayment of the debt in accordance with the Restructuring Agreements, the commitments assumed by the Group pursuant to the Restructuring Agreements as supplemented and modified by the Consent and Letter of Amendment as of 26 November 2015 would be discarded .

Up to date, we have already taken a number of meetings between the Group management and the technical and commercial structures of the aforementioned credit institutions and a part of the preparatory activities for the operation has already been completed.

In particular, a so called Independent Business Review, prepared by a leading business advisor has been de facto completed and delivered in draft form, together with the draft of the business and financial plan to the banks, which did not express any critical issues about it.

As part of the Refinancing, the Group also appointed an external consultant to carry out an analysis of feasibility of the Plan 2016-2021, activity which today is at an advanced stage of development and for which the consultant has issued on March 24, 2016 a *comfort letter* to the Board of the Company declaring that, at the state of his analysis, no critical issues are arisen that may create obstacles to the issuance of a positive opinion on the business plan of Tiscali analyzed.

Finally, on March 24, 2016, each of the banks sent Tiscali a *comfort letter* in order to communicate, inter alia, that they started the preliminary phase of the operations, that they have not found any critical issues in their investigation process and to confirm their commitment, subject to the success of such feasibility analysis to accelerate as much as possible the process in order to submit the matter to the competent bodies for the credit approval.

In light of the Refinancing in place of the Facility A2, the lenders under the Restructuring Agreements, dated March 22, 2016, have confirmed their willingness to put back a month to pay the scheduled installment, only for the principal amount, to March 31, 2016, while a similar formal request was made to the lender of the Facility B pursuant to the Restructuring agreements, with which it is in an advanced stage of the operation Refinancing above.

In this context, achieving a balanced equity, economic and financial situation in the long-term for the Group is therefore subjec to:

i. the achievement of the results expected in the Business Plan and, therefore, on whether the forecasts and assumptions therein contained could be realized in general, to the evolution of the telecommunications market and, in particular, to the achievements of the growth targets set in a market characterized by strong competitive pressure, as well as with regard to obtaining the assumed synergies;
ii. the successful finalization of the Refinancing described above;
iii. the subsistence of the financial support provided by the lending banks so far.

Management Board's assessment

The Board of Directors pointed out that the Group has:

- Generated in the year 2015, before working capital changes, cash from operating activities and cash equivalents at approximately EUR 64,4 million;
- Finalized the transaction of business integration with the Aria Group, which runs from the effective date of 24 December 2015, it is expected that integration will allow the Company to reinforce the leading position of Tiscali in broadband access on fixed and mobile line network, creating a single operator in the domestic market;
- Fulfilled its financial commitments contained in the Restructuring Agreements, and specifically proceeded to the full repayment of Facility A1 for EUR 42.4 million (plus interest of EUR 0.7 million), with the financial resources made available by the integration with Aria Group, thus reducing significantly the senior debt of the Group;
- Finalized with the leasing companies pool the redefining of the lease contract for the building of Sa Illetta, instead of the proposed sale transaction of the same; Said operation allows for a savings compared to previously applicable agreements, of approximately 4.2 million EUR / year for the 2016-2017 financial years;
- Started the negotiations with the banks about the operation of Refinancing described above, as well as preparatory activities for the completion of the procedure of deliberation by the same banks
- Elaborated the Industrial Plan 2016 - 2021 in order to take account of the full year results for 2015, as well as the effects of these transactions carried out during 2015, the negotiations that occurred in early 2016 with the lending banks, in particular the effects / synergies arising from industrial integration with the Aria Group.

The Directors, highlight, as already stated in the preparation of Financial Statements for 2014, the persistence of material uncertainties that may cast significant doubt on the Tiscali Group's ability to continue to operate on a going concern basis, attributable to:

- the establishment of the Plan 2016-2021 objectives, with particular reference to the evolution of the telecommunications market and to achieve its growth targets, relating in particular to Ultrabroadband LTE services, the main development area planned in the Plan, of a market context characterized by strong competitive pressure, as well as with reference to the expected synergies resulting from the integration of Aria and Tiscali Group;
- The outcome of the aforementioned negotiations developed to define the refinancing of the senior debt in line with the goals of the Plan which are also subordinated to the good outcome of the feasibility analysis by the professional appointed for this purpose;
- the subsistence of the financial support provided by the lending banks so far.

The directors, in analysing what has already been built as part of the path to enable the group to achieve long term financial and economic balance, recognize that up to date, and in the presence of intrinsic issues into the 2016-2021 Plan - despite the strong Group debt reduction that took place in the year 2015 -uncertainties remain related to events or circumstances that could rise doubts on the Group's ability to continue to operate on the basis of the going concern assumption but after having implemented the necessary analysis and having taken into account the uncertainties identified in the view of the aformentioned elements, are confident in the ability of being able to implement the targets forecasted in the Plan 2016- 2021, in particular with regard to the finalization of the senior debt refinancing, the Directors have a reasonable expectation that they can reach a group's financial structure consistent with the expected cash flows and that the Group has adequate resources even if in case of awarding the CONSIP tender, to continue in operational existence in a foreseeable future and have therefore adopted the going concern assumption in preparation of these financial statements.

This determination is of course the result of a subjective judgment, who compared, with respect to the events described above, the degree of likelihood of their occurrence compared to the opposite situation. It should be noted that the forecast underlying the determination of the Board, is likely to be contradicted by events. Precisely because the Board is aware of the inherent limitations of its determination, said Board of Directors will maintain constant monitoring on the progression of the factors taken into account (as well as any circumstances that would acquire additional relief), in order to take the necessary measures promptly, even in terms of recourse to due process of law for corporate crises

Business Outlook

In line with the developments related to the integration of Tiscali and Aria assets, the Tiscali Group will adopt an increasingly geo-marketing driven approach to the market, aimed to focus its marketing efforts on markets where the competitiveness and profitability of its offer is greater.

In addition, in the next few months, Tiscali will be engaged in the launch of the new LTE ultra-broadband services, as well as in rationalizing its consumer and business offer while enhancing the convergence among the Fixed, Mobile and Wireless components, and implementing a distribution strategy based on a multi-channel approach. This strategy is based on:

- a further optimization of web and inbound customer acquisition channels, the historical strength of Tiscali;
- a strengthening of the “physical” distribution structure (shops, stores and distribution agencies) through the integration of the current structure of Tiscali sale points throughout the country with the

current structure of the Aria channels (dealers and installers) and the progressive introduction of important distribution points to cover the more strategic Tiscali areas and market segments.

Other events subsequent to year end

15 January 2016 - Approval of the Information Document of the Stock Option Plan 2015-2019

On 15 January 2016, the Board of Directors of the Company and the Remuneration Committee approved the Stock Option Plan, subsequently submitted to the Meeting of 16 February 2016. This plan was the proposal to increase the paid capital, in tranches, by issuing a maximum total of 251,622,551 ordinary shares without par value, at the service of a maximum of 251,622,551 valid options to subscribe for ordinary shares of the Company reserved for the Chairman Renato Soru as beneficiary of the Stock Option Plan 2015-2019. The options granted will be exercisable in three tranches, with effect from 24 December 2016 until 24 June 2019

16 February 2016 - Ordinary General Meeting for the appointment of Directors and Statutory Auditors and extraordinary Meeting for capital increase to service Rigensis Loan and the Stock Option Plan 2015-2019, renewal of corporate offices.

The ordinary shareholders' meeting voted on the following agendas:

- Appointment of members of the Board of Directors and approval of their compensation;
- Appointment of the Board of Statutory Auditors, its President and approval of their fees compensation;
- Constitution of the Committees of the Board of Directors.

Regarding the Rigensis Loan and the Stock Option Plan, the Extraordinary General Meeting resolved as follows:.

- Approval of the proposal to authorize the Board of Directors for the increase in share capital for payment by issuing a maximum total of 250,000,000 ordinary shares. The increase is reserved to Rigensis Bank AS, the owner of a credit for EUR 15 million from the subsidiary Aria S.p.A. This increase cancels and replaces the former delegate increase for a maximum 250,000,000 ordinary shares reserved tor Bank Otkritie (Public Joint-Stock Company), approved by the September 29, 2015
- Approval of the stock option plan 2016-2019 fro the benefit of Renato Soru as Chairman of the Board of Directors and the related proposal of a delegation to the Board for the capital increase of the above Plan. The delegation regards the issue of up to 251,622,551 ordinary shares, to the service of maximum 251 622 551 options to be reserved to the President Renato Soru as beneficiary of the Stock Option Plan 2016-2019

19 February 2016 - termination of employment of Luca Scano, Tiscali Board Member and General Manager of Tiscali Italia SpA

On 19 February 2016 Luca Scano ceased his employment as General Manager of Tiscali Italia SpA and left all positions held in Group companies. Scano's leaving occurred at the completion of the important merger by incorporation of Aria Italia SpA into Tiscali.

24 February 2016 - Technology Partnership between Tiscali and Huawei for the development of ultra-broadband network with multimedia services in Italy

On 24 February 2016, Tiscali and the Italian subsidiary of Huawei Technologies, a global leader in ICT solutions, signed a memorandum, not binding on the parties, aimed at creating a technological partnership aimed at the development of an ultra-broadband network in Italy. The alliance between the two companies provides for establishing a technical and commercial partnership

The project's objective is to achieve more than 1250 *Base Stations* at a national level, over the next three years starting from the third quarter of 2016, on LTE-TDD technology in the 3.5GHz frequency. The agreement provides for the supply of network equipment from the so-called *core and radio network* and CPE (*Customer Premises Equipment*). The result will be a TDD WTTx 4.5G network (Wireless fibre to the X) for the provision of services *Multimedia Broadband* up to 1Gbps in Italy. In particular, the TDD 4.5G technology will allow users to take advantage of streaming services in high definition, such as the videos in 4K.

Tiscali and Huawei have agreed to proceed in negotiations to arrive at the signing of a definitive agreement that will provide for the intervention of lender partners for most of the investments.

The agreement document (*non-binding term sheet*) was signed in Barcelona by Riccardo Ruggiero, CEO of Tiscali SpA, and Edward Chan, CEO of Huawei, at the "Mobile World Congress 2016".

This agreement forms part of Tiscali's development strategy which provides the launch during the year of LTE ultra-broadband fixed wireless services of Tiscali brand on proprietary End-to-end network, thanks to the integration of the Tiscali fibre transport network with Fixed Wireless access network acquired through the merger with Aria. With ultra-broadband Fixed Wireless LTE services, the company intends to expand the market accessible also to the Digital Divide areas and where the quality of the Broadband Fixed Broadband network services is particularly low and improve competitiveness and overall profitability of the services offered to its customer portfolio.

Non-recurring transactions

Pursuant to Consob Resolution no. 15519 of 27 July 2006 it is reported that in FY 2015, non-recurring transactions were recorded with a total positive effect on the Group's income statement equal to EUR 6.9 million, which mainly includes the positive effects of the agreement concluded by the conciliation agreement of the Company during the period and from write-offs of trade positions and some negative effects. Among the negative impacts, the most significant concerns the loss of potential credits allocated in the previous year, related to the repricing of Bistream services tariffs, redefined definitively by AGCOM in the year 2015.

The following table shows the exposure in the consolidated income statement of the amounts related to non-recurring transactions.

Non-recurring transactions	**2015**
Revenues	0.0
Other income	13.0
Purchase of external materials and services	1.7
Personnel costs	0.0
Other operating expense (income)	(5.2)
Adjusted Gross operating Result (EBITDA)	**16.5**
Write-downs accounts receivable from customers	5.1
Cost for stock option plans	0.0
Gross operating Result (EBITDA)	**11.4**
Restructuring costs, provisions for risks and write-downs	**4.1**
Operating profit (EBIT)	**7.3**
Net Financial income (charges)	0.4
Pre-tax result	**6.9**
Income taxes	
Net result from operating activities (on-going)	**6.9**
Result from assets disposed of and/or destined for disposal	0.0
Net result for the period	**6.9**

Basis of presentation

The consolidated financial statements for 2015 have been prepared in compliance with the International Financial Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, and with the measures implementing art. 9 of Legislative Decree No. 38/2005. For IFRS include all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

The preparation of financial statements requires management to make certain estimates and in certain cases, the adoption of assumptions in the application of accounting standards by the Directors. Items for which, in the circumstances, require the adoption of applicative assumptions and those more fully characterized by estimates are disclosed in note "*Critical decisions in applying accounting policies and use of estimates* ".

The annual report, as required by the relevant regulations, have been prepared on a consolidated basis, and is subject to audit by Reconta Ernst & Young SpA.

FINANCIAL STATEMENTS REPORTING

The methods of presentation of the consolidated financial statements as at 31 December 2015, in accordance with IAS 1 - "Presentation of Financial Statements", provides:

- Statement of financial position: according to IFRS, assets and liabilities are classified as current and non-current or, alternatively, in the order of their liquidity. The Group has chosen to adopt the current and non-current and by stating, in two separate headings, "Discontinued operations / assets held for sale" and "Liabilities associated with discontinued operations / assets held for sale."
- Statement of comprehensive income: IFRS require that this includes all economic effects of the financial year, regardless of whether these are recognized in the income statement or equity, and a classification of items based on their nature or target of the same, in addition to separating the economic results of operations from net income from "discontinued operations / assets held for sale." The Group has decided to use two statements:
    - *Income statement* which only shows revenues and expenses classified by nature;
    - *Statement of comprehensive income* which covers costs and income recognized directly in equity, net of tax effects.
- The amendment to IAS 1, in force since 1 January 2013 also requires that, in the section of other comprehensive income (OCI), the elements that in the future will be included in income statement (so-called "*recycling*"), must be distinguished from those that will not be reclassified to the income statement.
- Statement of cash flows: IAS 7 prescribes that the cash flow statement should report cash flow classified by operating, investing and financing activities and present total cash flows from "Discontinued operations / assets held for sale." The cash flows from operating activities can be presented according to the direct method or the indirect method. The Group has decided to use the indirect method.
- With reference to Consob resolution no. 15519 of 27/7/2006 on the financial statements, it is reported that were included special sections aimed at representing the significant related party transactions, as well as the appropriate notes in order to highlight, if any, non-recurring transactions made in the ordinary course of business.

All values shown in the tables and in the notes, unless otherwise indicated, are expressed in thousands of Euro.

Segment Information

With Regulation (EC) No. 1358/2007 of 21 November 2007, the Commission of European Communities approved the introduction, to replace IAS 14 "Segment Information", IFRS 8 "Operating Segments", concerning the information to be provided in financial statements concerning the operating segments in which those drafting the financial statements operate.

Operating segment means the component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which separate financial information is available.

Unlike IAS 14, this principle essentially requires determining and reporting the results of the operating segments according to the "*management approach*", namely using the methodologies adopted by management in internal reporting in order to assess performance and allocating resources among segments.

The Company applies the "Management approach" for defining of the information industry, consistent with the operating segments in which in fact, the activities of the Group belong to.

The identified operating segments are as follows:

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

Assets held for sale and discontinued operations

The activities and/or groups of non-current assets held for sale ('Assets Held for Sale and Discontinued Operations'), as required by IFRS 5 are classified under a specific item in the balance sheet and are measured at the lower of their previous value load and the market value, net of selling costs, until the disposal of the assets.

The assets are thus classified if it is expected that their carrying amount will be recovered through a sale transaction rather than through the course of normal operating activities. This condition is met only when the sale is highly probable and 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, which should take place within twelve months from the date of classification of that item.

After the sale, the residual values are reclassified to the various balance sheet items.

Revenues and costs related to assets held for sale and / or discontinued operations are reported under 'Results from assets disposed of and / or destined for disposal' ('discontinued operations'), if the following conditions established by IFRS 5 apply to such assets:

a) they represent a separate major line of business or geographical area;

b) they are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;

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

In the income statement item entitled 'Results from assets disposed of and / or destined for disposal' the following items are shown under a single heading, net of related tax effects:

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

The analysis of the composition of the overall results for the asset in question is reported in the notes.

The financial and economic effects of sales are represented in note *discontinued operations and / or assets held for sale.*

Seasonality of operations

Tiscali's activities are not subject to a significant degree to phenomena related to the seasonal nature of the *business*.

Consolidation criteria

The scope of consolidation includes the Parent Company Tiscali SpA and the companies it controls, those companies over which the Company has the power, directly or indirectly, to govern the financial and operating policies or those companies for which it is exposed and the right to variable results arising from their involvement in those entities that influence due to the power exercised over them. In the specific circumstances relating to Tiscali, control involves the majority of the voting rights exercisable in the ordinary shareholders of the companies included in the consolidation.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

In preparing the consolidated financial statements are added up line by line the assets, liabilities, costs and revenues of the consolidated companies are fully recognized, interest shareholders in specific accounts in the balance sheet and income statement of the equity and the result year due to them. The book value of the investment in each subsidiary is eliminated against the corresponding portion of equity of each subsidiary, including any adjustments to *fair value* at the acquisition date; Any resulting positive difference is recorded as goodwill (*goodwill*) As intangible assets, as shown below, whereas the negative difference, if residues after an appropriate re-measurement of adjustments to *fair value* at the date of acquisition ("negative goodwill") is recognized in the income statement.

All significant transactions between Group companies, and the relevant balances are eliminated on consolidation, as well as gains and losses realized on intercompany transactions.

The share of equity and profit for the year attributable to minority shareholders are presented separately in the consolidated equity and the Group's result for the year, based on the percentage held in the net assets of the Group.

If losses attributable to minority interest in a consolidated subsidiary exceed the equity of the minority shareholders of the subsidiary, the excess and any further losses attributable to the minority shareholders are attributed to the profit attributable to equity holders of the parent company unless that minority shareholders are subject to a binding obligation and are able to make an additional investment to cover the losses.

If the subsidiary subsequently reports profits, the profits attributable to minority shareholders are attributable to the equity holders of the Parent Company's shareholders until the share of losses of the minority shareholders, previously covered by the Parent has been recovered.

Investments in associates and joint ventures are presented in the consolidated balance sheet as non-current assets and valued according to the equity method, as expected, by IAS 28 respectively (*Investments in associates*) And IFRS 11 (*Agreements to Joint Control*).

Associated companies are those in which the Group is able to exercise significant influence, but not control or joint control, through participation in decisions on the financial and operating policies. According to the equity method, these investments are initially recognized in the balance sheet at acquisition cost, adjusted for post-acquisition changes in the net assets of the associate, less any impairment in the value of individual investments. The excess of the acquisition cost compared to the proportion of the net fair value of the assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying value and is subject to *'Impairment test'*. The lower value of the acquisition cost compared to the percentage attributable to the Group of *'Fair value'* the assets, liabilities and contingent liabilities of the associate at the date of acquisition is credited to the income statement in the year of acquisition. The consolidated financial statements include the Group's share in the results of associated companies as well as joint ventures as of the date that significant influence commences until the date such significant influence ceases. Where the share pertaining to the Group in the losses of the associate exceeds the carrying amount of the related investment, is reduced to zero the value of the investment and the share of further losses it is not recognized if the Group has an obligation to respond.

Gains and losses realized from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

In relation to transactions which concern interests in companies already controlled, in the absence of a Standard or a specific Interpretation, in referring to the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Group has applied the accounting treatment given below, identifying two types of operations:

- acquisitions / disposals of holdings in companies already controlled: in the case of acquisitions, the Group corresponds to the minority shareholders a cash or in new shares thus leading to the simultaneous elimination of the related minority interests and the recognition of goodwill equal to the difference between the cost of purchase of the shares and the book value of assets and liabilities on a pro rata acquired; in case of sale, the difference between the sale price and the corresponding carrying value in the consolidated balance sheet is recognized in the income statement (cd. *Parent entity extension method*);
- intragroup transfers of interests in subsidiary companies which lead to a change in shareholding: the shares transferred remain recorded at historical cost and the gain or loss on the transfer is eliminated. Equity attributable to Minority interests who do not participate directly in the transaction is adjusted to reflect the change with an offsetting effect on shareholders' equity pertaining to the Parent without recognizing any goodwill and without causing any other effect on the result and on total equity.

Changes in area of consolidation

The Group's consolidation includes the financial statements of Tiscali SpA (Parent company) and the companies over which it exercises direct or indirect control, starting from the date on which it was acquired and until the date on which such control ceases. Fully consolidated companies are listed below and Note *List of subsidiaries included in the consolidation*.

On January 12, 2015 its subsidiary Tiscali UK Limited Business was liquidated.

On 5 May 2015 its subsidiary Tiscali Finance SA, was liquidated.

On 8 July 2015 the company, "Streamago Inc", with headquarters in Dover, in Delaware (US), was formed). The company has the aim to develop and promote the technological and commercial point of view the Streamago service.

On 24 December 2015 came into effect the merger of Aria Italia S.p.A. (hereinafter "Aria Italia") into Tiscali. As a result of this transaction (specifically described in the section "*4.4 Significant events during the year*" in the Management Report and in note "*Aggregation business with the Aria Group*"), Tiscali acquired the investment in Aria S.p.A. ("Aria"), which in turn holds an investment in Media PA S.r.l ..

Name	Headquarters	Shares held by	Balance at 31 December 2015 (€ / 000)			Direct participation percentage	Percent age of Group particip ation (**)
			Share Capital	Net Equity	Net operating income		
Tiscali SpA	Italy	Whip	169,077	91,158	(36,175)	n/a	n/a
Tiscali SpA Italy	Italy	Tiscali SpA	18,794	29,070	11,227	0100,0%	100,0%
Veesible Srl	Italy	Tiscali SpA Italy	600	1,251	67	100,0%	100,0%
Indoona Srl	Italy	Tiscali SpA Italy	10	12	(2)	100,0%	100,0%
Istella Srl	Italy	Tiscali SpA Italy	10	13	(1)	100,0%	100,0%
Streamago Inc.	U.S.A.	Tiscali SpA Italy	1,017	356	(326)	97.1%	97.1%
Aria S.p.A.(*)	Italy	Tiscali SpA	55,000	19,644	(34,897)	100,0%	100,0%
Media PA Srl (*)	Italy	S.p.A.	49	(1,177)	(1,245)	100,0%	100,0%
Tiscali UK Holdings Ltd (*)	UK	Tiscali SpA	59	(331,636)	(13,874)	100,0%	100,0%
World Online International NV (*)	Netherlands	Tiscali SpA	115,519			99,5%	99,5%
Tiscali International BV (*)	Netherlands	World Online International NV	115,469	(46)	(661)	100,0%	99,5%
Tiscali International Network BV (*)	Netherlands	Tiscali International BV	18	15,975	474	100,0%	99,5%
Tiscali Financial Services SA (*)	Luxembourg	Tiscali International BV	31	(4,104)	(132)	100,0%	99,5%
Tiscali Deutschland Gmbh (*)	Germany	Tiscali Financial Services SA	555	(35,251)	(351)	100,0%	99,5%
Tiscali Gmbh (*)	Germany	Tiscali Financial Services SA	26	(152,528)	(1,566)	100,0%	99,5%
Tiscali Business Gmbh (*)	Germany	Tiscali Financial Services SA	2,046	(215,203)	(2,077)	100,0%	99,5%
Tiscali Verwaltung GmbH (*)	Germany	Tiscali Financial Services SA	25	(28)	(2)	100,0%	99,5%

(*) Data reported by the company by reporting packages for the consolidated financial statements as at 31 December 2015

(**) Group's participation percentage

Business Combinations and Goodwill

The acquisition of controlling interests is accounted for, in accordance with IFRS 3 - Business Combinations (*Business combinations*) using the acquisition method. The acquisition cost is measured as the aggregate of the fair values (*fair value*), The date of exchange, of assets, liabilities incurred or assumed concerning the acquired company, as well as the financial instruments issued by the Group in exchange for control of the acquired business, plus any costs directly attributable to the business combination.

The assets, liabilities and contingent liabilities (including the respective amounts attributable to Minority interests) acquired identifiable, the business acquired that meet the conditions for recognition under IFRS 3 are recognized at their fair value (*fair value*) at the acquisition date.

The excess of the cost of acquisition over the Group's interest in the fair values of the assets, liabilities and contingent liabilities recognized represents the goodwill on acquisition is recognized as an asset and initially measured at cost. If, after reassessment, the Group's share of the fair values of the assets, liabilities and contingent liabilities exceeds the acquisition cost, the difference is recognized directly in the income statement.

The interest of minority shareholders in the acquired business is initially measured according to their share of the fair value of assets, liabilities and contingent liabilities recognized.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses In accordance with IFRS 3, goodwill is not amortized, but subject to verification (*impairment test*) To identify any reductions in value.

The test of *impairment* on goodwill is compulsorily repeated annually, or more frequently if events or changes in circumstances indicate that it may have suffered an impairment loss.

Any loss in value is identified through tests that assess 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 greater amount between *'fair value'* net of sales costs and its value in use. Value in use is determined from estimated future cash flows, which are discounted using a discount rate that reflects the current market estimate of the cost of money, the cost of capital and the specific risks. If the recoverable amount of the asset in question is estimated to be less than its carrying amount, the asset is reduced to its recoverable amount. Impairment losses on goodwill are recognized in the income statement under write-down costs and are not subsequently reversible.

On first-time adoption of IFRS and in accordance with the exemptions provided by IFRS 1, it was decided not to use the option of 'reconsidering' acquisition operations performed before 1 January 2004. Consequently, the goodwill arising from company acquisitions prior to this date is stated at the value registered in the last financial statements prepared under the previous accounting principles (1 January 2004, the transition date to IFRS) after testing for recognition of any impairment losses which arose at the date of this document.

In the case of a subsidiary, the net book value of goodwill is included in determining the gain or loss on disposal.

Foreign exchange operations

The financial statements of foreign subsidiaries are presented in the primary economic environment in which they operate (functional currency). In preparing the financial statements of the individual entities, transactions in currencies other than the euro are initially recorded at the exchange rates prevailing at the time. At the reference date, assets and liabilities denominated in the above-mentioned currencies are retranslated at the rates prevailing at that date. Non-monetary assets expressed in 'fair value' that are denominated in foreign currencies are translated at the rates prevailing on the date on which they were determined *'Fair value'*.

Exchange differences arising from the settlement of monetary items and the restatement at the current exchange rates at year-end are recognized in the income statement.

To prepare the consolidated financial statements, the assets and liabilities of foreign subsidiaries whose functional currencies other than the euro are translated into euros at the rates prevailing at the balance sheet date. Revenues and expenses are translated at the average rate for the period. The exchange differences arising from application of this method are recognized under the equity Translation reserve. This reserve is recognized in the income statement as income or expense in the period in which the subsidiary is sold.

The exchange differences on intra-group receivable / payable relationships of a financial nature are recorded in shareholders' equity under Translation reserve.

The main exchange rates used to translate into Euro the financial statements of 2015 and 2014 the foreign companies were as follows:

	31 December 2015		31 December 2014	
	average	**final**	**average**	**final**
Pound sterling	0.72595	0.73395	0.78830	0.77890

<u>Other intangible assets</u>

Computer software - Development costs

Software licenses purchased are capitalized and recorded as intangible assets at the cost incurred for the acquisition and amortized on a straight-line basis over the estimated useful life.

Internally generated intangible assets arising from costs incurred for the development of applications software under Group control and directly associated with the production of services, in particular regarding the 'technology platforms' for access and management of the Tiscali network, are recognized in assets if:

- they comply with the following general conditions indicated by IAS 38 for the capitalization of intangible assets: (a) the asset is identifiable; (B) it is probable that the asset will generate future economic benefits; (C) the development cost of the asset can be measured reliably;
- the Group can demonstrate the technical feasibility of completing the intangible asset so that it is available for use or sale, its intention to complete the asset and use or sell, how the asset will generate probable future economic benefits, the availability of technical, financial or other resources to complete the development and its ability to measure reliably the expenditure during its development.

During the development period, the asset is reviewed annually in order to record any impairment losses. After their initial recognition, development costs are valued at cost, net of any amortisation or accumulated impairment losses. Amortisation of the asset begins when development is completed and the asset is available for use. The cost is amortized over the period in which it is expected that the related project will generate revenues for the Group.

The costs associated with the development and maintenance of *software* which do not meet the above mentioned requirements and the costs of research, are fully expensed in the period they are incurred.

Rights of use of frequencies for BWA systems - Broadband Wireless Access in the band 3.5 GHz

The price paid for the usage right in question (licenses) and the related additional expenses have been amortized over a number of years equal to the remaining term of the single license in the year of entry use. Therefore, the depreciation is 14 years for licenses came into use in 2009, 13 years for the licenses came into use in 2010, 12 years for the licenses came into use in 2011, 11 years to the last license (that refers to Sardinia) came into use in 2012 (completely devalued in the same year).

Broadband service activation costs

Acquisition costs and activation of customers are amortized over a period of 36 months.

IRU

The *IRU* They are classified as "concessions and similar rights" and consist of costs incurred for the acquisition of the registration rights of use of the fibre optic network, namely the 'transmission capacity' and related charges; they are amortized on a straight-line basis, in the shorter of the duration of the concession defined by contract and the estimated utilization of the right. The amortization period varies on average between 12 and 15 years.

Property, Plant and Equipment

Property, plant, machinery and equipment are stated at acquisition or production cost, including related charges, net of accumulated depreciation and any accumulated impairment losses. These tangible assets do not include revaluations.

Depreciation is calculated on a straight-line basis on the cost of the assets net of the related residual values, if any, over their estimated useful lives. Land, including that pertaining to buildings, is not depreciated.

The depreciation rates are reviewed annually and revised if the current estimated useful life differs from that estimated previously. The effects of such changes is recognized in the income statement on an estimated basis.

The minimum and maximum rates of depreciation applied in 2015 financial year are shown below:

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

With regard to Aria Group, it should be noted that the WiMax Base Station networks is amortized at an average of around 7%, while the Core networks WiMax equipment at the rate of 10%.

The ordinary maintenance costs are fully charged to the income statement in the period in which they are incurred, while maintenance expenses of an incremental nature are attributed to the assets to which they refer and depreciated over their residual useful life.

Profits arising from the assignment or take-out of assets are determined as the difference between the sales proceeds and the net carrying amount of the asset and are charged in the income statement.

Financial leased assets

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

Assets held under finance leases are recognized as Group assets at their current value (*fair value*) At the inception of the lease or, if lower, the present value of the minimum payments due for the *leasing*. The corresponding liability to the lessor is included in the balance sheet under financial liabilities, the payables for financial leases. The lease payments are divided into principal and interest. Financial charges are charged directly in the income statement.

Assets held under financial leases are depreciated linearly based on the estimated useful life as for owned assets or, if shorter and only where there is a reasonable certainty of redeeming the asset , according to the term of the leases.

In addition, for the sale and leaseback transactions of goods on the basis of financial leasing contracts, the realized capital gains are deferred over the term of the agreements or, if lower, the residual life of the asset.

Lease payments under operating leases are recognized in the income statement as costs and are recorded based on the accrual basis.

Impairment losses of assets (*impairment*)

Goodwill and Financial Statement sheet assets are tested (*impairment tests*) Annually or more frequently if there is indication of impairment. The carrying value of intangible assets with finite useful lives and property, plant and equipment is tested whenever there is an indication that the asset may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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 - *Cash Generating Unit*), To which the asset 'belongs'. The recoverable amount if the greater amount between *fair value* net of sales costs and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of money time value and the specific risks of the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the asset is reduced to its recoverable amount. The loss of relevant impairment is recognized in the income statement under write-downs. In the event that a write-down in previous years, no longer has reason to exist, the carrying value of the asset (or cash-generating unit) is increased to the new value resulting from the estimate of its recoverable amount, but not over the net book value that the asset would have had if no impairment had been recognized for the asset loss. The reversal is recognized in the income statement.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost refers, in the circumstances and in light of the characteristics of the Group, to direct materials. The cost is calculated using the average cost method. The net realizable value represents the estimated selling price less the estimated costs necessary to make the sale.

Financial Instruments

Loans and receivables

The receivables of the Group are stated in the items "Other financial assets" not current, "trade receivables", "Other receivables and other current assets" and "other current financial assets", and include guarantee deposits, trade receivables, loans to others generated as part of core.

Are valued, they have a fixed term, at amortized cost using the effective interest method. When financial assets have no fixed maturity, they are valued at acquisition cost. Receivables due beyond one year, bear interest or bear interest below market are discounted using market rates.

Valuations are frequently carried out to find objective evidence of impairment of a financial asset or group of assets. If any such evidence exists, the impairment loss should be recognized as an expense in the income statement in the period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, in the latter case with a term of less than three months.

Debts and financial liabilities

The debts and financial liabilities of the Group are disclosed in the "bonds" voices, "due to banks and other lenders", "Finance lease liabilities", "Other non-current liabilities", "payables to suppliers", and include trade payables, payables to others, the financial payables, including payables for loans received for advances on the sale of loans and finance leases.

Trade payables and other payables are stated at nominal value. Borrowings are initially recognized at cost, equal to the fair value of the consideration received, net of transaction costs. Subsequently, the loans are valued at amortized cost using the effective interest method, calculated considering the issue costs and any other premium or discount applicable to the regulation.

Impairment of financial assets

At each date of the balance sheet (annual or interim), assessments are conducted in order to verify whether there is objective evidence that a financial asset or group of assets may have suffered an impairment loss. If there is objective evidence to that effect, the impairment loss is recognized in the income statement for financial assets measured at cost or amortized cost; for "financial assets available for sale", reference is made to what has been explained above.

Financial derivatives

The Group does not use derivatives.

Liabilities due to pensions and employee severance indemnities

The defined benefit plans (as classified by IAS 19), in particular the Staff Severance indemnities relating to employees of the Parent Company and the subsidiaries with registered office in Italy, are recorded on the basis of assessments made at the end of each financial year by independent actuaries. The liability recognized in the balance sheet represents the present value of the obligation payable upon termination of employment, that employees have accrued at the balance sheet date. Please note that there are no assets servicing the plan.

As of 1 January 2007, the 2007 Finance Act and related implementing decrees introduced significant changes in the discipline of severance pay, including the worker's choice regarding the allocation of their accruing TFR to supplementary pension funds or the "Fund Treasury "managed by.

It follows, therefore, that the obligation to INPS and the contribution to supplementary pension schemes, acquire within the meaning of 'IAS 19, of "Defined contribution plans", while the portions to retain the nature of severance pay "defined benefit plans".

These legislative changes introduced since 2007 have also led to a revision of the actuarial assumptions and the consequent calculations used to calculate staff severance indemnities, whose effects have been directly recognized in the income statement.

As of 1 January 2013 with retrospective effect, the Company adopted the new version of IAS 19 "Employee benefits."

Compensation in the form of equity

On 16 February 2016, the Tiscali's shareholders approved the Stock Option Plan 2015-2019 intended to Renato Soru as Chairman of the Board of Directors and its proxy proposal to the Council for the increase in share capital of the said Plan. The delegation regards the issue of up to 251,622,551 ordinary shares, to the maximum issue of 251,622,551 options to be reserved to the Chairman Renato Soru as beneficiary of the Stock Option Plan 2015-2019. As reported in the "Information Document on the Stock Option Plan 2015-2019 Tiscali SpA", the options granted will be exercisable in three tranches:

- The first, consisting of 157,264,095 Options to subscribe for an equal number of Tiscali ordinary shares and can be exercised between 24 December 2016 and 24 December 2018 at an exercise price per share of EUR 0,060.
- The second, consisting of 47,179,228 Options to subscribe for an equal number of Tiscali ordinary shares and can be exercised between 24 December 2017 and 24 December 2018 at an exercise price per share of EUR 0.069.
- The third, consisting of 47,179,228 Options to subscribe for an equal number of Tiscali ordinary shares and can be exercised between 24 December 2018 and 24 June 24 2019 at an exercise price per share of EUR 0.078.

The adoption of the Stock Option Plan 2015-2019 aims to loyalty and the beneficiary incentive for the development of activities under charge.

Provisions for liabilities and charges

Provisions for risks and charges relating to potential legal and tax liabilities, are made in respect of the predictions made by the Directors, on the basis of judgments developed by the Group legal and tax advisors, about the likely burden believed reasonable will be taken for the fulfillment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfill an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Treasury shares

Treasury shares are recorded as a reduction in net equity.

Recognition of income

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be measured reliably; Revenues are stated net of discounts, allowances and returns.

Revenues from services rendered are recognized in the income statement using the percentage of completion of the service and only when the result of the service can be reliably estimated.

In particular, the income statement of revenues from Internet access services (*narrowband* is *broadband*) and voice services, it takes place on the basis of actual traffic produced at the reference date and / or service periodic fee payable at that date.

Revenues related to the activation of the services *broadband (ADSL)* are recognized in the income statement on a linear basis over a period of 36 months. None of the periods are recorded under other current liabilities as deferred income.

Financial income and expense

The interest income and expense, including interest on bond issues, is recognized using the effective interest rate.

Research costs and advertising expenses

Research costs and advertising expenses are charged directly to the income statement as incurred.

Taxes

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

- The *current tax* is determined on the taxable income. The taxable income for tax purposes differs from the result before taxes reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years; it further excludes items that are not taxable or deductible at all. The liability for current tax is calculated using tax rates enacted at the balance sheet date.
- The *Deferred taxes* are taxes expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit, as well as on those items which, although not allocated in the state balance, lead to potential future tax credits, such as for example the operating losses for tax purposes in the future, and are calculated according to the method of balance sheet liabilities (*balance sheet liability method and*).

Deferred tax liabilities are generally recognized for all taxable temporary differences related to Group companies and participations in associated companies, except in cases where the Group is able to control the reversal of these temporary differences and it is probable that It will reverse in the foreseeable future.

Any deferred tax assets, arising from temporary differences and/or tax losses carried forward, are taken over to the extent that it is considered likely that there may be future taxable tax results that allow the use of these deductible temporary differences and/or tax losses. The forecasts are based on taxable income likely to be generated in the light of the approved business plans. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (by operations of a business combination) of other assets and liabilities in a transaction that affects neither the accounting profit nor taxable income. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that those available to allow all or part of the recovery of such assets is no longer probable that sufficient taxable income.

Deferred tax is calculated at the tax rates that are expected to apply when the asset is realized or the liability settled. Deferred taxes are recognized directly in the income statement, except when it relates to items recognized directly in equity, in which case the deferred tax is also recognized in equity.

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

Basic earnings per ordinary share is calculated by dividing the share of the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

For the purposes of diluted earnings per ordinary share, the weighted average number of shares outstanding is adjusted by assuming the subscription of all the potential shares deriving, for example, the conversion of bonds and exercise of rights on dilutive shares and potential dilutive effect of the allocation of shares to the beneficiaries of the plans *stock options* already accrued.

Major decisions in applying accounting policies and use of estimates

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

The recoverability of the main asset is based on estimates of income and cash flows that the Group believes it will be able to generate in the future. As better explained in the note "*Assessment of the business continuity and business outlook* "The achievement of the results set out in the industrial and financial plan, used for the assessment, depends on whether the forecasts and assumptions contained therein, in a market characterized by strong competitive pressure.

Assumptions for the application of the accounting standards

Activation costs and customer acquisition

The costs incurred for the customer activation (*Subscriber Acquisition Costs - SACs*), are capitalized and amortized over a period of 36 months.

Impairment of Assets (Impairment)

Impairment testing is performed annually or more frequently during the year, in the manner described in the previous section, 'Business combinations and goodwill'. The ability of each 'unit' to generate cash flows sufficient to recover the goodwill allocated to the unit is determined on the basis of economic and financial data concerning which the goodwill relates. The processing of such data, as well as the determination of an appropriate discount rate, requires a significant extent, to make estimates.

Income taxes

The assessment of taxes on income, with particular reference to deferred taxes, involves a significant extent, to make estimates and the adoption of the underlying assumptions. Any deferred tax assets, arising from temporary differences and/or tax losses carried forward, are taken over to the extent that it is considered likely that there may be future taxable tax results that allow the use of these deductible temporary differences and/or tax losses. The forecasts are based on taxable income likely to be generated in the light of the approved business plans. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (by operations of a business combination) of other assets and liabilities in a transaction that affects neither the accounting profit nor taxable income. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that those available to allow all or part of the recovery of such assets is no longer probable that sufficient taxable income.

Provisions for employee benefits

Provisions related to provisions for employee benefits, and particularly to fund severance indemnities, are calculated based on actuarial assumptions; changes in such assumptions could have a significant impact on such liabilities.

Bad Debts Provision.

The recoverability of receivables is assessed taking into account the risk of not collecting themselves, their age and losses on loans in the past for similar receivables.

Provisions for liabilities and charges

Provisions for risks and charges relating to potential legal and tax liabilities are made in respect of the predictions made by the Directors, on the basis of judgments developed by the Group legal and tax advisors, about the likely burden that can reasonably be will argued for the fulfilment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Determination of Fair Value

Depending on the instrument or financial statements item to be estimated, the directors identify the most suitable method, doing as much as possible to objective market data. In the absence of market values, that is, quotations, valuation techniques are used with reference to those most commonly used.

Accounting standards, amendments and interpretations effective from 1 January 2015

Below the international accounting standards, changes to existing standards and interpretations, relevant for the Group, taking effect as from 1 January 2015.

- **IFRIC 21 - Taxes** - The interpretation defines the accounting treatment of liabilities for taxes and various government taxes income taxes in relation to the time when an entity can recognize these liabilities. The interpretation was approved by the European Union in June 2014 (EU Regulation 634/2014) and became applicable on Financial Statements which started from 17 June 2014 or later. The entry into force of this interpretation had no impact on the Group's consolidated financial statements.

- ***Annual improvements* to IFRSs 2011-2013 cycle** (Issued by the IASB in December 2013) - These amendments were endorsed by the European Union in December 2014 (EU Regulation 1361/2014), shall apply from 1 January 2015 and relate in particular to the following principles:

    - *IFRS 3 Business Combinations* - This amendment applies prospectively and, for the purposes of exclusion from the scope of IFRS 3, clarifies that: (i) are outside the scope of IFRS 3 not only *joint* *ventures* but also the *joint arrangements*; (Ii) this exclusion from the scope applies only to the accounting treatment in the financial statements of the *joint arrangement* same. The Tiscali Group is not a *joint arrangement,* therefore this amendment is not relevant to the Group and its subsidiaries.

– *IFRS 13 Fair value measurement* - This amendment applies prospectively and clarifies that *portfolio exception* required by IFRS 13 can be applied not only to financial assets and liabilities, but also to other contracts under IAS 39. The Group does not apply the *portfolio exception* required by IFRS 13.

– *IAS 40 Investment Property* - The description of additional services in IAS 40 distinguishes investment property and buildings used by the owner (e.g. property, plant and equipment). This amendment applies prospectively and clarifies that in determining whether a transaction is the purchase of an asset or business combination, must be used IFRS 3 and not the description of additional services of IAS 40. This change has no impact on the Group.

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 2015, and therefore not applicable, are listed briefly below. None of these standards or interpretations have been adopted by the Group in advance.

Standards approved but not yet in force

- **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 to the financial statements effective as of 1 February 2015, or later. No impacts are expected on the consolidated financial statements from the future application of these amendments.
- **Annual improvements to the IFRS, 2010-2012** Cycle (issued by the IASB in December 2013) - These amendments, whose applicability is expected commencing upon the financial statements with effective date of 1 February 2015, or later, were approved by the European Union in December 2014 (Regulation EU 2015/28). The IASB has amended seven current principles. Changes concern in particular: the definition of vesting conditions relating to the IFRS 2, *Share-based Payments;* accounting for contingent consideration balances in the context of business combination transactions in IFRS 3, *Business Combination Transactions;* the aggregation of operating segments and reconciliation of total assets of reportable segments compared to the total assets of the entity in IFRS 8, *Operating Segments;* the proportional restatement of cumulative amortisation in IAS 16 *Property, Plants and Equipment* and in IAS 38, *Intangible Assets*; as well as the identification and some information to be included in the financial statements in accordance with IAS 24 Disclosures on *Transactions with Related Parties*. No significant impacts are expected on the Group's consolidated financial statements from the future application of these amendments.
- **Annual Improvements to the IFRS, 2012-2014 Cycle** (issued by the IASB in September 2014) - It is a series of amendments to the IFRS, in response to issues raised in 2012-2014. Four standards are subject to amendments: 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*. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2343), and will apply to the financial statements effective as of 1 January 2016,

or later. No significant impacts are expected on the Group's consolidated financial statements from the future application of these amendments.

- **Amendments to the IFRS 11** - **Accounting of equity interest acquisitions in jointly controlled assets** - The amendments provide guidance on accounting of equity interest acquisitions in jointly controlled assets constituting a business. These changes were approved by the European Union in November 2015 (EU Regulation No. 2015/2173), and will apply to the financial statements effective as of 1 January 2016, or later. No impacts are expected on the consolidated financial statements from the future application of these amendments.

- **Amendments to IAS 16 and IAS 38 - Clarification on acceptable depreciation methods** - These amendments are intended to clarify that amortization based ona revenue-based method is not considered appropriate as it reflects only the revenue stream generated by that asset and not, however, the pattern of consumption of the economic benefits embodied in the asset. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2231), and will apply to the financial statements effective as of 1 January 2016, or later. No impacts are expected on the consolidated financial statements from the future application of these amendments.

- **Amendments to IAS 1 - Disclosure Initiative** - The amendments aim at improving the effectiveness of the information and encourage companies to determine, on the basis of professional opinion, what information should be included in the budget, as it relates to the application of IAS 1. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2406), and will apply to the financial statements effective as of 1 January 2016, or later. Any possible impact on the financial statement disclosures arising from the application of these changes is under review.

- **Amendments to IAS 27 - Equity Method in Separate Financial Statements** – Amendments to IAS 27 will permit the entities to use the equity method for recording investments in subsidiaries, joint ventures and associates in separate financial statements. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2441), and will apply to the financial statements effective as of 1 January 2016, or later. Any impact arising from the adoption, in the separate financial statements, of the equity method for the evaluation of investments is under review.

Standards issued, but not yet approved

- **IFRS 9 - Financial Instruments** (issued in July 2014) - The IFRS 9 will ultimately replace the IAS 39, *Financial Instruments*; *Recognition and Measurement*, and its main objective is to reduce the complexity. The IFRS 9 and all the related amendments have not yet been approved. At the moment, the impacts arising from the future application of the standard are not quantifiable (expected as of 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 arising from the future application of the standard have not yet been quantified (expected as of 1 January 2018, with the possibility of early adoption).

- **IFRS 16 - Leases** - Published in January 2016, the new standard on leases, which will replace the current IAS 17, provides for the lessee a single accounting model under which all leases should be recognized in the balance sheet. In it, the concept of operational leasing disappears. The only exceptions permitted relate to short-term leases (less than or equal to 12 months), as well as leases for assets with a not-significant unit value, or small assets (for instance, pieces of office furniture, PC, etc.) for which accounting treatment is similar to the principle adopted for currently operating leases.

Said principle, whose entry into force is expected on 1 January 2019, has not yet been approved by the European Union. The quantification of the impact of the future application of the principle is currently under review.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the Consolidation Exception** – amendments published in December 2014, have the aim of clarifying certain applicative aspects on the fair value measurement of the investment entity subsidiaries. Said changes, whose entry into force is expected on 1 January 2016, have not yet been approved by the European Union. No impacts are expected on the consolidated financial statements from the future application of these amendments.

- **Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** – The amendments, published in September 2014, 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 not) a business, as defined by IFRS 3. Said changes, whose entry into force has been postponed to a yet-to-be-defined date, have not yet been approved by the European Union. No impacts are expected on the consolidated financial statements from the future application of these amendments.

- **Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses** - Changes, published in January 2016, are intended to clarify how to account for deferred tax assets related to debt instruments measured at fair value. Said changes, whose entry into force is expected on 1 January 2017, have not yet been approved by the European Union. No significant impacts are expected on the Group’s consolidated financial statements from the future application of these amendments.

- **Amendments to IAS 7 - Disclosure Initiative** - The changes are intended to improve disclosure of cash flows related to the net cash flow generated/absorbed by investing activities and to the entity's liquidity, especially in the presence of restrictions on theuse of cash and cash equivalents. Said changes, whose entry into force is expected on 1 January 2017, have not yet been approved by the European Union. Any possible impact on the financial statement disclosures arising from the application of these changes is under review.

Revenues (note 1)

Revenues	2015	2014
(Thousands of EUR)		
Revenues	202,118	212,800
Total	**202,118**	**212,800**

Revenues during 2015 decreased compared to those realized in 2014. For greater details on the drop in revenues, please refer to the Management Report.

Other income (note 2)

Other income	2015	2014
(Thousands of EUR)		
Other income	17,275	2,116
Total	**17,275**	**2,116**

Other income includes, primarily, compensation awarded by a leading telecommunications operator active on the Italian market in the form of a definitive waiving of any claims made by the Company towards said operator, as part of a settlement agreement reached in the first half of the year.

This income has been identified as non-recurring; please refer to comments in Paragraph Non-Recurring Transactions.

This entry also includes the release of the FY 2015 share of the capital gain on the Sale and Lease-Back transaction relating to the Cagliari branch office (Sa Illetta) for about EUR 2.1 million.

It also includes, the equivalent price of an operation of transmission capacity trading carried out on 16 December 2015 with a leading Italian operator, for the amount of about EUR 2 million.

Purchase of materials and outsourced services (note 3)

Purchase of materials and outsourced services, payroll and other operating costs	2015	2014
(Thousands of EUR)		
Line/traffic rental and interconnection costs	78,972	74,356
Costs for use of third party assets	4,843	6,914
Portal services costs	9,229	9,815
Marketing costs	8,920	10,549
Other services	29,504	30,868
Total	**131,468**	**132,501**

Payroll costs (note 4)

Payroll costs	**2015**	**2014**
(Thousands of EUR)		
Wages and salaries	24,729	23,147
Other payroll costs	12,313	11,912
Total	**37,042**	**35,059**

The increase in payroll costs was due to a lower utilization of the solidarity agreement and reduction in capitalized costs on OTT and other projects.

The number of employees as of December 31, 2015 is 1,024, of which 118 units is related to the Aria Group. The breakdown by category and the corresponding balance as of 31 December 2014 are presented below.

Number of employees

	31 December 2015	**31 December 2014**
Executives	23	18
Mid-level managers	92	75
Office staff	903	797
Blue-collar workers	7	3
Total	**1,024**	**893**

Other operating (income) charges (note 5)

Other operating (income) charges	**2015**	**2014**
(Thousands of EUR)		
Other operating (income) charges	(5,347)	(1,772)
Total	**(5,347)**	**(1,772)**

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

Write-downs of receivables from customers (note 6)

Write-downs of receivables from customers	**2015**	**2014**
(Thousands of EUR)		
Loss on receivables	5,102	
Provisions for bad debts	12,060	10,285
Total	**17,162**	**10,285**

The line Writedown of Receivables from Customers totaled EUR 17.2 million (EUR 10.3 million, as of December 31, 2014), and also includes (in addition to the provision for bad debts amounting to EUR 12.1 million, which is deemed necessary for the purpose of adapting the allowance for doubtful accounts as of 31 December 2015 to values considered adequate by the Directors), the effect of some remnants of receivables arising from a settlement agreement entered into by the Company during the period (EUR 5.1 million).

The increase compared to the same period in 2014 is mainly due to the termination, in 2015, of 24,000 customers due to massive cancellations and, as a consequence, an increase in bad debts provisions in response to the evaluation of the recoverability of these credits.

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

Restructuring costs and other write-downs (note 7)

Restructuring costs and other write-downs	**2015**	**2014**
(Thousands of EUR)		
Restructuring costs and other write-downs	3,171	2,679
Total	**3,171**	**2,679**

The Restructuring Costs and Other Writedowns entry includes provisions for group restructuring expenses; they relate mainly to:

- expenses incurred in connection with the postponement of the repayment terms of the Facility A1, pursuant to the Restructuring Agreement signed on 23 December, 2014, as well as other debt restructuring, neither of which is capitalisable, for a total of EUR 1 million, in addition to EUR 1.1 million relating to the severance indemnity paid to Mr. Luca Scano, Tiscali S.p.A. Italia Director and General Manager, who resigned in February 2016.
- EUR 0.2 million related to the revaluation of asset and EUR 0.2 million relating to provisions for employee disputes.
- EUR 0.4 million related for other provision of Tiscali S.p.A.;

Net financial income (charges) (note 8)

A breakdown of net financial income (charges) for the year, presenting a negative balance of EUR 16.5 million, is provided below.

Net financial income (charges)	**2015**	**2014**
(Thousands of EUR)		
Financial income		
Interest on bank deposits	20	32
Other financial income	566	90
Total	**586**	**122**
Financial charges		
Interest and other charges due to banks	12,915	10,494
Other financial charges	4,167	5,350
Total	**17,082**	**15,845**
Net financial income (charges)	**(16,496)**	**(15,723)**

The item Financial charges amounting to around EUR 17 million mainly includes the following elements:

- interest expenses, relating to the loan from Senior Lenders (“Group Facility Agreement”), amounting to EUR 12 million;
- default interest expense totalling EUR 0.6 million;
- interest expense on current accounts in the amount of EUR 0.9 million;
- interest expense on financial leasing and IRU for approximately EUR 1.2 million;
- bank charges in the amount of EUR 2.3 million.

Income taxes (note 9)

Income taxes	**2015**	**2014**
(Thousands of EUR)		
Current taxes	120	437
Deferred taxes	(5)	-
Total	**(116)**	**(437)**

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.

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 2015.

Earnings (Losses) per share (note 11)

The result per share of “operating activities” was close to zero and calculated by dividing the net loss for the year attributable to the ordinary shareholders of the parent company, amounting to EUR 18.5 million, by the weighted average number of ordinary shares in circulation during the year, totalling 1,848,871,479.

Verification of any possible reductions in the value of assets - “Impairment Test" (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 no. 4 of 3 March 2010, in matter of application of the IAS/IFRS principles.

The impairment test on assets was performed by comparing the value of assets reported at 31 December, 2015, and their utilization value, determined on the basis of 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 identified Cash Generating Units;

(ii) Criteria for estimating the recoverable amount

The value in use of the Cash Generating Unit (CGU) was determined based on the cash flows for the years 2016 to 2020 resulting from the 2016-2021 Plan of Tiscali Group (as defined in the Note "*Significant events after year-end, business outlook and evaluations regarding the business continuity "*) approved by the Board of Directors on 25 March 2016. Moreover, for the purposes of the impairment test, a time period of five years was used and the normalised cash flow for the year 2020 has been used in order to determine the terminal value.

The main assumptions used to estimate the recoverable amount are:

- 5 years explicit forecast period (2016-2020);
- EBITDA arising from market and business development hypothesis;
- investments to maintain the expected development of the business and pre-established level of profitability;
- determination of the terminal value calculated as perpetuity based on the projection of the year 2020 properly normalized;
- 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;
- long-term growth (LTG) equal to 0%.

The WACC was calculated as follows:

- Risk Free Rate. The market rate for a risk-free investment was considered to be equal to the rate applied on swaps to 5 years;
- Raw Beta. The rate that characterizes the sector risk was determined as the average of the Raw Beta rates, from 01/01/2011 to 31/12/2015;
- Market Risk Premium. The risk premium assigned by the market considers the sum of the total risk over the market risk;.
- Debt Risk Premium. Its debt rate was calculated based on the average cost of refinancing for the Tiscali Group, with reference to the weighted average of the internal rate of return

on the senior loan and the internal rate of return on the Sa Illetta leasing debt. The average of the two rates is weighted in relation to the relative weight of the aforementioned total financial indebtedness of the Group. The rate expected by the Refinancing in progress, was not considered for the calculation of the WACC rate expected, because it is not yet concluded. The application of this rate would lead to a decrease in the cost of debt and therefore the WACC

Based on these parameters, the WACC used for the impairment tests was 8.54%.

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 on 31 December 2015, an analysis was carried out 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. Such difference would continue to be positive. Furthermore, a sensitivity analysis on the long-term growth rate was also carried out: the 1% increase of that rate, similarly, would reduce the positive difference between the estimated recoverable value and book value; however, 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.

Merger with the Aria Group

As fully described in the section "4.4 Significant events during the year" in the Management Report, the merger of Aria Group into Tiscali Group (the “Operation”) has been finalized on December 24, 2015.

The Operation was carried out through the merger ("Merger") by Tiscali of a newly formed company, Aria Italia S.p.A. ("Aria Italia"), created in July 2015 as the vehicle for the acquisition of the assets of the Aria Group (including the operating companies Aria and Media PA Srl and cash equivalents amounting to EUR 42.4 million provided by the financial partner of the Operation, the fund ODEF, and needed to repay the Facility A1 pursuant to the Restructuring Agreement).

The Merger has been achieved by an increase of the share capital of Tiscali, issuing n. 1.283.746.550 new ordinary shares offered in exchange to the shareholders of Aria Italia based on the exchange ratio of n. 50 Tiscali ordinary shares for each. 3 ordinary shares of Aria Italia. The shareholders of Aria Italia have accepted the offer and currently they hold a share of 40.81% of the combined entity.

Aria is a company operating in Italy in the field of broadband connectivity services, and it holds a license on 40MHz of spectrum on the 3.5GHz frequency technology neutral, allowing the provision of LTE services in fixed wireless access mode with capacity greater than 50MB / s. Aria provides connectivity broadband services in particular in areas not reached as at today by the broadband services (less than 2Mb / s) of the traditional telecom operators or suffering from structural causes of low quality of services provided.

As explained in the section of the Management Report mentioned above , the Merger will allow the Tiscali Group to become one of the few players in the Italian telecommunications market to have a proprietary network end-to-end by combining the fiber transport network of Tiscali with the Fixed Wireless access network of Aria, held by Aria itself through a license on the 3.5GHz frequency spectrum. This evolution will allow Tiscali to improve competitiveness and overall profitability of its broadband product portfolio, In particular, thanks to the launch of the new Ultrabroadband LTE services with the Tiscali brand with capacity greater than 50Mbps on the broadband fixed wireless proprietary network.

The Operation is for the purpose of the IFRS international accounting standards and in the context of preparing the consolidated financial statements, a *business combination*, or business aggregation, governed by IFRS 3. This standard requires, in particular, that all business combinations should be accounted for by applying the purchase method (so-called "*purchase accounting*"). The buyer must therefore recognize the assets, liabilities and contingent liabilities at the time of purchase at *fair value* determined at the date of purchase, while identifying, on a residual basis, any goodwill.

With respect to the identification of the purchaser pursuant to IFRS 3, in view of the analysis performed by the Group, Tiscali has been identified as the purchaser reflecting the actual industrial and legal structure of the Operation.

The date of acquisition has been identified as the effective date of the Merger, 24 December 2015 (date conventionally rounded to 31 December 2015 in the absence of significant changes between the two dates), because only from said date did Tiscali officially gain control of Aria Italia.

The business combination accounting effects are summarized below.

Enhancement of the consideration transferred

The shares issued by Tiscali in the Merger constitute the consideration for the acquisition of Aria Italia. The nominal value of the newly issued shares is equal to EUR 77,024,793 and coincides with the value of the increase in capital of Tiscali (1,283,746,550 shares at the issue price of EUR 0.06 each).

As required by the referenced standard, it was decided to evaluate the consideration transferred at fair value at the acquisition date. The fair value of newly issued Tiscali shares was calculated by reference to the share price on the Italian Stock exchange of Tiscali shares at the acquisition date (reference was made to the closing price of 23 December 2015, since on 24 December 2015 the market was closed), equal to EUR 0.0569. The fair value of the consideration transferred, calculated by multiplying the number of shares issued at the above-mentioned price per share, is equal to EUR 73,045,178.

Fair value of net assets and liabilities acquired

The *fair value* of the assets, liabilities and contingent liabilities that are deemed acquired on the date of 24 December 2015 (date of acquisition conventionally rounded to 31 December 2015 in the absence of significant changes between the two dates), is shown below:

	Statutory values at the acquisition date	Consideration allocation	Fair values at the acquisition date
(Migliaia di Euro)			
Intengible Assets	36.436	13.077	49.513
Tangible Assets	35.764		35.764
Other non current assets	253		253
Current Assets	53.932		53.932
Total Assets	**126.386**	**13.077**	**139.463**
Non current liabilities	28.311	628	28.939
Current Liabilities	37.479		37.479
Total Liabilities	**65.790**	**628**	**66.418**
Total value of net assets	**60.596**	**12.449**	**73.045**
Goodwill	**12.449**	**(12.449)**	**-**
Fair value of Price paid	**73.045**		**73.045**

The process of allocation of the consideration transferred at *fair value* of net assets acquired (so-called *purchase price allocation - PPA*), in line with the provisions of IFRS 3 it is to be considered completed. This process did not involve the determination of any difference between the total consideration transferred and the *fair value* of net assets acquired, as summarized in the table above.

With reference to the assessments made by management at the time of allocation, the carrying amount of the 3.5GHz frequency spectrum owned by Aria, recognized as an intangible asset, was re-expressed at *fair value* resulting in the recognition of a total surplus equal to EUR 13.1 million, also determined taking into account the amount paid by H3G to win the auction to use the spectrum 2.6 GHz TDD in 2011; Lastly, the related tax effect, on the basis of IAS 12, was recognised.

The costs related to the issue of Tiscali shares, equal to EUR 3.2 million were recognized as a direct decrease in net equity of Tiscali.Lastly, it is noted that, upon the result of the above-mentioned approximation outcome with reference to the date of acquisition, in the absence of significant changes between the date of 24 December and 31 December 2015, only the equity situation of the group headed by Aria (and not even the economic situation of the last eight days of the year 2015), was the subject to consolidation in the consolidated financial statements of Tiscali Group.

Intangible assets (note 13)

Intangible asset activity for the year 2015 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
HISTORIC COST						
1 January, 2015	**4,639**	**117.823**	**126.150**	**19.890**	**1.576**	**270.078**
Increases		5.442	13.606	611	4.452	**24.111**
Consolidation scope change	77	70.205	37.987	294		**108.564**
Other changes				6.711		**6.711**
Reclassifications		(118)	(236)		(1.648)	**(2.002)**
31 December 2015	**4,715**	**193.352**	**177.508**	**27.506**	**4.379**	**407.461**
ACCUMULATED DEPRECIATION						
1 January, 2015	**4,639**	**80,991**	**105,537**	**18,922**		**210,088**
Increases in depreciation		10,808	9,298	6,305		**26,411**
Consolidation scope change	77	29,976	28,725	273		**59,050**
Other changes		17		6,711		**6,728**
Reclassifications		(1,540)	5,876	(5,876)		**(1,540)**
31 December 2015	**4,715**	**120,252**	**149,436**	**26,334**		**300,737**
NET VALUE						
31 December 2014	**-**	**36,832**	**20,613**	**969**	**1,576**	**59,990**
31 December 2015	**-**	**73.100**	**28.072**	**1.172**	**4.379**	**106.724**

Intangible assets are related to the Tiscali Italia S.p.A subsidiary, as well as the Aria Group (entered under the "*Change in Consolidation Scope*" entry).

The *Computer software and Development Costs* entry includes the capitalisation of development costs for personalized application software for the exclusive use of the Group.

The balance of *Concessions and Similar Rights* is equal to EUR 73.1 million, and includes:

- EUR 27.7 million for fees and associated costs for the purchase of transmission capacity on a multi-annual basis, in the form of concession contracts for transmission capacity (IRU - *Indefeasible Right of Use*). Relating to IRU accounted for the Tiscali Italia subsidiary;
- EUR 43 million for licenses and software, of which EUR 38.7 million related to the WiMax license and related charges incurred by the Aria Group. The value of the license has been consolidated inclusive

of surplus value of EUR 13.1 million, resulted in the assessment of the fair value at the acquisition date (reference should be made to the previous note);

- EUR 2.4 million for patent rights, of which EUR 1.5 million related to the Aria Group.

The overall increase of EUR 5.4 million is attributable to software licenses for EUR 1.5 million, to patents in the amount of EUR 0.2 million, and to costs incurred for the purchase of multi-annual use of the fiber optic network (IRU - *Indefeasible Right of Use*) in the amount of EUR 3,7 million.

The *Broadband Service Activation Costs* entry amounts to EUR 28 million, of which EUR 9.3 million are related to the Aria Group. The increase equal to EUR 13.6 million, relates to the acquisition costs and customer activation for the ADSL service.

Other Intangible Fixed Assets amount to EUR 1.2 million for patent rights, (of which EUR 21 thousand related to the Aria Group). Investments costs related to the *Vula & Ethernet* activation fees of 0.6 million EUR.

In-progress Intangible Assets and Accounts, amount to EUR 4.4 million, and include software development projects related to the *Consip* tender and not yet completed as of 31 December,2015.

Properties, Systems and Equipment (note 14)

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

Tangible assets ***(EUR 000)***	**Properties**	**Systems and Equipment**	**Other tangible assets**	**Tangible assets in course of construction**	**Total**
HISTORIC COST					
1 January, 2015	**64,260**	**269,556**	**5,413**	**1,639**	**340,868**
Increases		3,758	27	10,193	**13,978**
Consolidation scope change		55,888	751	412	**57,051**
Other changes		(1,008)		(169)	**(1,177)**
Reclassifications		10,108		(9,663)	**446**
31 December 2015	**64,260**	**338,302**	**6,191**	**2,412**	**411,165**
ACCUMULATED DEPRECIATION					
1 January, 2015	**17,463**	**242,363**	**3,935**		**263,761**
Increases in depreciation	1,869	9,298	183		**11,350**
Consolidation scope change		20,580	706		**21,286**
Other changes					
Reclassifications		(16)			**(16)**
31 December 2015	**19,332**	**272,225**	**4,824**		**296,381**
NET VALUE					
31 December 2014	**46,797**	**27,193**	**1,478**	**1,639**	**77,107**
31 December 2015	**44,928**	**66,076**	**1,367**	**2,412**	**114,784**

Intangible assets are related to the Tiscali Italia S.p.A subsidiary, as well as the Aria Group (entered under the "*Change in Consolidation Scope*" entry).

The entry *Properties*, amounting to EUR 44.9 million, mainly relates to the Cagliari office (Sa Illetta), which was subject to a Sale & Lease back financial transaction in 2007.

Systems and Equipment (EUR 66.1 million) includes specific network equipment such as routers, DSLAM, servers, and transmission devices installed at the LLU sites.

Within this line item are included EUR 35.3 million relating to the Aria Group and concern the purchase of materials and accessories for the assembly and commissioning of the various sites with Hyperlan and WiMax technology, which were necessary to the WiMax network for the concentration and Internet traffic management in terms of utilities and service profiles.

The overall increase in the *Systems and Equipment* entry, amounting to EUR 3.8 million reflects investments made on the development of network infrastructure as it pertains to the purchase of servers (EUR 0.4 million); of equipment transmission (EUR 2.8 million); and of DSLAM installed within the context of network development. These costs were entered as depreciation in the year 2015 (EUR 0.6 million).

Other Tangible Assets, whose balance amounts to 1.4 million EUR (of which EUR 45,000 relating to the Aria Group), include furniture and furnishings, electronic and electromechanical office equipment as well as motor vehicles.

In-progress Tangible Assets and Accounts, whose balance amounts to EUR 2.4 million (of which EUR 0.4 million relating to the Aria Group), predominantly include investments on the network infrastructure. The overall increase for the year, equal to EUR 10.6 million, was partly reclassified during the year 2015 under the *Systems and Equipment* entry (EUR 9.6 million), and it concerns assets relating to the development of the network infrastructure.

Other non-current financial assets (note 15)

Other non-current financial assets	**31 December 2015**	**31 December 2014**
(EUR 000)		
Guarantee deposits	7,586	6,944
Other receivables	2,036	1,848
Equity investments in other companies	1,874	1,982
Total	**11,496**	**10,775**

Collateral deposits relate mainly to guarantees for the CONSIP tender in the amount of EUR 6.5 million, and for deposits from third parties in the amount of EUR 0.8 million, both relating to Tiscali S.p.A.and Italia, and for deposits (EUR 0.2 million) relating to Aria Group.

Equity investments in other companies mainly comprise the equity investment held by Tiscali Italia S.p.A. in Janna S.c.p.a., a consortium company involved in the management of underwater fibre optics cables located between Sardinia and the mainland, as well as between the islands of Sardinia and Sicily. Other financial receivables are due from the Janna S.c.p.a. consortium.

Deferred tax assets (note 16)

At 31 December 2015, 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 777.1 million and timing differences for EUR 103.4 million. The taxes losses refer to:

- the Parent company and the Italian subsidiaries for a total of EUR 386.9 million;
- Tiscali International B.V. and the Dutch subsidiaries for a total of EUR 9 million;
- the German subsidiaries for a total of EUR 163.7 million;
- Tiscali UK Holdings for a total of EUR 217.4 million;

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

EUR 000	**Total as at 31 December 2015**	**Year of maturity**		
		2016	**After 2016**	**Indefinite**
Total previous tax losses	777,082	-	9,044	768,038

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 2015 calculated on the basis of an estimated average rate of 28.1% would amount to EUR 247.8 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 2015.

Inventories (note 17)

As of 31 December, 2015, inventories totalled EUR 0.9 million, mainly represented by work in progress on projects in the B2B area.

Receivables from customers (note 18)

Receivables from customers	**31 December 2015**	**31 December 2014**
(EUR 000)		
Receivables from customers	67,709	66,875
Write-down provisions	(32,393)	(23,419)
Total	**35,316**	**43,457**

At 31 December 2015, receivables from customers, totalling EUR 35.3 million, (of which, EUR 3.8 million relating to the Aria Group), net of depreciation in the total amount of 32.4 million EUR (of which, EUR 10.1 million relating to the Aria Group), were generated predominantly by sales of Internet services, billing of Internet access services, inverse interconnection traffic, advertising revenues, as well as business customer and telephone services provided by the Group.

At constant perimeter consolidation, the Group's net receivables amount to EUR 31.5 million, a decrease compared to the same entry in 2014, which amounted to EUR 43.4 million.

The decrease in receivables from customers, compared to the same period in 2014, is attributable to the following factors:

- decrease in Access sales (-2.4%);
- improvement of the customer base quality;
- higher percentage of customers with advanced billing and revenue with prepaid mode, compared to 31 December 2014.

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

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

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.
The following table illustrates the ageing (gross of the receivables write-down provision) at 31 December 2015 and 31 December 2014, respectively:

EUR 000	31 dicember 2015	31 dicember 2014
Not due	22,085	22,914
1 - 180 days	11,647	13,631
181 - 360 days	9,164	8,528
oltre 360 days	34,813	21,802
Total receivables from customers	**67,709**	**66,875**
Receivable write-down provision	(32,393)	(23,419)
Total Receivables from customers net of provision	**35,316**	**43,457**

The following table shows aging net of the receivable write-down provision at 31 December 2015:

EUR 000	31 dicember 2015	31 dicember 2014
Not due	20,369	22,363
1 - 180 days	8,405	10,676
181 - 360 days	3,292	4,486
oltre 360 days	3,204	5,931
Total	**35,316**	**43,457**

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

EUR 000	31 dicember 2015	31 dicember 2014
Write-down provision at start of period	**(23,419)**	**(22,092)**
Exchange differences		
Disposals/Consolidation area change	(10,126)	
Provision	(17,162)	(10,285)
Utilisation	18,314	8,958
Write-down provision at end of period	**(32,393)**	**(23,419)**

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.

Other Receivables and other Current Assets (note 19)

Other Receivables and other Current Assets (note 19)	**31 December 2015**	**31 December 2014**
(EUR 000)		
Other receivables	5,151	1,773
Accrued income	2	53
Prepaid expenses	11,192	8,692
Total	**16,345**	**10,518**

Other Receivables, in the amount of EUR 5.1 million, mainly includes the following elements:

- Receivables for VAT reimbursement of the Aria Group, equal to EUR 1.6 million (credit we required to be refunded through the VAT return in 2014) and other Aria Group VAT credits for EUR 1.6 million;
- other receivables of the Aria Group, in the amount of EUR 0.7 million, accrued towards another telecommunications operator for a contract relating to the use of frequency;
- advances to suppliers in the amount of EUR 0.3 million;

- tax credits and other social security/insurance institutions in the amount of EUR 0.3 million, related to Tiscali S.p.A;
- EUR 0.4 million, mainly attributable to grants related to income of Tiscali S.p.A. Italia.

Prepaid expenses, whose balance comes to EUR 11.2 million (of which EUR 1.9 million relating to the Aria Group), include costs already incurred pertaining to 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)

Other current financial assets	**31 December 2015**	**31 December 2014**
(EUR 000)		
Guarantee deposits	60	60
Other receivables	8	102
Total	**68**	**162**

Liquid assets (note 21)

As of 31 December, 2015, liquid assets amount to EUR 4.8 million (of which EUR 1.7 million relating to the Aria Group), 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)

Shareholders' equity	**31 December 2015**	**31 December 2014**
(EUR 000)		
Share capital	169,077	92,052
Accumulated losses and other reserves	(272,017)	(244,437)
Result for the period	(18,480)	(16,434)
Total Shareholders' equity	**(121,421)**	**(168,818)**

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

As of 31 December, 2015, the share capital amounts to EUR 169 million, corresponding to 3,145,281,893 ordinary shares without nominal value. Following the merger by incorporation of Aria Italia S.p.A. into Tiscali S.p.A., on 28 December, 2015, the Company, in order to service the merger, has increased its share capital by issuing a total of 1.283.746.550 ordinary shares without nominal value offered to shareholders of Aria Italia based upon the exchange ratio of 50 Tiscali ordinary shares for each 3 ordinary shares of Aria Italia. As a result of the exchange ratio indicated in the merger plan, members of the Aria Group own an interest in Tiscali of 40.81%, as of 31 December 2015.

Shareholders' equity pertaining to minority shareholders (note 23)

The shareholders' equity pertaining to minority shareholders, as of 31 December 2015 is nil.

Current and non-current financial liabilities (note 24)

Net financial position

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

Financial situation	**31 December 2015**	**31 December 2014**
(EUR 000)		
A. Cash and Bank deposits	4,770	4,801
B. Other cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	***4,770***	***4,801***
E. Current financial receivables	***8***	***102***
F. Non-current financial receivables		
G. Current bank payables	11,593	12,534
H. Current portion of non-current debt	16,895	52,817
I. Other current financial payables	3,612	10,551
J. Current financial debt (G) + (H) + (I)	***32,100***	***75,901***
K. Net current financial debt *(J) – (E) – (D) - (F)*	**27,322**	**70,999**
L. Non-current bank debts	94,546	80,535
M. Bonds issued		
N. Other non-current payables	51,279	47,975
O. Non-current financial debt *(N) + (L) + (M)*	**145,826**	**128,510**
P. Net Financial Debt *(K) + (O)*	**173,148**	**199,509**

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.

(EUR mln)	31 December 2015	31 December 2014
Consolidated net financial debt	**165,6**	**192,6**
Other cash equivalents and non-current financial receivables	7,6	6,9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July, 2006	**173,1**	**199,5**

The gross financial debt (current and non-current), amounting to EUR 177.9 million, is mainly made up of items shown in the following table:

Breakdown of current and non-current debt

Breakdown of current and non-current debt	**31 December, 2015**	**Current portion**	**Non-current portion**
(EUR 000)			
Senior debt (GFA)	84,248	11,600	72,649
Rigensis Loan	19,186	-	19,186
Bank debts	19,600	16,888	2,711
Total Senior debts and other payables to banks	**123,034**	**28,488**	**94,546**
Amounts owed to leasing firms			
Sale and Leaseback – Sa Illetta	53,659	*3,109*	*50,550*
Other financial leases	1,090	*361*	*729*
Total amounts owed to leasing firms	**54,750**	**3,470**	**51,279**
Other Financial Debts	**142**	**142**	**-**
Total indebtedness	**177,926**	**32,100**	**145,826**

The primary entries listed in the aforementioned table are as follows:

- Senior debt under the Group Facilities Agreement - GFA - as well as restored by the Restructuring Agreement signed on 23 December 2014 (hereinafter also "Senior Indebtedness (GFA)"), amounting to a total of EUR 84.2 million (accounted at amortized costs);
- Interest-bearing loan entered into between Aria and Rigensis Bank, on 22 October, 2015 amended and supplemented on 16 December, 2015 ("Financing Rigensis"), in the amount of EUR 19.2 million (accounted at amortized costs);

- other bank debts for the total amount of EUR 19.6 million (of which EUR 5.3 million related to the Aria Group for the short-term portion);
- payables for financial lease agreements, totalling EUR 54.7 million (of which EUR 77,000 relating to Aria Group), mainly in relation of the Sale and Leaseback agreement entered into in reference to the Company's Cagliari office (Sa Illetta), in the amount of EUR 53.6 million;

Senior debt (GFA)

The debt towards financial institutions (hereinafter also "Senior Lenders", listed in the table below) represented by the Senior debt (GFA) arising from the Restructuring Agreement, net of the repayment of the Facility A1 on 24 December, 2015, in the amount of EUR 42.4 million, comprises the following, as of 31 December 2015 (nominal debts value):

- **Tranche A2:** nominal residual amount of EUR 29.7 million (maturing in September 2017);
- **Tranche B:** nominal residual amount of EUR 52.9 million (maturing in September 2017).

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

During 2015, all deadlines provided for in the GFA loan agreement have been met, and more precisely:

- On 31 March, 2015 5 million EUR were repaid, in addition to the payment of interest on capital in the amount of EUR 2.7 million. Furthermore, on the same date, about EUR 0.2 million of prior interest were paid, relating to the previous GFA loan agreement;
- On 30 September, 2015, and additional EUR 5 million were repaid, in addition to the payment of interest on capital in the amount of EUR 5 million;
- On 24 December, 2015, the Facility A1 was repaid in an amount equal to EUR 42.4 million, in addition to the payment of interest on capital in the amount of EUR 0.8 million.

As stated in depth in the Report on Operations at paragraph *"4.4 Significant events during the year"*, on 26 November 2015 the *"Consent and Amendment Letter"* was also signed, in which, in addition to expressing consent to the business combination operation with Aria Group, the Senior Lenders defined some changes to the contractual terms and conditions included in the Restructuring Agreements.

In particular, they agreed to a redefinition of the financial covenants in order to take account of the integration of the two groups' activities (Tiscali and Aria) based on a *combined* plan prepared by management in November 2015 updating the business plan on the basis of which the Board of Directors of Tiscali had approved the Merger Plan (so-called "Combined Plan").

The following table summarizes the main elements of the loan.

Loan	Amount	Maturity	Financial institutions	Borrower	Guarantors
Facility A2	29.7 million EUR	September 2017	BG Master Fund PLC SVP Capital Funding Lux	Tiscali UK Holdings Ltd ("Tiscali UK")	Tiscali S.p.A., Tiscali Italia S.p.A. Tiscali International BV Tiscali Financial Services SA Veesible S.r.l.

Loan	Amount	Maturity	Financial institutions	Borrower	Guarantors
Facility B	52.9 million EUR	September 2017	Intesa Sanpaolo London	Tiscali UK Holdings Ltd ("Tiscali UK")	Tiscali S.p.A., Tiscali Italia S.p.A. Tiscali International BV Tiscali Financial Services SA Veesible S.r.l.

Additional details of the financing are briefly reported:

- Facility A2, equal to the nominal value of EUR 29.7 million as principal amount, to be repaid in semi-annual installments, the last of which, in the amount of EUR 12.7 million, has a maturity date of 30 September, 2017;
- Facility B, equal to the nominal value of EUR 52.9 million as principal amount, to be repaid in semi-annual installments, the last of which, in the amount of EUR 49.9 million, has a maturity date of 30 September, 2017;
- an nominal interest rate equal interest rate of 7.5% for 2015, 9% for 2016, 9% for 2016 and 10% for 2017;

- financial covenants, provided by the Restructuring Agreements and subject to renegotiation with the Consent and Amendment Letter signed on 26 November 2015.

Financial Covenants

The Restructuring Agreements call for compliance by the Company of certain financial requirements (cd. “Financial Covenants”) on a consolidated basis of the Tiscali Group (to be calculated without taking into account the debt resulting from the Sa Illetta Leasing Agreement, as well as the Rigensis Loan) defined in at the time of signing of said agreements, and re-defined under the Consent Letter and Amendment described above. They are related to the Debt Service Cover Ratio, or ratio of Net Indebtedness/EBITDA and EBITDA/Net Interests.

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

Financial Covenants	**Balance as of 31 December 2015**	**Balance as of 31 December 2016**
Debt Service Cover Ratio	1.10:1(*)	1.10:1(*)
Net Indebtedness/EBITDA	1,80x (**)	1,35x
EBITDA/Net Interests	3,15x	4,66x

(*) 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 value of the Sa Illetta Debt and the Rigensis Loan is not considered.

Furthermore, the Tiscali Group companies shall not have to exceed specific investment limits (CAPEX), for the amount of EUR 14.0 million with reference to the last quarter of 2015, and of EUR 20 million, with reference to the last quarter of 2016.

The verification with regard to the aforementioned 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 expected on 30 September, 2017.

These covenants have been accomplished as of December 31, 2015

Commitments of Tiscali UK, Tiscali and the Guarantors (the "Guarantors")

The Restructuring Agreements envisage that Tiscali, Tiscali UK and the Guarantors (Indicated in the table previously submitted), 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) payment of dividends prohibitions; (ii) prohibitions to carry out acquisitions or equity investments or joint ventures; (iii) prohibition on granting collaterals; (iv) prohibitions on the implementation of special operations (including the disposal of major assets); (vi) ban of debt assumption and the granting of related guarantees; (vii) prohibition to create assets for uses provided for in Article 2447-ter of the Civil Code; (viii) prohibition on the issuance of securities, the proceeds of which are intended for early debt repayment pursuant to the Restructuring Agreements; (ix) prohibition to modify the business plans without the consent of the Senior Lenders.

Pursuant to the Consent and Letter Amendment, the Tiscali Group, in compliance with a portion of the Restructuring Agreements, shall adhere to the following additional commitments: (A) prohibition on making available to the Aria Group financial resources exceeding the limit of EUR 1.35 million for each financial year which forms part of the period of validity of the Restructuring Agreements; (B) prohibition to establish commercial relationships with Aria exceeding the amount of EUR 5 million for each year; (C) an obligation to make sure that Aria does not repay in advance the Rigensis Loan before full repayment of Facilities A2 and B.

Events of default

The Restructuring Agreements also envisage assumption of a default status at the occurrence of specific events, such as: (i) failure to fulfil the payment obligations set out in the Restructuring Agreements; (ii) failure to fulfil the additional commitments contractually agreed upon; (iii) failure to comply with the financial covenants; (iv) initiation of insolvency proceedings against any of the main Group companies indicated in the agreements; (v) failure to fulfil the obligations arising out of any debt instrument or guarantee of Tiscali and certain of its subsidiaries for an amount exceeding 1 million EUR; (vi) initiation of enforcement action by creditors of the Tiscali Group for amounts exceeding 1 million EUR.

Upon the occurrence of an event of default, Wilmington Trust (London) Limited and Banca IMI S.p.A., (in the capacity of, respectively, Facility A and Facility B Agent) will, among other things, and following a decision taken pursuant to the Restructuring Agreements, notify Tiscali that all sums due thereunder be immediately paid.

Guarantees

Pursuant to the Restructuring Agreements, Tiscali and the Guarantors, irrevocably and unconditionally, notwithstanding certain contract limitations, jointly guarantee the exact fulfilment of the obligations undertaken in accordance with the agreements; furthermore, they undertake jointly to paying any amount due by Tiscali UK, in the event Tiscali UK becomes insolvent.

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 Italia held by the Company;
- pledge on the entire holding in Veesible held by Tiscali Italia;
- pledge on the entire holding in Tiscali UK held by the company;
- 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 intercompany loans;
- pledge on the Tiscali UK assets;
- second-degree pledge on Aria's shares already granted as a pledge in favour of Rigensis Bank.

Furthermore, it should be noted that, pursuant to the Consent and Amendment Letter, Tiscali has paid to the Fund - in order to extend the maturity deadline of Facility A1 and the redefinition of the financial covenants - a waiver fee equal to approximately 1% of the total amount of Facility A1 and A2 Facility in place.

Refinancing

Lastly, it is noted that, with reference to the residual debt pursuant to the Restructuring Agreements (nominal debt equal to EUR 84.2 million at 31 December 2015, inclusive of accrued nominal interest up to said date and amounting to EUR 1.6 million), as a result of the finalisation of the Merger, in the early months of 2016, the Tiscali Group has launched an intense negotiation activity aimed at *refinancing* the entire amount. Reference may be made to what is described in paragraph *"4.7 Significant events after year-end, business outlook and evaluations regarding the business continuity*" of the Report on Management with reference to the current status of *refinancing* activities.

<u>Rigensis Loan</u>

The Rigensis Loan, signed on 22 October, 2015 and subsequently amended by agreement dated 16 December, 2015, is an interest-bearing loan agreement between Aria and Rigensis Bank in the nominal amount of EUR 15 million, having an annual interest rate of 9%, a semi-annual payment of interest (March 30 and September 30), and repayment in a lump sum on 30 March, 2018.

The contract for the Rigensis Loan provides as follows:

- that Aria's repayment obligations be supported by a pledge issued on the entire Aria's capital;
- Prohibition to Aria to receive loans or incur any indebtedness, grant guarantees or sureties, constitute constraints on its own movable and immovable property, financial resources or activities, unless the value of such operations is less than EUR 1,000,000.00, or if any such transactions are carried out prior to the signing date of the contract;
- Prohibition to Aria to enter into mergers, demergers, consolidations, liquidation or restructuring of the company (different from the Merger);
- prepayment obligations in the following cases: (i) Aria ceases to be a company owned by Tiscali in an amount of shares equal to 100%; (ii) failure to comply with any of the obligations set out in the Restructuring Agreements involving the immediate repayment of the loan; (iii) delay on the part of Aria to make payments under the contract; (iv) Aria is insolvent, suspends payments to creditors or declares its intention to suspend such payments; (v) revocation and/or suspension of Aria licenses; (vi) termination, by Aria, of its activity or of a substantial part thereof; (vii) breach by Aria of any of its commitments per the above.

It is also noted, that as part of the process of debt *refinancing* pursuant to the Restructuring Agreements, cited above, and described in paragraph *"4.7 Significant events after year-end, business outlook and evaluations regarding the business continuity*" in the Management Report, early repayment of an amount of EUR 5 million expected, after the closing of the Facilities A2 and B in accordance with the Restructuring Agreements

It is also provided that in case of failure to fully repay the Rigensis Loan on 30 March, 2018, the remaining debt will be converted into ordinary shares of Tiscali with an agreed upon value of EUR 0.06 per share; in this case, the conversion will take place in accordance to an option exercised by the Tiscali Group.

Where, instead, an early mandatory repayment should occurr, and Aria does not have the financial means to meet such requirements, Rigensis Bank shall have the option to convert its credits into Tiscali ordinary shares, having each the value of EUR 0.06 per share.

As provided under IFRS, the conversion option exercisable by Tiscali ("Put Option") was accounted for separately in the consolidated financial statements of the Group, because it is an *equity* instrument; in particular, that option was taken at its *fair value* determined with reference to the date of 24 December 2015, the effective date of the contract (the Put Option was formally negotiated through the *amendment* to the Rigensis Loan signed on 16 December 2015, however, the agreement was dependent on completion of the Merger, therefore, the effective date of the Put Option coincides with the effective date of the merger, 24 December 2015.

The Put Option fair value estimated on the effective date of the Merger was determined taking into account the following elements:

- price of the underlying share: or stock market price of Tiscali shares on the effective date of the Merger (in the absence of the quotation at 24 December 2015 – market closed - reference was made to the closing price of 23 December 2015);
- price set for exercising of the Put Option, or EUR 0.06 per share;
- number of shares required for the repayment of the Rigensis Loan (250,000,000);
- volatility of Tiscali shares;
- risk free interest rate (risk free rate).

The fair value of the Put Option, estimated at EUR 4.25 million, was recognized as a major financial liability (increasing the amount of the Rigensis Loan, because the instrument was not settled in cash) and lower equity reserve in accordance with IAS 32. The fair value of this option was therefore, treated as a disbursement by Rigensis Bank AS, added to the value of the actual loan granted (i.e. EUR 15 million) and thus considered in the amortized cost accounting for this loan

It is noted that in the evaluation at amortised cost of the Rigensis Loan, the internal rate of return is negative because the incoming cash flows considered (issuing of the Rigensis Loan for EUR 15 million and grant of the Put Option for EUR 4.25 million) are higher than cash outflows (i.e. nominal value of interest payable based on the Rigensis Loan and reimbursement upon maturity of the same). Along the entire term of the Rigensis Loan, financial income equal overall to the amount of total nominal interest paid (EUR 3.3 million) net of the Put Option fair value recognized in the initial recognition (EUR 4.25 million), will be accounted.

The Rigensis Loan is not subject to financial covenants

Other Loans

Below the main information of the loans outstanding at 31 December 2015 for the Aria Group, not considering the loan signed during 2015 with Rigensis Bank previously described:

i) financing of initial EUR 3 million with Cassa di Risparmio dell'Umbria, signed in April 2009, maturing in October 2018, with a residual value at the end of the year 2015 amounting to EUR 2.5 million, plus interest. This loan is not subject to financial covenants.

ii) financing of initial EUR 1 million with Cassa di Risparmio dell'Umbria, signed in May of 2010, maturing in November 2017, with a residual value at the end of the year 2015 amounting to EUR 0.8 million, plus interest. This loan is not subject to financial covenants.

iii) financing of initial EUR 2 million with Bank of China, signed in December 2012, maturing in December 2016 and with a residual value at the end of the year 2015 amounting to EUR 0.6 million. This loan is not subject to financial covenants.

iv) financing of initial EUR 0.8 million with Gepafin, finance company participated by Umbria Region, signed in June 2009, maturing in December 2017 and with a residual value at the end of the year 2015 amounting to EUR 0.2 million. This loan is not subject to financial covenants.

v) financing of initial original EUR 0.8 million with Banca Nazionale del Lavoro, which was signed in November 2009, maturing in October 2017, with a residual value at the end of the year 2015 amounting to EUR 0.2 million. This loan is subject to the following financial covenants:

 Equity: not less than EUR 25 million for the duration of the loan;

 net / debt equity ratio not exceeding 5 for the duration of the loan;

Failure to comply with these covenants, with reference to annual indicators, entails the right of the lending bank to consider terminated the loan agreement. At 31 December 2015, the covenants had been respected.

In addition to the aforesaid loans, also it noted that on July 15, 2015 Aria and its subsidiary Media PA signed with Unicredit S.p.A. a restructuring agreement relating to indebtedness in respect of the said bank, now expired, in the amount of approximately EUR 5.8 million. Under that agreement, Unicredit S.p.A. has recognized the Aria Group: (a) an excerpt from the aforementioned exposure totalling approximately EUR 1.5 million (corresponding to 26% of total exposure); (B) a re-entry plan for a period of 48 months starting in August 2015, without the payment of interest

<u>Payables for financial leases</u>

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

- the Sales & Leaseback financial lease on the Sa Illetta property, the company's corporate office, whose debt at the date of the financial statements amounts to EUR 53.7 million;
- other financial leasing, for a total of EUR 1 million, of which EUR 77.9 million related to the Aria Group.

In relation to the financial debt "Sales & Lease Back" concerning the building Sa Illetta, it should be noted, as described in section "*4.4. Significant events during the year* ", that on 2 October 2015, the Group signed with the leasing pool, led by Italian Mediocredito, a Modification Agreement of the Lease Agreement, which provides for the re-modeling of the same contract in the terms provided in the commitment shown by leasing pool to the Company in June 2015.

The Agreement in question, compared with the existing conditions, provides for a lower outlay by way of an annual fee for the years 2015, 2016 and 2017, amounting to about EUR 4.2 million

Assets under the financial lease, consistent with applicable international accounting principles, are recorded under fixed assets, as shown in the table below.

(EUR 000)	Minimum payments due		Current value of minimum 7payments due	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Less than 1 year	4,261	14,314	3,470	10,464
Between 1 and 5 years	40,840	37,424	38,308	28,369
More than 5 years	12,987	20,563	12,972	19,606
Total	**58,088**	**72,301**	**54,750**	**58,439**
Minus future financial charges	**3,338**	**13,862**	**0**	**0**
Current value of minimum payments	**54,750**	**58,439**	**54,750**	**58,439**
Included in the consolidated balance sheet				
Current liabilities under finance leases			3,470	10,464
Non-current liabilities under finance leases			51,279	47,975
	0	**0**	**54,750**	**58,439**

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 *(EUR 000)*	**Properties**	**Systems and Equipment**	**Other assets**	**Total**
NET VALUE				
31 December 2014	46,818	688		**47,506**
31 December 2015	44,928	25,357		**70,332**

Payments envisaged by the operating lease contracts are indicated below.

The items listed in the table below includes EUR 14.4 million related to the Aria Group.

(EUR 000)	31 December 2015	31 December 2014
Minimum payments due for leasing	15,882	3,019
Subleasing payments		
Total	**15,882**	**3,019**

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

(EUR 000)	31 December 2015	31 December 2014
Less than 1 year	1,393	931
Between 1 and 5 years	4,346	505
More than 5 years		
Total	**5,738**	**1,436**

Other non-current liabilities (note 25)

Other non-current liabilities	**31 December 2015**	**31 December 2014**
(EUR 000)		
Payables to suppliers	97	
Other payables	1,871	1,323
Total	**1,968**	**1,323**

The Other payables entry, in the amount of EUR 1.9 million, essentially includes:

- EUR 0.6 million for tax debts of the Aria Group;
- EUR 0.4 million, mainly attributable to guaranteed deposits towards Tiscali S.p.A. Italia's clients;
- EUR 0.8 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), in an area under Tiscali Italia S.p.A's purview.

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

The table below shows the changes during the period:

(EUR 000)	31 December 2014	Provisions	Consolidation scope change	Utilisation	Payments to Funds (*)	Actuarial Loss/(Gain)	31 December 2015
Staff severance indemnities	5,550	2,113	1,169	(229)	(2,019)	(288)	6,295
Total	**5,550**	**2,113**	**1,169**	**(229)**	**(2,019)**	**(288)**	**6,295**

(*) These are payments made to the treasury funds and other supplementary pension funds

The staff severance provision, which comprises indemnities accrued in favour of employees refers to the parent company, as well as subsidiaries operating in Italy, and it is equal to EUR 6.3 million as of 31 December, 2015 (of which EUR 1.2 million relate to the Aria Group).

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.

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: 1,75%

Discount rate: 2%

Demographic assumptions:

Mortality: 2013 SIM mortality tables M/F - 2012 ISTAT M/F (for the Aria Group)

Disability: 1998 INPS disability tables, M/F

Resignation: 3.50% from 20 to 65 years of age

Advance payments: *3% from 20 to 65 years of age*

Retirement pension: 66 years and 3 months for men, and 63 years and 9 months for women;

Retirement pension: 42 years and 6 months for men, and 41 years and 6 months for women;

As of 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)

Provisions for risks and charges	**31 December 2014**	**Consolidation scope change**	**Provisions**	**Utilisation**	**31 December 2015**
(EUR 000)					
	1,600	8,396	816	(646)	10,165
Total	**1,600**	**8,396**	**816**	**(646)**	**10,165**

As of 31 December, 2015, the liabilities and charges amounts to EUR 10.2 million, (of which EUR 8.4 million related to the Aria Group), and includes, primarily:

- EUR 0.8 million related to provisions for disputes with employees;
- EUR 5.4 million for technological risks related to the Aria Group. This provision is justified by the expected disposal of equipment, infrastructure and radio transmission systems for the migration of the current technology WiMax of Aria network to LTE;
- EUR 1.4 million for provisions relating to the restructuring of the Aria Group.
- EUR 2.3 million for other write-downs (of which EUR 1.7 million related to the Aria Group). Provisions relating to the Aria Group mainly include provisions for disputes with customers and suppliers for EUR 0.8 million and other miscellaneous provisions;
- EUR 0.3 million refers to the expenses related to the closure of WOL litigation.

Provision Deferred income tax (note 28)

Provisions for Deferred income tax	31 December 2014	Consolidation scope change	Provisions	Utilisation	31 December 2015
(EUR 000)					
	-	628	-	-	628
Total	**-**	**628**	**-**	**-**	**628**

As of 31 December, 2015, the deferred income tax amounts to EUR 0.6 million and refer to the tax effect detection of gains arising on the allocation of the consideration paid for the acquisition of the Aria Group. (For further details please refer to the "Aggregation business with the Aria Group").

Current financial liabilities (note 29)

Current financial liabilities	31 December 2015	31 December 2014
(EUR 000)		
Payables to banks	28,488	65,351
Payables for financial leases (short-term)	3,470	10,464
Total	**31,958**	**75,815**

Payables to banks and to other lenders

The Debts to Banks entry, in the approximate amount of EUR 28.5 million, mainly includes bank debts owed by the Italian subsidiary Tiscali Italia S.p.A. (EUR 10.6 million), Veesible S.r.l. (EUR 1 million), Tiscali UK Holding for EUR 11.6 million (short-term component of the Senior Loan, for details, see Note 24), and EUR 5.3 million related to the Aria Group.

Payables for financial leases

Payables for financial leases, amounting to EUR 3.5 million, refer to the short-term portion of payables due to leasing companies for financial lease agreements relating to Tiscali Italia S.p.A. For further details, see note 24.

Payables to suppliers (note 30)

Payables to suppliers	**31 December 2015**	**31 December 2014**
(EUR 000)		
Payables to suppliers	131,743	91,348
Total	**131,743**	**91,348**

Payables to suppliers refer to trade payables for the supply of telephone traffic, data traffic, supply of commercial materials and technologies and services, and include EUR 20.8 million relating to the Aria Group.

Other current liabilities (note 31)

Other current liabilities	**31 December 2015**	**31 December 2014**
(EUR 000)		
Accrued charges	4,077	3,691
Deferred income	40,059	39,018
Other payables	39,160	29,902
Total	**83,296**	**72,611**

Accrued expenses mainly refer to charges for the staff.

Deferred income in the amount of EUR 40 million, refer mainly to:

- the capital gain on disposal relating to the Sale & Leaseback transaction on the Sa Illetta property, amounting to approximately EUR 13 million, which is issued on a pro-rated basis corresponding to the length of the lease agreement;
- the deferral of the revenues deriving from the sale of transmission capacity (IRU) pertaining to future periods, in the approximate amount of EUR 6.9 million;
- the deferral of the revenues for the activation of the ADSL and VoIP services in relation to non-pertinent areas, in the approximate amount of EUR 17 million.
- the deferral of revenues accruing in future years, pertaining to the Aria Group, in the approximate amount of EUR 3 million;

The Other payables entry, in the amount of EUR 39.2 million, essentially includes:

- the balance of VAT payable for EUR 12.5 million.

- debts to the Revenue Agency and other social security/national insurance agencies in the approximate amount of EUR 10.5 million of which EUR 2.4 million related to the Aria Group;
- debts to personnel in the amount of EUR 4 million, of which EUR 0.9 million related to the Aria Group;
- Other relevance debts of the Aria Group, in the amount of EUR 5 million;
- payables relating to ministerial grants concerning the Italian subsidiary Tiscali Italia S.p.A, in the amount of EUR 2.7 million;
- payables for AGCOM sanctions and IMU fine in the amount of EUR 2.4 million;
- amounts due for IRAP and other taxes with regard to Italian subsidiaries, in the amount of EUR 1.6 million.
- Other payables for EUR 0.3 million concerning the charges connected to the closure of WOL claim.

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 at a 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 reference to amounts to be paid in 2015.

The cash flows shown in the table refer to the nominal amounts due on outstanding loans:

31 December 2015	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	84,248	96,383	17,011	79,372	-
Secured bank loans - Rigensis Loan	19,186	18,296	1,271	17,025	
Payables for financial leases – Sa Illetta	54,750	58,041	4,954	40,847	12,240
Payables for supplier and other payables	172,880	172,880	1,968	170,912	
Bank account overdrafts	19,600	19,600	19,600		

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	58,439	63,039	11,054	32,085	19,900
Payables for supplier and other payables	122,592	122,592	1,323	121,270	
Bank account overdrafts	12,534	12,534	12,534		

Fair value

The following tables show the valuations respectively at 31 December, 2015, and at 31 December, 2014, of financial instruments present as of the balance sheet date:

-	31 dicember 2015	
	Book Value	**Fair Value**
(EUR 000)		
Secured bank loans - Senior Loan	84,248	83,879
Secured bank loans - Rigensis Loan	19,186	17,915
Unsecured bank loans	19,600	19,600
Payables for financial leases	54,750	54,832

-	31 dicember 2014	
	Book Value	**Fair Value**
(EUR 000)		
Secured bank loans - Senior Loan	133,352	135,644
Unsecured bank loans	12,534	12,534
Payables for financial leases	58,439	59,303

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

On 16 February, 2016, the Ordinary and Extraordinary Shareholders' Meeting of Tiscali SpA, held in Cagliari in a single call, approved the 2015-2019 Stock Option Plan intended for Renato Soru, as Chairman of the Board of Directors, and the proposal of authorization of the Board for the capital increase of the above Plan. The mandate concerns the issuance of up to 251,622,551 ordinary shares, to the maximum service of 251,622,551 options to be reserved to President Renato Soru, as the beneficiary of the 2015-2019 Stock Option Plan. As reported in the "Information Document on the 2015-2019 Tiscali S.p.A. Stock Option Plan", the options granted will be exercisable in three groups:

- The first, consisting of 157.264.095 Options, for the subscription of an equal number of Tiscali ordinary shares, and to be exercised between 24 December, 2016, and 24 December 2018, at an exercise price of EUR 0,060 per share;
- The second, consisting of 47.179.228 Options, for the subscription of an equal number of Tiscali ordinary shares, and to be exercised between 24 December, 2017, and 24 December 2018, at an exercise price of EUR 0,069 per share;
- The third, consisting of 47.179.228 Options, for the subscription of an equal number of Tiscali ordinary shares, and to be exercised between 24 December, 2018, and 24 June 2019, at an exercise price of EUR 0,078 per share.

The adoption of the 2015-2019 Stock Option Plan aims to promoting the beneficiary's loyalty and incentivization for the development of activities in the context of the duties.

Disputes, contingent liabilities and commitments

During the normal course of its business, the Tiscali Group is involved in certain legal and arbitration proceedings, as well as being subject to tax audit.

The following is a summary of the main proceedings in which the Group is involved.

<u>Civil and administrative proceedings</u>

TeleTu Litigation

On June 2011, Tiscali Italia sued, TeleTu SpA, at the Court of Milan, demanding damages of approximately EUR 10 million caused by unlawful conduct by the defendant in user migration during the period of January 2009-April 2011. The defendant filed a counterclaim for alleged similar acts performed by Tiscali Italia, in turn demanding damages of more than EUR 9 million. The outcome of the case is not predictable.

Consip procedure

On 13 January 2016 at TAR Lazio, the hearing took place on the merits of the appeal submitted by Telecom Italia and Fastweb against the awarding procedure of the SPC Consip tender award to Tiscali Italia. The decision of the Administrative Court is awaited and the outcome of the appeal is not predictable

WOL Litigation

In connection with participation in World Online International BV company, which was acquired by the Group in 2000, it is reported that in July 2001, the Dutch association Vereniging van Effectenbezitters and the Stichting VEB-Actie WOL, representing a group of approximately 10,000 former minority shareholders of World Online International NV (hereinafter "WOL") minority, issued a claim against WOL (currently 99.5% owned by Tiscali) and against 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 listing prospectus of WOL and of certain public statements made by WOL and its Chairman, immediately before and after the listing.

By decision of 17 December 2003, the Dutch Court of First Instance held that in certain press releases issued by WOL prior to 3 April 2000 did not sufficiently clarify comments made by its former Chairman at the time of listing of its participation equity. Consequently, WOL was deemed liable in respect of persons who subscribed to the company's shares during the IPO of 17 March 2000 (the start date of trading) and which acquired shares on the secondary market until 3 April 2000 (the date on which a press release was issued, specifying the actual shareholding held by the former Chairman of WOL). WOL has appealed against this decision referencing the accuracy of the listing prospectus.

The Court of Appeal of Amsterdam on 3 May 2007 partially amended the decision of the Court of First Instance, holding 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; In addition it was felt that the WOL had created optimist expectations on its business.

On 24 July 2007, the above-mentioned association and the foundation submitted an appeal to the Dutch Supreme Court against the Court of Appeal's judgment. On 2 November 2007, WOL and financial institutions tasked with the stock market listing filed their counter-appeal. The Dutch Supreme Court issued its final ruling in November 2009, upholding the judgment of Appeal and ruled that the listing prospectus was not complete in some aspects, which management of WOL would have provided additional information during listing . It should be mentioned, that the ruling is limited to ascertaining certain aspects of WOL liability and financial institutions tasked with the stock market listing by reference to the full the obligations on disclosure of the IPO and defines certain principles that might be considered applicable to future court decisions (e.g. regarding the causal link), while not ruling on the actual expectancy of any damage, which should be the subject of new, separate and independent proceedings before the competent courts by investors; to date, no such proceedings have been initiated.

A dispute of a similar nature to that described above was undertaken by another Dutch foundation, Stichting Van der Goen WOL Claims, in August 2001, and letters were subsequently received from other parties, hypothesising to proceed with similar actions, if the conditions should apply.

In August 2013, the Tiscali Group, also taking into account the existing insurance coverage, has entered into a settlement agreement with the financial institutions, under which the same financial institutions waive any claim for damages towards WOL in relation to transactions with the shareholders' associations mentioned above

The agreement provides for a payment by WOL, of a sum of EUR 1.75 million, carried out in September 2013.

We also report that Stichting Van der Goen WOL Claims in December 2011 made an additional request for compensation on behalf of 28 other shareholders entitled, in which it is suggested to proceed with legal proceedings. Such a claim is outside the aforementioned settlement agreement that the Tiscali Group finalized with financial institutions. Said Stichting Van der Goen WOL Claims reiterated its claims in a letter dated 6 March 2013, and subsequently initiated legal proceedings, received on 19 June 2014, against WOL and financial institutions tasked with the listing of the same WOL.

On 1 October 2014 WOL filed the defence briefs which was followed by the submission of briefs by Van der Goen on 7 January 2015. WOL has submitted its observations on 1 April 2015.

On 22 October 2015 the Dutch Tiscali Attorneys have been informed by the Attorneys of the banks that they have agreed with Stichting Van der Goen WOL Foundation on the terms of a possible settlement agreement, later reached. With this in mind, the parties jointly requested the Court, and obtained, the suspension of the proceedings.

In March 2016, World Online N.V., part of The Tiscali Group, entered into a settlement agreement with certain financial institutions in relation to the claim of certain former shareholders of Telinco Ltd, employees and management staff of Telinco Ltd and certain of their family members and dependants.

The agreement entails overall costs for WOL of EUR 0.3 million and brings an end to the dispute with aforementioned shareholders of Telinco Ltd

Proceedings of a criminal nature

In September 2013, Tiscali SpA received, pursuant to Legislative Decree 231/2001, a notice of conclusion of preliminary investigations into alleged conduct of false corporate communications related to the financial statements from 2008 to 2012; the subsidiary Tiscali Italia received the same notice in January 2014. The offense refers to alleged incorrect accounting entries in respect of provisions for doubtful debts. Under Article. 25-ter, Letter c), Legislative Decree 231/2001, if convicted only monetary sanctions of 400 to 800 shares would be applicable. The preliminary hearing stage is being carried out, and the Company has put in place the necessary defensive activities.

Segment reporting

Segment reporting is presented on the basis of the following segments:

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

Income Statement

31 December 2015 (Thousands of EUR)	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Other	Cancellation adjustments	Total
Revenue						
From third parties	182,144	19,859	115	-	-	202,118
Intra-group	5,880	2,456	3,716	-	(12,052)	-
Total revenues	**188,024**	**22,315**	**3,831**	**-**	**(12,052)**	**202,118**
Operating profit	**25,733**	**319**	**(43, 820)**	**(31)**	**15,935**	**(1,864)**
Portion of results of equity inv. carried at equity						**-**
Net Income (expenses)						(16,496)
Pre-tax result						(18,359)
Income taxes						(116)
Net result from operating activities (on-going)						(18,475)
Income from discontinued operations and / or targeted for disposal						(5)
Net operating income						**(18,480)**

Income statement 2014

31 December 2014 (Thousands of EUR)	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Other	Cancellation adjustments	Total
Revenue						
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 profit	**(13,383)**	**1,091**	**13,513**	**(111)**	**(1,384)**	**(274)**
Portion of results of equity inv. carried at equity						**-**
Net Income (expenses)						(15,723)
Pre-tax result						(15,997)
Income taxes						(437)
Net result from operating activities (on-going)						(16,434)
Income from discontinued operations and / or targeted for disposal						-
Net operating income						**(16,434)**

Balance Sheet

31 December 2015 (Thousands of EUR)	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Other	Cancellation adjustments	Total
Assets						
Segment assets	260.332	14.045	14.141	67		288.585
Equity investments carried at equity	-		-	-		-
Equity investments in other companies	1.874	-	-	-		1.874
Goodwill	**-**		-	-		-
Total consolidated assets	**262.206**	**14.045**	**14.141**	**67**		**290.458**
Liabilities						
Segment liabilities	299.697	15.854	678.558	1.641	(583.871)	411.879
Total consolidated liabilities	**299.697**	**15.854**	**678.558**	**1.641**	**(583.871)**	**411.879**

31-Dec-14	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Other	Cancellation adjustments	Total
(Thousands of EUR)						
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	246,991	15,300	737,919	1,652	(625,106)	376,756
Total consolidated liabilities	**246,991**	**15,300**	**737,919**	**1,652**	**(625,106)**	**376,756**

Commitments and other guarantees

A breakdown of guarantees given during 2015 is shown in the table below.

(Thousands of Euro)	31 December 2015	31 December 20154
Guarantees given to third parties (sureties)	150,822	188,415
Commitments	3,415	-
Total	**154,237**	**188,415**

Sureties given mainly refer to the guarantee given for the loans granted by financial institutions to the Tiscali Group.

The same item includes the surety given by Tiscali S.p.A. to guarantee the amount of the loan related with the sale & lease back transaction on the Sa Illetta property, totalling EUR 53.7 million, carried out by the subsidiary Tiscali Italia S.p.A. and the amount of EUR 14.6 million relating to other guarantees. Other guarantees mainly include:

- EUR 12 million for guarantees given by Tiscali Italia S.p.A., chiefly represented by EUR 10 million in favour of Telecom Italia Spa to guarantee contractual commitments, EUR 1 million in favour of the Janna consortium to guarantee commitments undertaken when subscribing the share capital increase and EUR 0.7 million in favour of the Autonomous Region of Sardinia;
- EUR 2 million in guarantees provided by Veesible S.r.l. to banking institutions and the tax authorities for the reimbursement of VAT;
- EUR 0.5 million in guarantees provided by the Aria Group mostly in favour of Telecom Italia S.p.A.

The commitments item amounts to EUR 3.4 million and refers to the Aria Group and pertinent to the technological material acquired by Huawei pledged in favour of Bank of China.

Although it is not material at consolidated level, it should be noted that the parent company has provided guarantees for credit lines and leasing to the subsidiary Tiscali Italia SpA for EUR 36.8 and EUR 20.9 million respectively in the year 2015 and 2014. The parent company has also, in both years 2015 and 2014, commitments of EUR 1.6 million related to the maintenance of credit lines granted to the subsidiary Tiscali Italia SpA.

Non-recurring transactions

Pursuant to Consob Resolution no. 15519 of 27 July 2006 it is reported that in FY 2015, non-recurring transactions were recorded with a total positive effect on the Group's income statement equal to EUR 6.9 million, which mainly includes the positive effects of the agreement concluded by the conciliation agreement of the Company during the period and from write-offs of trade positions and some negative effects. Among the negative impacts, the most significant concerns the loss of potential credits allocated in the previous year, related to the repricing of Bistream services tariffs, redefined definitively by AGCOM in the year 2015.

The following table shows the exposure in the consolidated income statement of the amounts related to non-recurring transactions:

Non-recurring transactions	**2015**
Revenues	0.0
Other income	13.0
Purchase of external materials and services	1.7
Personnel costs	0.0
Other operating expense (income)	(5.2)
Adjusted Gross operating Result (EBITDA)	**16.5**
Write-downs accounts receivable from customers	5.1
Cost for stock option plans	0.0
Gross operating Result (EBITDA)	**11.4**
Restructuring costs, provisions for risks and write-downs	**4.1**
Operating profit (EBIT)	**7.3**
Net Financial income (charges)	**0.4**
Pre-tax result	**6.9**
Income taxes	
Net result from operating activities (on-going)	**6.9**
Result from assets disposed of and/or destined for disposal	0.0
Net result for the period	**6.9**

Atypical and/or unusual transactions

Pursuant to Consob Communication dated 28 July 2006, it is hereby specified that during 2015 the Company did not enter into any atypical and/or unusual transactions, as defined by said Communication.

Related-party transactions

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 2015 arising from transactions with related parties.

The most significant balances, at 31 December 2015, summarized by service supplier, are as follows:

Income Statement Values	Notes	2015	2014
(Thousands of EUR)			
Studio Racugno	1	(72)	(72)
Monteverdi S.r.l.	2	(36)	(36)
Aria Italia S.p.A.	3	420	
Board of Statutory Auditors and Directors		(311)	
Total Suppliers of Materials and Services		**2**	**(108)**
Total		**2**	**(108)**

Asset Values	Notes	2015	2014
(Thousands of EUR)			
Studio Racugno	1	(59)	(8)
Monteverdi S.r.l.	2		
Board of Statutory Auditors and Directors		(333)	
Total Suppliers of Materials and Services		**(392)**	**(8)**
Total		**(392)**	**(8)**

/

(1) Studio Racugno: the director Gabriele Racugno, member of Tiscali SpA's Board of Directors since 21 December 2009, offers to Tiscali Italia S.p.A. legal assistance, in court proceedings and in extrajudicial settings.

(2) Monteverdi S.r.l: a company invested in by the majority shareholder Renato Soru. The report in question refers to a lease of a space used for the storage of business records.

(3) Aria Italia S.p.A.: a company acquired by Tiscali Group on 24 December 2015 following the merger by incorporation of Aria Italia SpA into Tiscali SpA. In Advance of the effective date of the merger, Tiscali Italia SpA has provided connectivity services.

Remuneration of the directors, statutory auditors and executives with strategic responsibility

The remuneration due to the directors and statutory auditors of Tiscali and Tiscali Italia in 2015 in relation to the performance of their functions, in the parent company and other consolidated subsidiaries, is presented below:

(Thousands of Euro)	2015	2014
Directors	782	765
Statutory Auditors	175	207
Total remuneration	**958**	**972**

The total cost incurred in 2015 for the key management personnel's compensation amounts to approximately EUR 2.4 million, of which EUR 1.1 million refers to the termination's indemnity in favour of the Director and General Manager of Tiscali Italia S.p.A. Luca Scano, who resigned on February 19, 2016.

List of subsidiaries included in the consolidation area

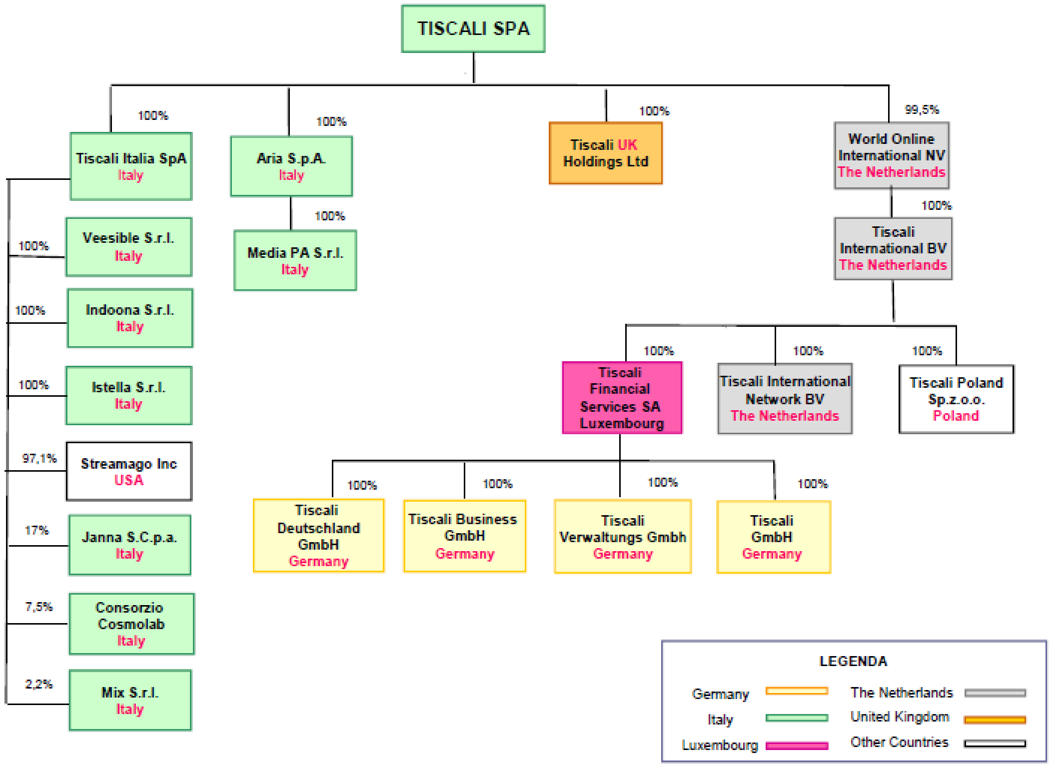
A list of the subsidiary companies included within the consolidation area is presented below.

Name	Headquarters	% investment
Tiscali SpA	Italia	
Tiscali SpA Italia	Italia	100.00%
Veesible Srl	Italia	100.00%
Indoona Srl	Italia	100.00%
Istella Srl	Italia	100.00%
Streamago Inc.	U.S.A.	97.1%
Aria Italia S.p.A.	Italia	100.00%
Media PA Srl	Italia	100.00%
Tiscali Holdings UK Ltd	UK	100.00%
World Online International NV	Netherlands	99.50%
Tiscali International BV	Netherlands	99.50%
Tiscali Financial Services SA	Luxembourg	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.	Netherlands	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

Group at 31 December 2015



Annex - Information pursuant to Article 149 duodecies of the Consob Issuers' Regulations

Type of service	Party providing the services	Beneficiary	Compensation
(Thousands of EUR)			
Accounts auditing	Reconta Ernst & Young S.p.A.	Parent Company - Tiscali S.p.A.	**272**
	Reconta Ernst & Young S.p.A.	Subsidiaries	**172**
	Deloitte & Touche S.p.A.	Subsidiaries of the Aria S.p.A. Group	**53**
Other professional services	Reconta Ernst & Young S.p.A.	Parent Company - Tiscali S.p.A.	**860**
	Reconta Ernst & Young S.p.A.	Subsidiaries	**45**
	Deloitte & Touche S.p.A.	Subsidiaries of the Aria S.p.A. Group	**63**
	Ernst & Young Financial Business Advisory SpA	Parent Company - Tiscali S.p.A.	**50**
Total			**1.400**

Cagliari, 25th March 2016

The Executive Chairman

Renato Soru

The Executive appointed to draw up the Corporate Accounting Documents

Pasquale Lionetti

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 Executive Chairman, 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 2015.

It is also hereby certified that the financial statements at 31 December 2015:

- 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, 25th March 2016

The Executive Chairman

Renato Soru

The Executive appointed to draw up the Corporate Accounting Documents

Pasquale Lionetti

Tiscali S.p.A. financial statements as at 31 December 2015

7 Tiscali SpA – Accounting Statements and Explanatory Notes

7.1 Comprehensive Income Statement

(EUR)	Notes	**2015**	**2014**
Revenue	*1*	3,831,020	4,399,062
Other income	*1*	-	-
Purchase of external materials and services	*2*	(1,739,304)	(1,376,347)
Payroll costs	*3*	(1,492,107)	(1,923,718)
Other operating income/ (costs)	*4*	657,373	2,671,288
Write-down of receivables	*5*	(35,248,594)	(164,662)
Restructuring costs and other write-downs	*5*	(2,466,657)	(1,415,681)
Depreciation		-	-
Operating profit		**(36,458,269)**	**2,189,942**
Portion of result of equity investments carried at equity		-	-
Net Income (expenses)	*6*	191,913	(1,590,091)
Pre-tax result		**(36,266,356)**	**599,851**
Income taxes	*7*	96,683	(49,379)
Result from operating activities (on-going)		**(36,174,673)**	**550,471**
Income from discontinued operations and / or targeted for disposal	*8*	-	-
Result for the fiscal year		**(36,174,673)**	**550,471**

7.2 Statement of comprehensive income

(Thousands of EUR)	Notes	2015	2014
Operating results of period		**(36,175)**	**550**
Other items on comprehensive income statement:			
Items on comprehensive income statement that will subsequently be reclassified to FY Profit / (loss)			
Items on comprehensive income statement that will not subsequently be reclassified in FY Profit / (loss)		7	(14)
(Loss) / profit from revaluation of defined benefit plans			
Other items on comprehensive income statement:			
Total operating results of Comprehensive income statement		**(36,168)**	**536**
Attributable to:			
Parent Company shareholders		**(36,168)**	**536**
Minority shareholders			
		(36,168)	**536**

7.3 Statement equity and financial situation

(EUR)	Notes	31-Dec-15	31-Dec-14
Non-current assets			
Intangible Assets		-	-
Properties, plant and machinery		-	-
Equity investments	9	176,493,735	136,169,734
Other financial assets	10	2,431,459	2,200,758
		178,925,194	**138,370,492**
Current assets			
Receivables from customers	11	1,257,364	311,781
Other receivables and other current assets	12	836,546	985,977
Cash and cash equivalents	13	70,989	367,968
		2,164,899	**1,665,726**
Total Assets		**181,090,093**	**140,036,218**
Capital and reserves			
Capital		169,076,823	92,052,030
Results of previous years and Other reserves		(41,743,903)	(30,935,936)
Result for the fiscal year		(36,174,673)	550,471
Total Shareholders' equity	**14**	**91,158,247**	**61,666,564**
Non-current liabilities			
Other non-current liabilities	15	31,015,394	3,917,817
Liabilities for pension obligations and staff severance indemnities	16	204,419	208,196
Provisions for risks and charges	17	687,655	18,349,058
		31,907,468	**22,475,071**
Current liabilities			
Due to banks and other lenders	18	-	-
Payables to suppliers	19	6,143,809	3,889,171
Other Current Liabilities	20	51,880,571	52,005,412
		58,024,380	**55,894,582**
Total Liabilities and Shareholders' equity		**181,090,093**	**140,036,218**

7.4 Statement of changes in shareholders' equity (EUR)

(EUR)	Capital	Legal reserve	Other reserves	Reserves for employee benefits	Accumulated losses and Other Reserves	Accumulated losses and Loss for the period	Total
Balance as at 01 January 2014	**92,022,779**	**90,734**	**(3,522,413)**	**(35,918)**	**-**	**(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 as at 31 December 2014	**92,052,030**	**90,734**	**(3,522,413)**	**(49,975)**	**-**	**(26,903,812)**	**61,666,565**
Capital increase / merger	77,024,793		(7,115,736)				**69,909,057**
Rigensis Loan Option			(4,250,000)				**(4,250,000)**
Transfers covering losses							**-**
Operating results of Comprehensive Income Statement				7,299		(36,174,673)	**(36,167,374)**
Balance as at 31 December 2015	**169,076,823**	**90,734**	**(14,888,149)**	**(42,676)**	**-**	**(63,078,485)**	**91,158,247**

7.5 Cash flow statement

CASH FLOW STATEMENT *(Eur)*	2015	2014
OPERATIONS		
Result from operating activities	**(36,174,673)**	**550,471**
Adjustments for:		
Depreciation of tangible assets	-	-
Amortisation of intangible assets	-	-
Receivable write-down provision	35,248,594	137,857
Provision (release) risks	350,000	-
Other changes	(226,166)	(1,193,543)
Cash flow from operations before changes in working capital	**(802,245)**	**(505,215)**
(Increase)/Decrease in receivables	(4,357,433)	(248,577)
Increase/(Decrease) in payables to suppliers	(626,106)	1,312,454
Net changes in the provisions for risks and charges	-	1,198,173
Net change in provision for staff severance indemnities	(56,714)	-
Changes in other liabilities	(127,193)	(497,188)
Changes in other assets	160,350	(793,053)
Changes in working capital	**(5,007,096)**	**971,809**
CASH AND CASH EQUIVALENTS DERIVING FROM OPERATIONS	**(5,809,341)**	**466,594**
INVESTMENT ACTIVITIES		
- Changes in other financial assets	-	(121,113)
- Cash flow from business combinations	3,177	
- 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	**3,177**	**(121,112)**
FINANCING ACTIVITIES		
Increase (decrease) in other non-current liabilities s	27,097,577	-
Decrease (Increase) in financial asset	(21,588,392)	-
Changes in shareholders' equity	-	15,194

NET CASH DERIVING FROM/(USED IN) FINANCING ACTIVITIES	**5,509,185**	**15,194**
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	**(296,979)**	**360,676**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**367,968**	**7,292**
CASH AND CASH EQUIVALENTS	**70,989**	**367,968**

7.6 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 continuity and business outlook

At the end of fiscal year, Tiscali reported a loss of EUR 36,2 million, which, when added to the losses of previous years carried forward, equal to EUR 26.9 million, determines the occurrence of events contemplated in Article 2446 of the Civil Code, which is the loss of more than one third of the share capital.

Tiscali S.p.A. heads up a group, the Tiscali Group, which, as at the same date, closed the financial statements with a consolidated loss of EUR 18.5 million (influenced by the positive effect of EUR 6.9 million, resulting from non-recurring transactions concluded during the year 2015) and with a negative net worth equal to EUR 121.4 million. In addition, as of 31 December 2015 the Group reported gross financial debt equal to EUR 177.9 million and current liabilities exceed the current (non-financial) assets for EUR 162.5 million.

At 31 December 2014, the consolidated loss was approximately EUR 16.4 million, with negative net consolidated equity equal to EUR 168.8 million. In addition, as at 31 December 2014 the Group showed a gross financial debt equal to EUR 204.3 million and current liabilities exceed the current assets (non-financial) for EUR 108.9 million.

It is to be noted that the balance sheet at 31 December 2015, following the Merger described in paragraph "4.4. Significant events during the year " which shall be operative from December 24, 2015, does include the balance sheet items of the Aria Group.

During FY 2015 from a management point of view, in a context with strong competitive pressure to fixed-line market access, continued in the actions aimed at reducing costs and streamlining of internal processes in order to improve profitability.

Specifically, the results for 2015 show the following:

- from the perspective of the core business (Access, particularly ADSL and VOIP) there is slight decline in revenues (-2.4%), despite strong competitive pressure and loss of active customers (-8.8% on a comparable basis), largely due to massive cancellations of approximately 23,6 thousand units during FY 2015;
- an increase in gross profit mainly due to the positive impact equal to EUR 6.9 million arising from non-recurring transactions concluded during the period;

- an increase of the base of mobile telephony customers (SIM cards active and operating on 31 December 2015 were equal to approximately 116,5 thousand units, an increase of 26% over the comparable figure recorded in 2014);
- focusing on innovation through a strategy of development of web services and Over-The-Top.
- launch of ultra-wideband offers in FTTC (Fibber To The Cabinet) technology for consumer and SOHO market (through membership, since July 2015, offering Virtual Unbundled Local Access of Telecom Italia). The new fibre offerings enrich the product portfolio for the private and the professional world. Thanks to this new technology infrastructure Tiscali offers the market high-performance services created to meet the ever increasing demand for speed, contributing to the development of UltraBroadband in Italy

All the activities listed above has made it possible to generate cash from operations, before changes in working capital, of approximately EUR 64.4 million.

As detailed in the section "*4.4 Significant events during the year* ", during the year 2015, the Tiscali Group has also worked to the implementation of the industrial merger with Aria Group, finalized on 24 December 2015.

The operation, which has the strategic objective of achieving an industrial integration between the assets held by Tiscali and the assets held by Aria Group, allowed the Tiscali Group to reduce its financial indebtedness, through full repayment of the Facility A1 carried out in December 2015 thanks to the liquidity made available by the financial partner of Operation (EUR 42.4 million).

After the Merger,

- on February 16, 2016, the Ordinary and Extraordinary Shareholders' Meeting of Tiscali proceeded with the appointment of the members of the new Board of Directors, Board of Supervisory Auditors and its Chairman, as well as the Committees of the Board of Directors; Riccardo Ruggiero, CEO of Aria prior to the merger effective date, has assumed the position of CEO, and Renato Soru has maintained the position of Executive Chairman;
- the new managment of the Company has prepared a new business plan for the years 2016 -2021 (the "Plan 2016 -2021"), approved by the Board of Directors on March 25 2016, based on a new strategic vision of the combined entity, which provides

    - the integration of a strategic asset as the frequency 3.5 GHz complements the portfolio of technology assets already held by the Tiscali Group (particularly in Fixed Network infrastructure Fiber Network at Transport Network and MAN level) which allows Tiscali to acquire a network of proprietary access, critical to compete successfully in a telecommunications market that is witnessing an explosion of wireless broadband data and mobile traffic;
    - the expansion of the addressable market to areas that are not controlled by Tiscali, such as the Digital Divide areas and areas where the quality of services is particularly low already hedged by the fixed wireless network of Ari, and where it will be possible to offer ultra-broadband services of high quality by leveraging proprietary LTE fixed Wireless access network;
    - the launch of UltraBroadband Fixed Wireless LTE services with capacity greater than 50Mbps, synergistically using the spectrum and fixed wireless access network owner made by Aria and the existing assets of Tiscali (network infrastructure in Fiber Optics, Tiscali brand and

consolidated organizational structure), increasing competitiveness and overall profitability of the Broadband Tiscali offer;

- the further increase of the company's overall profitability through the ability to migrate a portion of Tiscali customers now served by the rental of the network of Telecom Italia in Bitstream Access mode (characterized by low profitability and high costs to be paid to Telecom Italia for renting network access - over EUR 17 per month per customer) on its own proprietary Fixed Wireless access network. To date, approximately 20% of Bitstream Tiscali customers is covered by existing Aria fixed wireless network of and this percentage will increase further in the future thanks to the focus of the new coverage of Broadband Fixed Wireless LTE services also in higher density areas of Bitstream Tiscali customers as well as in areas where the quality of existing ADSL services is particularly deficient or absent.

The acquisition of the license on the 3.5GHz spectrum, also opens possibility for Tiscali of launching a converged Ultrabroadband fixed-mobile product on the market, also enabling management on Tiscali proprietary network of Mobile services integrated to Fixed Wireless Broadband services in areas covered by LTE network on the 3.5GHz frequency. This incremental development on the Mobile Data however is not being valued in the 2016-2021 Plan.

The 2016-2021 Plan also provides:

- in relation to the Leasing Contract concerning the Sa Illetta building, headquarters of the Group, a repayment plan consistent with the one defined in the Amending Agreement signed on 2 October 2015, which states the payment of a leasing installment of EUR 3.5 million for 2016 and 2017 and EUR 9.1 million from 2018 to 2021;

- in relation to CONSIP tender, the prudential exclusion of the Contract execution which has not been signed yet, pending the final judgment by the TAR of Lazio. The Company believes, however, that the activities to be performed under the contract with CONSIP remain an important opportunity and believes that the Group has adequate resources even if even in case of confirmation of the award of the CONSIP tender, to ensure the business continuity;

- from the financial point of view the refinancing of the entire debt outstanding pursuant to the Restructuring Agreements, as described below.

With reference to the last point, in the early months of the year, Tiscali has appointed its business, financial and legal advisors in order to assist the company in defining a possible refinancing of the entire debt outstanding deriving from the Restructuring Agreements in the month of December 2014 (the "Refinancing") which provides:

- the granting of a new loan from two primary Italian banks, for a total amount of EUR 88 million, which expires at the end of the sixth year following the signing of the related agreements;
- the definition of an amortization schedule that provides for the payment of monthly installments to repay the capital of EUR 4.3 million as of the first year following the signing of the relevant agreements, and an overall final installment of EUR 40.7 million to be paid in the year 2022.

The 2016-2021 Plan is to use this new funding to:

- fully repay the remaining amount of the debt pursuant to the Restructuring Agreements; as well as
- prepay a portion of EUR 5 million of the loan granted, for a total amount of EUR 15 million, from Rigensis Bank AS to Aria.

In view of the expected full repayment of the debt in accordance with the Restructuring Agreements, the commitments assumed by the Group pursuant to the Restructuring Agreements as supplemented and modified by the Consent and Letter of Amendment as of 26 November 2015 would be discarded.

Up to date, we have already taken a number of meetings between the Group management and the technical and commercial structures of the aforementioned credit institutions and a part of the preparatory activities for the operation has already been completed.

In particular, a so called Independent Business Review, prepared by a leading business advisor has been de facto completed and delivered in draft form, together with the draft of the business and financial plan to the banks, which did not express any critical issues about it.

As part of the Refinancing, the Group also appointed an external consultant to carry out an analysis of feasibility of the Plan 2016-2021, activity which today is at an advanced stage of development and for which the consultant has issued on March 24, 2016 a *comfort letter* to the Board of the Company declaring that, at the state of his analysis, no critical issues are arisen that may create obstacles to the issuance of a positive opinion on the business plan of Tiscali analyzed.

Finally, on March 24, 2016, each of the banks sent Tiscali a *comfort letter* in order to communicate, inter alia, that they started the preliminary phase of the operations, that they have not found any critical issues in their investigation process and to confirm their commitment, subject to the success of such feasibility analysis to accelerate as much as possible the process in order to submit the matter to the competent bodies for the credit approval.

In light of the Refinancing in place of the Facility A2, the lenders under the Restructuring Agreements, dated March 22, 2016, have confirmed their willingness to put back a month to pay the scheduled installment, only for the principal amount, to March 31, 2016, while a similar formal request was made to the lender of the Facility B pursuant to the Restructuring agreements, with which it is in an advanced stage of the operation Refinancing above.

In this context, achieving a balanced equity, economic and financial situation in the long-term for the Group is therefore subjec to:

i. the achievement of the results expected in the Business Plan and, therefore, on whether the forecasts and assumptions therein contained could be realized in general, to the evolution of the telecommunications market and, in particular, to the achievements of the growth targets set in a market characterized by strong competitive pressure, as well as with regard to obtaining the assumed synergies;
ii. the successful finalization of the Refinancing described above;
iii. the subsistence of the financial support provided by the lending banks so far.

Management Board's assessment

The Board of Directors pointed out that the Group has:

- Generated in the year 2015, before working capital changes, cash from operating activities and cash equivalents at approximately EUR 64,4 million;

- Finalized the transaction of business integration with the Aria Group, which runs from the effective date of 24 December 2015, it is expected that integration will allow the Company to reinforce the leading position of Tiscali in broadband access on fixed and mobile line network, creating a single operator in the domestic market;
- Fulfilled its financial commitments contained in the Restructuring Agreements, and specifically proceeded to the full repayment of Facility A1 for EUR 42.4 million (plus interest of EUR 0.7 million), with the financial resources made available by the integration with Aria Group, thus reducing significantly the senior debt of the Group;
- Finalized with the leasing companies pool the redefining of the lease contract for the building of Sa Illetta, instead of the proposed sale transaction of the same; said operation allows for a savings compared to previously applicable agreements, of approximately EUR 4.2 million EUR / year for the 2016-2017 financial years;
- Started the negotiations with the banks about the operation of Refinancing described above, as well as preparatory activities for the completion of the procedure of deliberation by the same banks
- Elaborated the Industrial Plan 2016 - 2021 in order to take account of the full year results for 2015, as well as the effects of these transactions carried out during 2015, the negotiations that occurred in early 2016 with the lending banks, in particular the effects / synergies arising from industrial integration with the Aria Group.

The Directors, highlight, as already stated in the preparation of Financial Statements for 2014, the persistence of material uncertainties that may cast significant doubt on the Tiscali Group's ability to continue to operate on a going concern basis, attributable to:

- the establishment of the Plan 2016-2021 objectives, with particular reference to the evolution of the telecommunications market and to achieve its growth targets, relating in particular to Ultrabroadband LTE services, the main development area planned in the Plan, of a market context characterized by strong competitive pressure, as well as with reference to the expected synergies resulting from the integration of Aria and Tiscali Group;
- The outcome of the aforementioned negotiations developed to define the refinancing of the senior debt in line with the goals of the Plan which are also subordinated to the good outcome of the feasibility analysis by the professional appointed for this purpose;
- the subsistence of the financial support provided by the lending banks so far.

The directors, in analysing what has already been built as part of the path to enable the group to achieve long term financial and economic balance, recognize that up to date, and in the presence of intrinsic issues into the 2016-2021 Plan - despite the strong Group debt reduction that took place in the year 2015 -uncertainties remain related to events or circumstances that could rise doubts on the Group's ability to continue to operate on the basis of the going concern assumption but after having implemented the necessary analysis and having taken into account the uncertainties identified in the view of the aformentioned elements, are confident in the ability of being able to implement the targets forecasted in the Plan 2016- 2021, in particular with regard to the finalization of the senior debt refinancing, the Directors have a reasonable expectation that they can reach a group's financial structure consistent with the expected cash flows and that the Group has adequate resources even if in case of awarding the CONSIP tender, to continue in operational existence in a foreseeable future and have therefore adopted the going concern assumption in preparation of these financial statements.

This determination is of course the result of a subjective judgment, who compared, with respect to the events described above, the degree of likelihood of their occurrence compared to the opposite situation. It should be noted that the forecast underlying the determination of the Board, is likely to be contradicted by events. Precisely because the Board is aware of the inherent limitations of its determination, said Board of Directors will maintain constant monitoring on the progression of the factors taken into account (as well as any circumstances that would acquire additional relief), in order to take the necessary measures promptly, even in terms of recourse to due process of law for corporate crises

Business Outlook

In line with the developments related to the integration of Tiscali and Aria assets, the Tiscali Group will adopt an increasingly geo-marketing driven approach to the market, aimed to focus its marketing efforts on markets where the competitiveness and profitability of its offer is greater.

In addition, in the next few months, Tiscali will be engaged in the launch of the new LTE ultra-broadband services, as well as in rationalizing its consumer and business offer while enhancing the convergence among the Fixed, Mobile and Wireless components, and implementing a distribution strategy based on a multi-channel approach. This strategy is based on:

- a further optimization of web and inbound customer acquisition channels, the historical strength of Tiscali;
- a strengthening of the “physical” distribution structure (shops, stores and distribution agencies) through the integration of the current structure of Tiscali sale points throughout the country with the current structure of the Aria channels (dealers and installers) and the progressive introduction of important distribution points to cover the more strategic Tiscali areas and market segments.

Other events subsequent to year end

<u>15 January 2016 - Approval of the Information Document of the Stock Option Plan 2015-2019</u>

On 15 January 2016, the Board of Directors of the Company and the Remuneration Committee approved the Stock Option Plan, subsequently submitted to the Meeting of 16 February 2016. This plan was the proposal to increase the paid capital, in tranches, by issuing a maximum total of 251,622,551 ordinary shares without par value, at the service of a maximum of 251,622,551 valid options to subscribe for ordinary shares of the Company reserved for the Chairman Renato Soru as beneficiary of the Stock Option Plan 2015-2019. The options granted will be exercisable in three tranches, with effect from 24 December 2016 until 24 June 2019

<u>16 February 2016 - Ordinary General Meeting for the appointment of Directors and Statutory Auditors and extraordinary Meeting for capital increase to service Rigensis Loan and the Stock Option Plan 2015-2019, renewal of corporate offices.</u>

The ordinary shareholders' meeting voted on the following agendas:

- Appointment of members of the Board of Directors and approval of their compensation;
- Appointment of the Board of Statutory Auditors, its President and approval of their fees compensation;
- Constitution of the Committees of the Board of Directors.

Regarding the Rigensis Loan and the Stock Option Plan, the Extraordinary General Meeting resolved as follows:

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- Approval of the proposal to authorize the Board of Directors for the increase in share capital for payment by issuing a maximum total of 250,000,000 ordinary shares. The increase is reserved to Rigensis Bank AS, the owner of a credit for EUR 15 million from the subsidiary Aria S.p.A. This increase cancels and replaces the former delegate increase for a maximum 250,000,000 ordinary shares reserved tor Bank Otkritie (Public Joint-Stock Company), approved by the September 29, 2015
- Approval of the stock option plan 2016-2019 for the benefit of Renato Soru as Chairman of the Board of Directors and the related proposal of a delegation to the Board for the capital increase of the above Plan. The delegation regards the issue of up to 251,622,551 ordinary shares, to the service of maximum 251 622 551 options to be reserved to the President Renato Soru as beneficiary of the Stock Option Plan 2016-2019

<u>19 February 2016 - termination of employment of Luca Scano, Tiscali Board Member and General Manager of Tiscali Italia SpA</u>

On 19 February 2016 Luca Scano ceased his employment as General Manager of Tiscali Italia SpA and left all positions held in Group companies. Scano's leaving occurred at the completion of the important merger by incorporation of Aria Italia SpA into Tiscali.

<u>24 February 2016 - Technology Partnership between Tiscali and Huawei for the development of ultra-broadband network with multimedia services in Italy</u>

On 24 February 2016, Tiscali and the Italian subsidiary of Huawei Technologies, a global leader in ICT solutions, signed a memorandum, not binding on the parties, aimed at creating a technological partnership aimed at the development of an ultra-broadband network in Italy. The alliance between the two companies provides for establishing a technical and commercial partnership

The project's objective is to achieve more than 1250 *Base Stations* at a national level, over the next three years starting from the third quarter of 2016, on LTE-TDD technology in the 3.5GHz frequency. The agreement provides for the supply of network equipment from the so-called *core and radio network* and CPE (*Customer Premises Equipment*). The result will be a TDD WTTx 4.5G network (Wireless fibre to the X) for the provision of services *Multimedia Broadband* up to 1Gbps in Italy. In particular, the TDD 4.5G technology will allow users to take advantage of streaming services in high definition, such as the videos in 4K.

Tiscali and Huawei have agreed to proceed in negotiations to arrive at the signing of a definitive agreement that will provide for the intervention of lender partners for most of the investments.

The agreement document (*non-binding term sheet*) was signed in Barcelona by Riccardo Ruggiero, CEO of Tiscali SpA, and Edward Chan, CEO of Huawei, at the "Mobile World Congress 2016".

This agreement forms part of Tiscali's development strategy which provides the launch during the year of LTE ultra-broadband fixed wireless services of Tiscali brand on proprietary End-to-end network, thanks to the integration of the Tiscali fibre transport network with Fixed Wireless access network acquired through the merger with Aria. With ultra-broadband Fixed Wireless LTE services, the company intends to expand the market accessible also to the Digital Divide areas and where the quality of the Broadband Fixed Broadband network services is particularly low and improve competitiveness and overall profitability of the services offered to its customer portfolio.

Form and content of the accounting statements

Basis of Draft Preparation

The 2015 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 also understood to be all of the reviewed international accounting standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC").

The preparation of financial statements requires management to make certain estimates and in certain cases, the adoption of assumptions in the application of accounting standards by the Directors. Items for which, in the circumstances, require the adoption of applicative assumptions and those more fully characterized by estimates are disclosed in note *Critical decisions in applying accounting policies and 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 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.

The preparation of financial statements requires management to make certain estimates and in certain cases, the adoption of assumptions in the application of accounting standards by the Directors. 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.

Impairment of 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 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 if the greater amount between fair value net of sales costs and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of money time value and the specific risks of 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 loss of relevant impairment is recognized in the income statement under write-downs. In the event that a write-down in previous years, no longer has reason to exist, the carrying value of the asset (or cash-generating unit) is increased to the new value resulting from the estimate of its recoverable amount, but not over the net book value that the asset would have had if no impairment had been recognized for the asset loss. 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 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 exchange operations

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 noncurrent 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 maturity, they are valued at acquisition cost. Valuations are frequently carried out to find objective evidence of impairment of a financial asset or group of assets. 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.

Debts 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. Borrowings are initially recognized at cost, equal to the fair value of the consideration received, net of transaction costs. Subsequently, the loans are valued at amortized cost using the effective interest method, calculated considering the issue costs and any other premium or discount applicable to the regulation.

Liabilities due to pensions and employee severance indemnities

The defined benefit plans (as classified by IAS 19), in particular the Staff Severance indemnities relating to employees of the Parent Company and the subsidiaries with registered office in Italy, are recorded on the basis of assessments made at the end of each financial year by independent actuaries. The liability recognized in the balance sheet represents the present value of the obligation payable upon termination of employment, that employees have accrued at the balance sheet date. Please note that there are no assets servicing the plan.

As of 1 January 2007, the 2007 Finance Act and related implementing decrees introduced significant changes in the discipline of severance pay, including the worker's choice regarding the allocation of their accruing TFR to supplementary pension funds or the "Fund Treasury "managed by INPS.

It follows, therefore, that the obligation to INPS and the contribution to supplementary pension schemes, acquire within the meaning of 'IAS 19, the meaning off "Defined contribution plans", while the portions to retain to TFR fund maintain the nature "defined benefit plans".

These legislative changes introduced since 2007 have also led to a revision of the actuarial assumptions and the consequent calculations used to calculate staff severance indemnities, whose effects have been directly recognized in the income statement.

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

Compensation in the form of equity

The Group has recognized to the Chairman of the Board of Directors Renato Soru, additional benefits via equity plans (stock option plans). These plans have been approved by the Shareholders’s Meeting in February 2016 with the simultaneous authorization to the Board of Directors for the capital increase to service the same plan (Stock Option Plan 2015-2019).

The cost, represented by the fair value of the stock options as of the date of allocation will be 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 made in respect of the predictions made by the Directors, on the basis of judgments developed by the Group legal and tax advisors, about the likely burden believed reasonable will be taken for the fulfillment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfill 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.

Recognition of income

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 from services rendered are recognized in the income statement using the percentage of completion of the service and only when the result of the service can be reliably estimated.

Financial income and expense

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 current tax is determined on the taxable income. The taxable income for tax purposes differs from the result before taxes reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years; it further excludes items that are not taxable or deductible at all. The liability for current tax is calculated using tax rates enacted at the balance sheet date.

Major decisions in applying accounting policies and use of estimates

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

The recoverability of the main asset is based on estimates of income and cash flows that the Group believes 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 liabilities and charges

Provisions for risks and charges relating to potential legal and tax liabilities are made in respect of the predictions made by the Directors, on the basis of judgments developed by the Group legal and tax advisors, about the likely burden that can reasonably be will argued for the fulfilment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfill 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 processing of such data, as well as the determination of an appropriate discount rate, requires a significant extent, to make estimates.

Determination of Fair Value

Depending on the instrument or financial statements item to be estimated, the directors identify the most suitable method, doing as much as possible to objective market data. In the absence of market values, that is, quotations, valuation techniques are used with reference to those most commonly used.

Accounting standards, amendments and interpretations effective from 1 January 2015

Below the international accounting standards, changes to existing standards and interpretations, relevant for the Group, taking effect as from 1 January 2015.

- **IFRIC 21 - Taxes -** The interpretation defines the accounting treatment of liabilities for taxes and various government taxes income taxes in relation to the time when an entity can recognize these liabilities. The interpretation was approved by the European Union in June 2014 (EU Regulation 634/2014) and became applicable on Financial Statements which started from 17 June 2014 or later. The entry into force of this interpretation had no impact on the Group's consolidated financial statements.

- ***Annual improvements* to IFRSs 2011-2013 cycle** (Issued by the IASB in December 2013) - These amendments were endorsed by the European Union in December 2014 (EU Regulation 1361/2014), shall apply from 1 January 2015 and relate in particular to the following principles:

  - *IFRS 3 Business Combinations* - This amendment applies prospectively and, for the purposes of exclusion from the scope of IFRS 3, clarifies that: (i) are outside the scope of IFRS 3 not only joint ventures but also the joint arrangements; (Ii) this exclusion from the scope applies only to the accounting treatment in the financial statements of the joint arrangement same. The Tiscali Group is not a joint arrangement, therefore this amendment is not relevant to the Group and its subsidiaries.
  - *IFRS 13 Fair value measurement* - This amendment applies prospectively and clarifies that portfolio exception required by IFRS 13 can be applied not only to financial assets and liabilities, but also to other contracts under IAS 39. The Group does not apply the portfolio exception required by IFRS 13.
  - *IAS 40 Investment Property* - The description of additional services in IAS 40 distinguishes investment property and buildings used by the owner (e.g. property, plant and equipment). This amendment applies prospectively and clarifies that in determining whether a transaction is the purchase of an asset or business combination, must be used IFRS 3 and not the description of additional services of IAS 40. This change has no impact on the Group.

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 2015, and therefore not applicable, are listed briefly below. None of these standards or interpretations have been adopted by the Group in advance.

Standards approved but not yet in force

- **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 to the financial statements effective as of 1 February 2015, or later. No impacts are expected on the consolidated financial statements from the future application of these amendments.

- ***Annual improvements* to the IFRS, 2010-2012 Cycle** (issued by the IASB in December 2013) - These amendments, whose applicability is expected commencing upon the financial statements with effective date of 1 February 2015, or later, were approved by the European Union in December 2014 (Regulation EU 2015/28). The IASB has amended seven principles in force. Changes concern in particular: the definition of vesting conditions relating to the IFRS 2, *Share-based Payments;* accounting for contingent consideration balances in the context of business combination transactions in IFRS 3, *Business Combination Transactions;* the aggregation of operating segments and reconciliation of total assets of reportable segments compared to the total assets of the entity in IFRS 8, *Operating Segments;* the proportional restatement of cumulative amortisation in IAS 16 *Property, Plants and Equipment* and in IAS 38, *Intangible Assets*; as well as the identification and some information to be included in the financial statements in accordance with IAS 24 Disclosures on *Transactions with Related Parties*. No significant impacts are expected on the Group's consolidated financial statements from the future application of these amendments.

- ***Annual Improvements* to the IFRS, 2012-2014 Cycle** (issued by the IASB in September 2014) - It is a series of amendments to the IFRS, in response to issues raised in 2012-2014. Four standards are subject to amendments: 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*. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2343), and will apply to the financial statements effective as of 1 January 2016, or later. No significant impacts are expected on the Group's consolidated financial statements from the future application of these amendments.
- **Amendments to the IFRS 11** - **Accounting of equity interest acquisitions in jointly controlled assets** - The amendments provide guidance on accounting of equity interest acquisitions in jointly controlled assets constituting a business. These changes were approved by the European Union in November 2015 (EU Regulation No. 2015/2173), and will apply to the financial statements effective as of 1 January 2016, or later. No impacts are expected on the consolidated financial statements from the future application of these amendments.
- **Amendments to IAS 16 and IAS 38 - Clarification on acceptable depreciation methods** - These amendments are intended to clarify that amortization based on a revenue-based method is not considered appropriate as it reflects only the revenue stream generated by that asset and not, however, the pattern of consumption of the economic benefits embodied in the asset. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2231), and will apply to the financial statements effective as of 1 January 2016, or later. No impacts are expected on the consolidated financial statements from the future application of these amendments.
- **Amendments to IAS 1 - Disclosure Initiative** - The amendments aim at improving the effectiveness of the information and encourage companies to determine, on the basis of professional opinion, what information should be included in the budget, as it relates to the application of IAS 1. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2406), and will apply to the financial statements effective as of 1 January 2016, or later. Any possible impact on the financial statement disclosures arising from the application of these changes is under review.
- **Amendments to IAS 27 - Equity Method in Separate Financial Statements** – Amendments to IAS 27 will permit the entities to use the equity method for recording investments in subsidiaries, joint ventures and associates in separate financial statements. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2441), and will apply to the financial statements effective as of 1 January 2016, or later. Any impact arising from the adoption, in the separate financial statements, of the equity method for the evaluation of investments is under review.

Standards issued, but not yet approved

- **IFRS 9 - Financial Instruments** (issued in July 2014) - The IFRS 9 will ultimately replace the 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 arising from the future application of the standard are not quantifiable (expected as of 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).
- **IFRS 16 - Leases** - Published in January 2016, the new standard on leases, which will replace the current IAS 17, provides for the lessee a single accounting model under which all leases should be recognized in the balance sheet. In it, the concept of operational leasing disappears. The only exceptions permitted relate to short-term leases (less than or equal to 12 months), as well as leases for assets with a not-significant unit value, or small assets (for instance, pieces of office furniture, PC, etc.) for which accounting

treatment is similar to the principle adopted for currently operating leases. Said principle, whose entry into force is expected on 1 January 2019, has not yet been approved by the European Union. The quantification of the impact of the future application of the principle is currently under review.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the Consolidation Exception** – amendments published in December 2014, have the aim of clarifying certain applicative aspects on the fair value measurement of the investment entity subsidiaries. Said changes, whose entry into force is expected on 1 January 2017, have not yet been approved by the European Union. No impacts are expected on the consolidated financial statements from the future application of these amendments.
- **Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** – The amendments, published in September 2014, 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 not) a business, as defined by IFRS 3. Said changes, whose entry into force has been postponed to a yet-to-be-defined date, have not yet been approved by the European Union. No impacts are expected on the consolidated financial statements from the future application of these amendments.
- **Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses** - Changes, published in January 2016, are intended to clarify how to account for deferred tax assets related to debt instruments measured at fair value. Said changes, whose entry into force is expected on 1 January 2017, have not yet been approved by the European Union. No significant impacts are expected on the Group’s consolidated financial statements from the future application of these amendments.
- **Amendments to IAS 7 - Disclosure Initiative** - The changes are intended to improve disclosure of cash flows related to the net cash flow generated/absorbed by investing activities and to the entity's liquidity, especially in the presence of restrictions on the use of cash and cash equivalents. Said changes, whose entry into force is expected on 1 January 2017, have not yet been approved by the European Union. Any possible impact on the financial statement disclosures arising from the application of these changes is under review.

Revenues and Other income (note 1)

Operating revenues are represented by:

Revenues *(thousand of EUR)*	**2015**	**2014**
Revenues from services provided to Group companies	3,716	4,264
Revenues from services to third parties	115	135
Revenue	**3,831**	**4,399**
Other income	-	-
Other income	**-**	-
Total	**3,831**	**4,399**

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 geographical area *(thousands of EUR)*	**2015**	**2014**
Revenues from services provided to Group companies	**3,716**	**4,264**
Italia	3,716	4,264
Revenues from services to third parties	**115**	**135**
- Denmark	2	26
- South Africa	40	40
- Switzerland	-	7
- The Netherlands	24	24
Italy	49	**38**
	3,831	**4,399**

Purchase of materials and outsourced services (note 2)

(Thousands of Euro)	**2015**	**2014**
Purchase of external materials and services	1,739	1,376
Total	**1,739**	**1,376**

Costs for the purchase of materials and outsourced services include costs for external HQ consulting services for EUR 0.8 million, other costs for external services for EUR 0.6 million and insurance costs of EUR 0.3 million.

Payroll costs (note 3)

Payroll and related costs are stated in detail as follows:

(Thousands of Euro)	2015	2014
Wages and salaries	1,258	1,457
Other payroll costs	235	467
Total	**1,493**	**1,924**

The reduction of personnel costs compared to the previous financial year is equal to EUR 0.4 million. This decrease is partly justified by the issue of the variable remuneration component set aside in the previous financial years (included under Other personnel costs) for EUR 0.2 million.

At 31 December 2015, the Tiscali Group had 5 FTE employees. The breakdown by category and the corresponding balance at 31 December 2014 are presented below.

Category	2015	2014
Executives	5	5
Total	**5**	**5**

Other operating income/ (costs) (note 4)

The table below shows a breakdown of these costs:

EUR 000	2015	2014
Other operating costs/(income)	657	2,671
Total	**657**	**2,671**

The item includes excerpts of liabilities from previous years to about EUR 0.4 million and the positive reversal of the subsidiary Tiscali Italia S.p.A. the penalties for late payment accrued on the debt VAT of its competence of EUR 0.2 million.

Write-downs of receivables and other write-downs (note 5)

EUR 000	2015	2014
Write-down of receivables	35,249	165
Restructuring costs and other write-downs	2,117	1,415
Provisions for risks and charges	350	-
Total	**37,715**	**1,580**

The item “Restructuring costs and other write-downs” covers for EUR 0.8 million the costs incurred for the shift in the terms of reimbursement of Facility A1 provided for by the new agreement relating to the restructuring of the Senior debt signed on 23 December 2014 and the allowance for termination of the office of Director Luca Scano, who resigned in February 2016 equivalent to 1.1 million EUR.

The item “Write –down of receivables” refers instead to the devaluation of uncollectible receivables towards the UK subsidiary. These positions were generated in the period due to the transfer of liquidity needed to repay the principal and interest of the debt pursuant to the Restructuring Agreements, debt formally held by the UK subsidiary, but guaranteed, among others, by the Company.

Financial income (charges) (note 6)

EUR 000	2015	2014
Financial income		
Interest on bank deposits	-	-
Other	14	83
	14	**83**
Financial charges		
Interest and other charges due to banks	(3)	(4)
Other financial charges	180	(1,669)
	177	**(1,673)**
Net financial income (charges)	**191**	**(1,590)**

Net financial charges refer to EUR 0.2 thousand as adjustment to the calculation of default interest for late payment accrued on the VAT debt over prior years.

Income taxes (note 7)

EUR 000	2015	2014
Current taxes	(92)	49
Advance taxes	-	-
Other taxes	-	-
Net taxes for the year	**(92)**	**49**

The balance of current taxes includes the IRAP for the year, in the amount of EUR 29,000 and income from tax consolidation for IRES, amounting to EUR 121,000 .

Equity investment (note 9)

As of 31 December, 2015, this item included equity investments in subsidiaries, for a total of EUR 176 million.

SUBSIDIARIES	**31 December 2015**			**31 December 2014**		
(EUR 000)	***Cost***	***Revaluation (Devaluation)***	***Book value***	***Cost***	***Revaluation (Devaluation)***	***Book value***
Tiscali Finance SA	-	-	-	22,218	(22,218)	-
Tiscali Italia S.p.A.	150,123	-	150,123	136,170	-	136,170
World Online International N.V.	1,811,994	(1,811,994)	-	1,811,994	(1,811,994)	-
Tiscali UK Holdings Ltd	-	-	-	-	-	-
Aria S.p.A.	26,370	-	26,370	-	-	-
	1,988,487	**(1,811,994)**	**176,493**	**1,970,382**	**(1,834,213)**	**136,170**

The table below indicates changes for the period.

SUBSIDIARIES (EUR 000)	Balance 31 Dec. 2014	Increases	(Disposals)	*Revaluations/(Devaluations)*	Other changes	Balance 31-Dec-15
Tiscali Finance SA	-	41	(41)	-	-	-
Tiscali Italia S.p.A.	136,170	13,953	-	-	-	150,123
World Online International N.V.	-	-	-	-	-	-
Tiscali UK Holdings Ltd	-	-	-	-	-	-
Aria S.p.A.	-	30,620	-	-	(4,250)	26,370
	136,170	**44,614**	**(41)**	**-**	**(4,250)**	**176,493**

The increase in the value of the equity investment in Tiscali Italia S.p.A. amounting to EUR 13.9 million, refers to the waiver of the amount receivable due from the same subsidiary for the entire amount.

With reference to the investment in Tiscali Finance SA , whose book value was nil as at 31 December 2014, it is reported that in May 2015 the completion of the company's liquidation.

The most significant increase in the investments occurred during the financial year is the result of the operation of business combination with Aria Group,, specifically described in paragraph "4.4 Significant events during the year" in the Management Report which you are referred for further information.

The Operation was carried out on 24 December, 2015 through the merger ("Merger") by Tiscali of a newly formed company, Aria Italia S.p.A. ("Aria Italia"), whose balance sheet assets comprised: i) an investment representing the entire share capital of Aria S.p.A. ("Aria") as a result of a contribution made on 24 August, 2015, and appraised, pursuant to Article 2343 ter of the Civil Code, at a value of 34,6 million EUR ii) available liquidity of approximately EUR 42.4 million provided as a capital increase of the same amount, as approved by Aria Italia, by the Otkritie Disciplined Equity Fund ("ODEF"), headed by the Russian financial group Otkritie Holding, a financial partner in the operation.

The amount of EUR 42.4 million has been used at the effectiveness date of the Merger (24 December, 2015) to fully extinguish the Facility A1, pursuant to the Restructuring Agreements.

The Merger was carried out through a capital increase in Tiscali, by issuing n. 1.283.746.550 new ordinary Tiscali shares to be offered to Aria Italia shareholders based upon the exchange ratio of 50 Tiscali ordinary shares for each 3 ordinary shares of Aria Italia.

Following the merger, the shareholders of Aria have acquired a total shareholding of about 18% of the combined entity, while about 22% is held by ODEF, for a total of new shares equal to 40.81% of the combined entity.

For accounting purposes, as the vehicle Aria Italia could not be considered as *business* in accordance with the definition contained in IFRS 3, the operation has not been accounted for by applying what prescribed in the principle just mentioned.

Anyway, as required by the applicable standards, the consideration transferred for the acquisition of the net assets of Aria Italia (ie the newly issued Tiscali shares provided to the shareholders of Aria Italia) at fair value at the acquisition date (identified in December 24, 2015, effective date of the Merger) has been assessed. The fair value of the newly issued Tiscali shares was calculated by reference to the market price of Tiscali shares at the acquisition date (reference was made to the closing price of 23 December 2015, since December 24, 2015 is a closed market day) , equal to EUR 0.0569. The fair value of the consideration transferred, calculated by multiplying the number of shares issued at the said price for each share, amounts to EUR 73,045,178.

The difference between the fair value of the consideration at the date of acquisition and the nominal value of the newly issued shares (EUR 77,024,793, which is equal to the value of the capital increase in Tiscali, or n.. 1,283,746,550 shares at the issue price of EUR 0,06 each), amounting to about EUR 4.0 million, was then brought to a decrease of the investment in Aria acquired by Tiscali after the Merger with Aria Italia.

The carrying value of the investment in Aria so determined, amounting to approximately EUR 30.6 million, was subsequently adjusted by the amount of EUR 4.25 million, corresponding to the valuation of the equity instrument signed by Tiscali in the context of the financing of its subsidiary Aria.

On October 22, 2015, the subsidiary Aria and Rigensis Bank AS have signed a loan agreement subsequently integrated with an agreement signed between the parties on 16 December 2015 (the "Rigensis Loan"). The Agreement of 16 December 2015, also signed by the Company, declares the possibility that in case of non-repayment of the Rigensis Loan at the expiring date of March 30, 2018, the remaining debt will be converted into newly issued Tiscali ordinary shares to the previously agreed value EUR 0.06 per share. The repayment option through newly issued shares may be exercised by Tiscali.

As provided under IFRS, the conversion option exercisable by Tiscali ("Put Option") was accounted for separately in the financial statements of Tiscali, being an *equit*y instrument; in particular, that option was recognized at its fair value determined as at the date of 24 December 2015, the effective date of the contract (the Put Option was formally negotiated by the *amendment* to the Rigensis Loan signed on 16 December 2015, however, the agreement was dependent on completion of the merger, for which the effective date of the Put Option is equal to the effective date of the merger, 24 December 2015).

The fair value of the Put Option, estimated at the effective date of the Merger, was determined taking into account the following elements:

- Price of the underlying share or stock market price of Tiscali shares on the effective date of the Merger (without the quotation at December 24, 2015 - market closed - reference was made to the closing price of 23 December 2015);

- Price set for the exercise of the Put Option, or EUR 0.06 per share;

- Number of shares required for the repayment of the Rigensis Loan (n. 250,000,000);

- Volatility of the Tiscali share;

- Risk-free interest rate (risk free rate).

The fair value of the Put Option, estimated at EUR 4.25 million, was recorded as a decrease in the value of the investment in Aria, and a, as counterpart, accounting a negative equity reserve in accordance with what prescribed by IAS 32

Checks on the value reductions in equity investments in subsidiary companies

SUBSIDIARIES *(EUR 000)*	**Registered Offices**	**Share Capital**	**Shareholders' equity**	**Result**	**% Held**	**Book value**
Tiscali Italia S.p.A.	Cagliari	18,794	29,070	11,227	100%	150,124
World Online International N.V. (*)	Maarsen (NL)	115,519	-	-	99.5%	-
Tiscali UK Holdings Ltd (*)	London	59	(331,636)	(13,874)	100%	-
Aria S.p.A.	Rome	55,000	19,644	(34,897)	100%	26,370
Total						**176,494**

(*) Data as of 31 December, 2015, shown in the reporting packages drawn up for consolidation

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 no. 4 of 3 March 2010, in matter of application of the IAS/IFRS principles.

Verification of any loss in value of investments was carried out through the comparison between the book value of the equity investments as at December 31, 2015, and their recoverable value determined based on the following key elements:

- Participation in Tiscali Italia S.p.A.: the Plan assumes future cash flows not separable among the various Group companies as each other closely interconnected. Therefore, in order to identify the Enterprise value of Tiscali Italia we have proceeded to spin out of the Group Enterprise Value, the fair value of Aria S.p.A. determined as part of the purchase price allocation. This value has been properly adjusted for the net financial position in order to determine the equity value. The book value of the investment was therefore compared with the equity value;

- Participation in Aria S.p.A.: for accounting purposes of the business combination with the Aria Group in the Tiscali Group financial statements at December 31, 2015, the investment in Aria Spa has been valued at fair value as required by IFRS 3 Revised. For the assessment of recoverability on 31 December 2015 of the investment value, the carrying value of the investments itself as at 31 December 2015 (equal to the cost incurred, net of the adjustment to the fair value of the consideration at the date of the capital increase and net of the value of the Option on the Rigensis Loan) has been compared to its fair value.

The value in use of the Cash Generating Unit (CGU) was determined based on the cash flows for the years 2016 to 2020 resulting from the 2016-2021 Plan of Tiscali Group (as defined in the Note "*Significant events after year-end, business outlook and evaluations regarding the business continuity* ") approved by the Board of Directors on 25 March 2016. Moreover, for the purposes of the impairment test, a time period of five years was used and the normalised cash flow for the year 2020 has been used in order to determine the terminal value.

The main assumptions used to estimate the recoverable amount are:

- explicit forecast period equal to the residual plan duration (2016-2020);
- EBITDA arising from market and business development hypothesis;
- investments to maintain the expected development of the business and pre-established level of profitability;

- determination of the terminal value calculated as perpetuity based on the projection of the last year 2020;
- 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;
- long-term growth LTG) equal to 0%.

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

- 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 assessed in line with the conditions of current debt;
- the risk premium was assessed 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 8.54%.

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.

(i) 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 on 31 December 2015, an analysis was carried out 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. Such difference would continue to be positive. Furthermore, a sensitivity analysis on the long-term growth rate was also carried out: the 1% increase of that rate, similarly, would reduce the positive difference between the estimated recoverable value and book value; however, this difference would continue to be positive.

Other non-current financial assets (note 10)

(EUR 000)	31 December 2015	31 December 2014
Receivables from Group companies	2,431	2,210
Other receivables	-	-
Total	**2,431**	**2,210**

Other non-current assets include financial receivables due from Group companies amounting to EUR 2.4 million.

The financial receivables due from Group companies are detailed below:

(EUR 000)	**31 December 2015**	**31 December 2014**
Tiscali Business Gmbh	1,522	1,520
Tiscali Deutschland Gmbh	554	551
Tiscali Finance Sa	-	34
Tiscali Financial Services Sa	32	23
Tiscali International BV	251	-
Tiscali Italia S.p.A.	-	-
Tiscali Verwaltungs GmbH	73	73
	2,431	**2,201**

Receivables from customers (note 11)

(EUR 000)	31 December 2015	31 December 2014
Receivables from customers	2,531	1,586
Provision for doubtful receivables	(1,274)	(1,274)
Total	**1,257**	**312**

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 2015	31 December 2014
Tiscali UK Holdings Ltd	-	-
Tiscali Italia S.p.A.	1,176	210
Veesible S.r.l.	31	28
Total	**1,207**	**238**

The breakdown of receivables from customers by maturity is as follows:

(EUR 000)	31 December 2015	31 December 2014
Within 12 months	1,188	257
Between 1 and 5 years	69	55
Beyond 5 years		-
Total	**1,257**	**312**

The book value of trade receivables is approximate to their fair value. It is further emphasized that receivables from customers will be due within 12 months and do not present any overdue balances of a significant amount.

Other Receivables and other Current Assets (note 12)

(EUR 000)	31 December 2015	31 December 2014
Other receivables	470	910
Accrued income	-	-
Prepaid expenses	366	76
Total	**836**	**986**

Other receivables primarily include receivables from suppliers for advances made during the year, while prepaid expenses include costs related to the capital increase (approved by the Board of Directors on 29 December, 2015, and by the shareholders on 16 February, 2016) reserved in part for Rigensis Bank AS suspended until the operation is complete.

Liquid assets (note 13)

At the end of 2015, cash and cash equivalents totalled EUR 71,000 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 2015	31 December 2014
Share capital	169,077	92,052
Legal reserve	91	-
Other reserves	(14,931)	(3,482)
Result from previous fiscal years	(26,904)	(27,454)
Result for the fiscal year	(36,175)	550
Total	**91,158**	**61,667**

Changes in the various shareholders' equity items are detailed in the relevant table, to which reference should be made.

Following the merger by incorporation of Aria Italia S.p.A. into Tiscali S.p.A., on 24 December, 2015, which is described in the Equity Investments note, the Company has increased its share capital by issuing a total of 1.283.746.550 ordinary shares without nominal value offered to shareholders of Aria Italia based upon the exchange ratio of 50 Tiscali ordinary shares for each 3 ordinary shares of Aria Italia.

As a result of the exchange ratio indicated in the merger plan, the shareholders of the Aria Group own an interest in Tiscali of 40.81%. Following these issues, the share capital as at 31 December, 2015 amounts to EUR 169,076,822.67.

The costs incurred for the capital increase , amounting to EUR 3.2 million , were recorded as a reduction of shareholders' equity , under the item *Other reserves* , in accordance with the relevant accounting standards .

The item *Other reserves* also includes the recognition of the Put Option described to Equity investments , whose value amounted to EUR 4.25 million.

The number of shares representing the Parent Company's share capital amount to 3,145,281,893 lacking par value, compared with 1,861,535,343 shares as at 31 December, last year.

At the end of fiscal year, Tiscali SpA reported a loss of 36,2 million EUR, which, when added to the losses of previous years carried forward, equal to 26.9 million EUR, determines the occurrence of events contemplated in Article 2446 of the Civil Code, which is the loss of more than one third of the share capital.

The following table shows the composition of the shareholders' equity with reference to availability and its distributable nature:

Detailed statement of Shareholders' Equity items						Summary of uses in the last 3 accounting periods	
	Amount	Utilisation options	Available shares	Available shares with no tax effect	Available share with tax effect	Loss coverage	Other
Share capital	169,077		-	-	-	-	-
Legal reserve	91	B					
Premium Reserve	24	B				-	
Other reserves	(15,000)						
Other reserves Aria S.p.A.	45						
Result from previous fiscal years	(26,904)						
Result for the fiscal year	(36,175)		-	-	-	-	-
Total	**91,158**		**--**	**-**	**-**	**-**	**-**

Utilisation options – Key:

A For share capital increases
B For loss coverage
C For distribution to shareholders

Other non-current liabilities (note 15)

EUR 000	31 December 2015	31 December 2014
Payables to Group companies	31,015	3,918
Other payables	-	-
Total	**31,015**	**3,918**

The balance of Other non-current liabilities primarily concerns financial payables due to group companies for 31 million EUR, illustrated in detail in the table below:

(EUR 000)	31 December 2015	31 December 2014
Tiscali Gmbh	3,518	3,555
Tiscali Italia S.p.A.	24,134	-
Tiscali International Network BV	26	26
Indoona S.r.l.	7	5
Istella S.r.l.	4	2
Veesible S.r.l.	3,327	330
Total	**31,015**	**3,918**

The breakdown of Other non-current liabilities by maturity is as follows:

(EUR 000)	31 December 2015	31 December 2014
Between 1 and 5 years	31,015	3,918
Beyond 5 years	-	-
Total	**31,015**	**3,918**

Liabilities for pension obligations and staff severance indemnities (note 16)

The table below shows the changes during the period:

(EUR 000)	31 December 2014	Increases	Decreases	Other changes	31 December 2015
Staff severance indemnities	208	63	(60)	(7)	204
Total	**208**	**63**	**(60)**	**(7)**	**204**

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

Financial assumptions

Inflation rate: 1.75%

Discount rate: 2%

Demographic assumptions:

Mortality: 2013 SIM mortality tables, M/F

Disability: 1998 INPS disability tables, M/F

Resignation: 3.50% from 20 to 65 years of age

Advance payments: *3% from 20 to 65 years of age*

Retirement pension: 66 years and 3 months for men, and 63 years and 9 months for women;

Retirement pension: 42 years and 6 months for men, and 41 years and 6 months for women;

Provisions for risks and charges (note 17)

The table below shows the changes during the period:

EUR 000	31 December 2014	Increases	Decreases	31 December 2015
Provisions for employee dispute risks and charges	332	-	(100)	232
Provision for reorganisation charges	18,011	-	(18.011)	-
Other provisions for risks and charges	6	450	-	456
Total	**18,349**	**450**	**(18,111)**	**688**

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, 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., was fully utilized to cover the liquidity transferred to the UK subsidiary needed to repay principal and interest in accordance with the Restructuring Agreements expiring during the year.

Payables to banks and other lenders (note 18)

There are no debts to banks and other lenders at the balance sheet date .

Payables to suppliers (note 19)

EUR 000	31 December 2015	31 December 2014
Trade payables to third parties	5,510	3,729
Trade payables to Group companies for materials and services	634	161
	6,144	**3,889**

Trade payables to third party suppliers relate mainly to payables for professional consulting services. The increase compared to the previous year, amounting to EUR 2.2 million, it is primarily attributable to professional fees incurred for the business combination with the Aria Group.

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.

Trade payables due to Group companies are detailed below:

EUR 000	31 December 2015	31 December 2014
Tiscali Italia S.p.A.	634	161
	634	**161**

Other current liabilities (note 20)

EUR 000	31 December 2015	31 December 2013
Accrued charges	-	-
Deferred income	3	6
Other payables to Group companies	33,640	33,640
Other payables to third parties	18,237	18,360
Total	**51,880**	**52,006**

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, in particular, the VAT debt is equal to EUR 12.6 million and the debt for penalties and interest on late payments amounted to EUR 3.3 million .

Guarantees provided and commitments (note 21)

Guarantees given are detailed as follows:

EUR 000	31 December 2015	31 December 2014
Guarantees given to third parties (sureties)	173,068	193,850
Commitments	1,600	1,600
Total	**174,668**	**195,450**

Sureties given include EUR 83 million in relation to the guarantee provided 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 54 million, carried out by the subsidiary Tiscali Italia S.p.A.

The remaining EUR 37 million are related to guarantees issued by the parent company for credit lines and leased to 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.

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-15**	**31 Dec. 2014**
A. Cash	-	-
B. Other cash equivalents	71	368
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	**71**	**368**
E. Current financial receivables	**837**	**986**
F. Current bank payables	-	-
G. Current portion of non-current debt		
H. Other current financial payables	33,640	33,640
I. Current financial debt (F) + (G) + (H)	**33,640**	**33,640**
J. Net current financial debt (I) – (E) – (D)	**32,732**	**32,286**
K. Non-current bank payables	-	-
L. Bonds issued	-	-
M. Other non-current payables to Group companies	31,015	3,918
N. Other non-current payables to third parties	-	-
O. O. Non-current financial debt (K) + (L) + (M) + (N)	**31,015**	**3,918**
P. Net financial debt (J) + (O)	**63,748**	**36,204**

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 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.

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.

Transactions with related parties

During 2015, 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 2015 arising from transactions with related parties.

The effects on the income statement are indicated as follows:

INCOME STATEMENT	**2015**	**of which related parties**	**% Incidence**
(EUR 000)			
Revenues	3,831	3,716	97%
Other income	-		
Purchase of materials and outsourced services	(1,739)	(596)	34%
Payroll and related costs	(1,492)	(1,508)	101%
Other operating costs	657		
Write-downs of receivables from customers	(35,249)	(35,249)	100%
Restructuring costs and other write-downs	(2,467)	(1,120)	45%
Amortisation/depreciation	-		
Operating result	**(36,458)**	**(34,757)**	
Portion of result of equity investments carried at equity	-		
Net financial income (charges)	192	7	3%
Pre-tax result	**(36,266)**	**(34,750)**	
Income taxes	92		
Net result from operating activities (on-going)	**(36,175)**	**(34,750)**	
Result from assets disposed of and/or destined for disposal	-		
Net result	**(36,175)**	**(34,750)**	

INCOME STATEMENT	2014	of which related parties	% Incidence
(EUR 000)			
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**	

The effects on the balance sheet were as follows:

BALANCE SHEET *(EUR 000)*	**31-Dec-15**	**of which related parties**	**% Incidence**
Non-current assets	178,925	2,431	1,36%
Current assets	2,165	1,207	55,74%
Total Assets	**181,090**	**3,638**	
Shareholders' equity	91,158		
Total Shareholders' equity	**91,158**		
Non-current liabilities	31,907	31,015	97,20%
Current liabilities	58,025	35,943	61,94%
Total Liabilities and Shareholders' equity	**181,090**	**66,958**	

BALANCE SHEET *(EUR 000)*	**31 December 2014**	**of which related parties**	**% Incidence**
Non-current assets	138,370	2,201	1,59%
Current assets	1,666	238	13,85%
Total Assets	**140,036**	**2,438**	
Shareholders' equity	61,667		
Total Shareholders' equity	**61,667**		
Non-current liabilities	22,475	3,918	17,43%
Current liabilities	55,895	33,640	60,13%
Total Liabilities and Shareholders' equity	**140,036**	**37,558**	

The most significant balances, at 31 December 2015, summarized by service supplier, are as follows:

INCOME STATEMENT VALUES		**2015**				2014			
EUR 000		Costs	Devaluations	Interest income/ (expense)	Revenues	Costs	Devaluations	Interest income/(expense)	Revenues
Tiscali Business Gmbh	1	-	-	2	-	-	-	15	-
Tiscali Gmbh	1	-	-	(1)	-	-	-	(8)	-
Tiscali International BV	1	-	-	1	-	-	-	5	-
Tiscali International Network BV	1	-	-	-	-	-	-	-	-
Tiscali Italia S.p.A.	1	(375)	-	-	3,716	(2,474)	-	-	4,264
Tiscali UK Holdings Ltd	1	-	(35,249)	5	-	-	(138)	(1,153)	-
Total Group companies		**(375)**	**(35,249)**	**7**	**3,716**	**(2,474)**	**(138)**	**(1,141)**	**4,264**
Other related parties									
Statutory Auditors		(85)							
Directors		(782)							
key management		(861)	(1,120)						
Other related parties		**(1,729)**	**(1,120)**	**-**	**-**	**-**	**-**	**-**	**-**
Total Group companies and other related parties		**(2,104)**	**(36,369)**	**7**	**3,716**	**(2,474)**	**(138)**	**(1,141)**	**4,264**

ASSET VALUES *EUR 000*	Notes	**31 December 2015**						
		Trade receivables	Financial receivables	Trade payables	Financial payables (within 12 months)	Financial payables (over 12 months)	Payables to employees	Other current liabilites
Tiscali Business Gmbh	1	-	1,522	-	-			
Tiscali Business UK Ltd	1	-	-	-	-			
Tiscali Deutschland Gmbh	1	-	554	-	-			
Tiscali Finance Sa	1	-	-	-	-			
Tiscali Financial Services Sa	1	-	32					
Tiscali Gmbh	1	-	-	-	-	3,518		
Tiscali International BV	1	-	251	-	33,640			
Tiscali International Network BV	1	-	-	-	-	26		
Tiscali Italia S.p.A.	1	1,172	-	634	-	24,134		
Tiscali UK Holdings Ltd	1	-	-	-	-			
Tiscali Verwaltungs GmbH	1	-	73	-	-	-		
Indoona S.r.l.	1	-	-	-	-	7		
Istella S.r.l.	1	-	-	-	-	4		
Veesible S.r.l.	1	35	-	-	-	3,327		
Total Group companies		**1,207**	**2,431**	**634**	**33,640**	**31,015**		
Other related parties:				133				
Statutory auditors								
Directors							246	75
key management							96	1,120
Other related parties		**-**	**-**	**133**	**-**		**341**	**1,195**
Total Group companies and other related parties		**1,207**	**2,431**	**766**	**33,640**	**31,015**	**341**	**1,195**

(1) Group companies

ASSET VALUES	Notes	31 December 2014				
EUR 000						
		Trade receivables	Financial receivables	Trade payables	Financial payables (within 12 months)	Trade payables (over 12 months)
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						
Other related parties		**-**	**-**	**-**	**-**	
Total Group companies and other related parties		**238**	**2,201**	**161**	**33,640**	**3,918**

(1) Group companies

Disputes, contingent liabilities and commitments

During the normal course of its business, the Tiscali Group is involved in certain legal and arbitration proceedings, as well as being subject to tax audit.

The following is a summary of the main proceedings in which the Group is involved.

<u>Civil and administrative proceedings</u>

TeleTu Litigation

On June 2011, Tiscali Italia sued, TeleTu SpA, at the Court of Milan, demanding damages of approximately EUR 10 million caused by unlawful conduct by the defendant in user migration during the period of January 2009-April 2011. The defendant filed a counterclaim for alleged similar acts performed by Tiscali Italia, in turn demanding damages of more than EUR 9 million. The outcome of the case is not predictable.

Consip procedure

On 13 January 2016 at TAR Latium, the hearing took place on the merits of the appeal submitted by Telecom Italia and Fastweb against the awarding procedure of the SPC Consip tender award to Tiscali Italia. The decision of the Administrative Court is awaited and the outcome of the appeal is not predictable

WOL Litigation

In connection with participation in World Online International BV company, which was acquired by the Group in 2000, it is reported that in July 2001, the Dutch association Vereniging van Effectenbezitters and the Stichting VEB-Actie WOL, representing a group of approximately 10,000 former minority shareholders of World Online International NV (hereinafter "WOL") minority, issued a claim against WOL (currently 99.5% owned by Tiscali) and against 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 listing prospectus of WOL and of certain public statements made by WOL and its Chairman, immediately before and after the listing.

By decision of 17 December 2003, the Dutch Court of First Instance held that in certain press releases issued by WOL prior to 3 April 2000 did not sufficiently clarify comments made by its former Chairman at the time of listing of its participation equity. Consequently, WOL was deemed liable in respect of persons who subscribed to the company's shares during the IPO of 17 March 2000 (the start date of trading) and which acquired shares on the secondary market until 3 April 2000 (the date on which a press release was issued, specifying the actual shareholding held by the former Chairman of WOL). WOL has appealed against this decision referencing the accuracy of the listing prospectus.

The Court of Appeal of Amsterdam on 3 May 2007 partially amended the decision of the Court of First Instance, holding 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; In addition it was felt that the WOL had created optimist expectations on its business.

On 24 July 2007, the above-mentioned association and the foundation submitted an appeal to the Dutch Supreme Court against the Court of Appeal's judgment. On 2 November 2007, WOL and financial institutions tasked with the stock market listing filed their counter-appeal. The Dutch Supreme Court issued its final ruling in November 2009, upholding the judgment of Appeal and ruled that the listing prospectus was not complete in some aspects, which management of WOL would have provided additional information during listing . It should be mentioned, that the ruling is limited to ascertaining certain aspects of WOL liability and financial institutions tasked with the stock market listing by reference to the full the obligations on disclosure of the IPO and defines certain principles that might be considered applicable to future court decisions (e.g. regarding the causal link), while not ruling on the actual expectancy of any damage, which should be the subject of new, separate and independent proceedings before the competent courts by investors; to date, no such proceedings have been initiated.

A dispute of a similar nature to that described above was undertaken by another Dutch foundation, Stichting Van der Goen WOL Claims, in August 2001, and letters were subsequently received from other parties, hypothesising to proceed with similar actions, if the conditions should apply.

In August 2013, the Tiscali Group, also taking into account the existing insurance coverage, has entered into a settlement agreement with the financial institutions, under which the same financial institutions waive any claim for damages towards WOL in relation to transactions with the shareholders' associations mentioned above

The agreement provides for a payment by WOL, of a sum of EUR 1.75 million, carried out in September 2013.

We also report that Stichting Van der Goen WOL Claims in December 2011 made an additional request for compensation on behalf of 28 other shareholders entitled, in which it is suggested to proceed with legal proceedings. Such a claim is outside the aforementioned settlement agreement that the Tiscali Group finalized with financial institutions. Said Stichting Van der Goen WOL Claims reiterated its claims in a letter dated 6 March 2013, and subsequently initiated legal proceedings, received on 19 June 2014, against WOL and financial institutions tasked with the listing of the same WOL.

On 1 October 2014 WOL filed the defence briefs which was followed by the submission of briefs by Van der Goen on 7 January 2015. WOL has submitted its observations on 1 April 2015.

On 22 October 2015 the Dutch Tiscali Attorneys have been informed by the Attorneys of the banks that they have agreed with Stichting Van der Goen WOL Foundation on the terms of a possible settlement agreement, later reached. With this in mind, the parties jointly requested the Court, and obtained, the suspension of the proceedings.

In March 2016, World Online N.V., part of The Tiscali Group, entered into a settlement agreement with certain financial institutions in relation to the claim of certain former shareholders of Telinco Ltd, employees and management staff of Telinco Ltd and certain of their family members and dependants.

The agreement entails overall costs for WOL of EUR 0.3 million and brings an end to the dispute with aforementioned shareholders of Telinco Ltd

Proceedings of a criminal nature

In September 2013, Tiscali SpA received, pursuant to Legislative Decree 231/2001, a notice of conclusion of preliminary investigations into alleged conduct of false corporate communications related to the financial statements from 2008 to 2012; the subsidiary Tiscali Italia received the same notice in January 2014. The offense refers to alleged incorrect accounting entries in respect of provisions for doubtful debts. Under Article. 25-ter, Letter c), Legislative Decree 231/2001, if convicted only monetary sanctions of 400 to 800 shares would be applicable. The preliminary hearing stage is being carried out, and the Company has put in place the necessary defensive activities.

Remuneration of the directors, statutory auditors and executives with strategic responsibility

Pursuant to 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	Total
				Other benefits		
Board of Directors						
Renato Soru	Chairman and Chief Executive Officer	in office from 30/04/15 to 16/02/2016	350,000	58,723	72,000	480,723
Gabriele Racugno	Director	in office from 30/04/15 to 16/02/2016	25,000			25,000
Luca Scano	Director	in office from 30/04/15 to 16/02/2016	25,000	1,728	200,000	226,728
Assunta Brizio	Director	in office from 30/04/15 to 16/02/2016	25,000			25,000
Franco Grimaldi	Director	in office from 30/04/15 to 16/02/2016	25,000			25,000
			450,000	**60,451**	**272,000**	**782,451**

Name and surname	Position	Term of office	Emoluments for office	Benefits in kind	Other forms of remuneration	Total
Paolo Tamponi	Chairman	in office from 30/04/15 to 16/02/2016	35,000			35,000
Piero Maccioni	Statutory Auditor	in office from 15/05/2012 to 30/04/2015	8,333			8,333
Andrea Zini	Statutory Auditor	in office from 30/04/15 to 16/02/2016	25,000			25,000
Rita Casu	Statutory Auditor	in office from 30/4/2015 to 16/2/2016	16,667			16,667
			85,000	-	-	**85,000**

It is also to be noted that, the total cost incurred in 2015 for the key management personnel's compensation amounts to approximately EUR 1,9 million, of which EUR 1.1 million refers to the termination's indemnity in favour of the Director and General Manager of Tiscali Italia S.p.A. Luca Scano, who resigned on February 19, 2016.

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 2015 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	Reconta Ernst & Young S.p.A.	Parent Company - Tiscali S.p.A.	272
Other professional services	Reconta Ernst & Young S.p.A.	Parent Company - Tiscali S.p.A.	860
	Ernst & Young Financial Business Advisory SpA	Parent Company - Tiscali S.p.A.	50
Total			**1,182**

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 Executive Chairman, 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 2015.

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 2015:

- are consistent with the results of accounting books and entries;
- 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;
- 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.
- In conclusion, it is hereby certified that the Parent Company's Report on operations, jointly presented with the Consolidated Report on Operations into a single document, it includes a reliable analysis of the progress and the results of operations, as well as the issuer's situation, and together a description of main risks and uncertainties to which it is exposed.

Cagliari, Italy, 25th March 2016

The Executive Chairman

Renato Soru

The Executive appointed to draw up the Corporate Accounting Documents

Pasquale Lionetti

8 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.
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.
Fibre Optic	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.
GigaEthernet	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.

Home Network	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.
Hosting	Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.
Incumbent	Former monopoly operator active in the telecommunications field.
IP	Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol), created for interconnecting ungrouped networks by technology, services and handling.
IPTV	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
IRU	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.
ISDN	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.
Internet Service Provider or ISP	Company that provides Internet access to single users or organisations.
Leased lines	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.
LTE-TDD	Long Term Evolution Time Division Duplex is a mobile data transmission technology that follows international standards developed for LTE and 4G networks. It is a network technology that uses a single frequency to transmit, and it does by alternating between uploading and downloading data with a ratio of dynamic adaptation based on the amount of data exchanged
MAN	Acronym for Metropolitan Area Network, a fibre optic network that extends across a metropolitan area and links a Core Network to an Access Network.
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.

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).
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.
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.

9 Reports

Report of the Board of Statutory Auditors to the shareholders
pursuant to Art. 153 of Legislative Decree no. 58/98

At the Shareholders' Meeting of Tiscali S.p.A

This report has been prepared by the Board of Auditors appointed by the Shareholders' Meeting held on 16 February 2016, for three years, until the approval of financial statements at 31.12.2017, consisting of Paolo Tamponi, Chairman, Emilio Abruzzese and Valeria Calabi, Standing Auditors, and as regards the activities of the previous Board, of which the current Chairman was part, is based on the documented results.

During the year ended December 31, 2015, the Board carried out the supervisory activities required by law, according to the principles of conduct of the Board of Statutory Auditors recommended by the National Board of Certified Public Accountants.

Given that the analytical review on the content of the - statutory and consolidated - financial statement is not attributed to the Board, said Board reports to have supervised the general terms attributed to it, as well as compliance with law for its form and structure.

Also in compliance with the guidelines provided by CONSOB with communication dated 6 April 2001, subsequently supplemented with communications no. DEM / 3021582 of 4 April 2003 and no. DEM / 6031329 of 7 April 2006, the Board reports the following:

a) supervised compliance with law and articles of association;

b) obtained from the Directors, with the intervals provided for by Art. 14 of the Articles of Association, with the relevant information on the most significant economic, financial and balance sheet transactions carried out by the Company also through its subsidiaries; the Board can reasonably assure that the actions approved and implemented complied with the law and the Articles of Association and were not patently imprudent, risky, or in potential conflict of interest or in contrast with the resolutions passed by the Shareholders' Assembly or such to undermine the integrity of corporate assets;

c) verified and monitored, within the scope of its abilities, the organizational structure of the Company, compliance with the principles of correct administration and the adequacy of the provisions given by the Company to its subsidiaries pursuant to Art. 114, Paragraph 2 of Legislative Decree no. 58/98, by collecting information from the various departments and meetings with the auditing company in order to exchange relevant data and information, and in this respect has no particular comments to make;

d) held regular meetings with the Board of Auditors of the subsidiary Tiscali Italy S.p.A for the reciprocal exchange of data and information; it should be noted that the company Aria S.p.A has joined the Tiscali Group with effect from the date of effect of the merger in December 2015. To this regard, no significant data and information that should be included in this report was found;

e) assessed the adequacy of the internal control and administrative-accounting system and the reliability of the latter in correctly representing management, by i) the examination of the Manager responsible for preparing the financial reports of the company on the Administrative and Accounting and on the Internal Control System on Corporate Disclosure produced every six months; ii) the examination of the Internal Audit report on the internal control and risk management system; iii) The examination of the internal audit reports; iv) relationships with management and the supervisory body of the subsidiary Tiscali Italy S.p.A, pursuant to paragraphs 1 and 2 of Art. 151 of Legislative Decree 58/98; iv) participation in the work of the Risk Control Committee, established under the Board of Directors and consists of three members, two of which are independent members of said board; v) obtaining information from the managers of the respective departments; vi) examining company documents and analysing the results of the work done by the external auditing company. From the activities carried out, no situations or critical issues were found to deem the Internal Control System inadequate;

f) examined and obtained information on organizational and procedural activities carried out pursuant to Legislative Decree 231/2001 and subsequent supplements and amendments, on the administrative liability of Entities for offenses governed by said legislation. This activity is illustrated in the Report on corporate governance and ownership structure which may be referenced. The Supervisory Body has reported on its activities during FY 2015, without reporting facts or situations that should be highlighted in this Report, that, except as already stated by the Board of Directors in the Annual Financial Report at 31 December 2015, on the pending criminal proceedings for the alleged offense of false corporate accounting related to the financial statements from 2008 to 2012, for alleged underestimation of provisions for doubtful accounts. Tiscali S.p.A and the company Tiscali Italy S.p.A are parties in the above-stated proceedings according to law 231/2001. Currently, the preliminary hearing stage is in progress and the Company has put in place the necessary defence activities.

g) The Board of Directors, in the management report and in the notes to the financial and consolidated statements - in accordance with the Regulations for the execution of transactions with related parties, entered into force on 1 January 2011 - has exhaustively shown the transactions which took place with subsidiaries and related parties, specifying their financial effects. Transactions with related parties were broken down in the management report which summarises the balance sheet and income statement amounts that may be referenced under the specific paragraph of the consolidated financial statements entitled "*Related party transactions*". The Board did not detect any atypical or unusual transactions with third parties, group companies or related parties;

h) during the year there were no complaints pursuant to Art. 2408 of the Italian Civil Code, nor petitions from third parties;

i) held meetings with representatives of the external auditing company, in accordance with Art. 150 Paragraph 2 of Legislative Decree 58/98 and Art. 19, Paragraph 1 of Legislative Decree 39/10, during which no significant data or information was found that should be highlighted in this Report; the accounting firm Reconta Ernst & Young S.p.A, today has issued its reports on the financial statements and consolidated financial statements as at 31 December 2015, prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The reports show that the financial statements and consolidated financial statements of Tiscali S.p.A provide *"a true and fair view of the balance sheet and financial position of Tiscali* S.p.A *as at 31 December 2015, of the financial performance and cash flows for the year then ended"*; they also include references to information on the economic, equity and financial, situation on the main initiatives taken by the directors and the elements and evaluations described by the Directors in support of the adoption of the going concern basis in preparing the financial statements. The auditing firm also stated that the management report and the report on corporate governance and ownership structure, limited to the information indicated in Art. 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the financial statements;

j) as already noted in the Board report for FY 2014, the Board of Directors of 16 February 2015, in the exercise of the powers conferred by the Extraordinary Shareholders' Meeting of 30 January 2015, has resolved to increase the share capital with the exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, for a maximum amount of one billion shares, to be reserved for subscription by Société Générale. The above-mentioned operation is part of the agreements with *senior* creditors of the Group for the restructuring of *senior* debt deriving from *Group Facility Agreement* signed in 2009. To date, the delegation of the directors has not yet been exercised;

k) during 2015 the merger transaction was concluded with the Aria Group, by the incorporation into Tiscali S.p.A of the newly formed company, Aria Italy S.p.A. The Aria Italy S.p.A company, had the entire share capital of the Aria S.p.A company in the balance sheet assets, carried at a value of approximately EUR 34.6 million, and free cash flow of EUR 42.5 million, used to for full settlement of Facility A1 for Tiscali's debt pursuant to *Group Facilities Agreement.* - GFA. Due to the merger, the share capital was increased to approximately EUR 77 million by issuing a total of 1,283,746,550 ordinary shares of no par value in favour of the shareholders of Aria Italia according to the exchange ratio of 50 Tiscali ordinary shares for each 3 ordinary shares of Aria Italia. The merger was approved by the Shareholders' Meeting on 29 September 2015 and became effective on 24 December 2015;

l) today, the auditing company issued the Report pursuant to Art. 19, Paragraph 3 of Legislative Decree 39/10;

m) in compliance with Art. 149, Paragraph 1, Lett. c) bis of Legislative Decree 58/98, we acknowledge that the Directors in their report on Corporate Governance specify that the Tiscali Group adopted and adheres to the Code of Conduct for Italian Listed Companies issued in March 2006 (updated July 2015). Adherence to the rules provided by the above-stated Code was observed by us in practice and has been the subject, in its various aspects, of the report on Corporate Governance that the Board of Directors places at your disposal, and which may be referenced to provide you with more appropriate and more detailed information in this regard; The Board has also verified the correct application of the criteria and procedures adopted to evaluate the independence of Board Members qualified as independent, as well as compliance with the independence criteria by individual members of the Board, as required by the code;

n) during 2015, the Reconta Ernst & Young S.p.A company has audited the financial statements and consolidated financial statements - entrusted by the Shareholders' Meeting on 29 April 2008 - for a total cost of EUR 444 thousand. The total fees for FY 2015 may be summarised as follows:

	EUR/000
Statutory audit services:	
Parent Company - Tiscali S.p.A	272
Subsidiary companies	172
Other professional services:	
Parent Company - Tiscali S.p.A	860
Subsidiary companies	45
Other services provided by entities of the Ernst & Young network.	50
Total	1,400

The amount of EUR 860,000 - other professional services - include the fee of EUR 360,000 for issuing an report by an expert appointed by the Court, pursuant to Art. 2501, Paragraph 3 of the Italian Civil Code, part of the merger by incorporation of the Aria Italy Spa into Tiscali S.p.A, the remuneration of EUR 70,000 for issuing of the fairness opinion of the criteria of determination of the issue price of the shares for capital increase with exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, and the fees relating to the issue of the reports of the external auditing company on the pro forma data and forecast data in support of the prospectuses of the above-mentioned transactions.

Taking into account: (i) the annual independence confirmation letter issued by Reconta Ernst & Young S.p.A pursuant to Art. 17, Paragraph 9 of Legislative Decree 39/10; (ii) the transparency report produced by the same in accordance with Art. 18, Paragraph 1 of Legislative Decree 39/10 and published on its website; (iii) the duties assigned to it by Tiscali S.p.A and other group companies, the Board of Statutory Auditors does not consider that there are critical issues related to the independence of Reconta Ernst & Young S.p.A;

o) during 2015, the accounting firm Reconta Ernst & Young S.p.A issued the following opinions required by law, in addition to the by-yearly report as at 30 June 2015:

- On 9 January 2015, the opinion of fairness of the criterion for determining the issue price of shares for the capital increase with exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, for a maximum amount of one billion shares, to be reserved for subscription by Société Générale.
- On 28 August 2015, the report of the auditing company on the share exchange ratio pursuant to Art. 2501 of the Italian Civil Code as part of the merger by incorporation of the Aria Italy Spa company into Tiscali Spa.

It is also reported that during the initial months of 2016, the following additional opinions required by law were issued:

- on 22 January 2016, the report of the independent auditing company on the issue price of the shares related to the capital increase with exclusion of option rights pursuant to Art. 2441, Paragraphs five and six, of the Italian Civil Code, and Art. 158, Paragraph one of Legislative Decree 58/98, for a maximum number of 250,000,000 shares reserved to Rigensis Bank;
- on 22 January 2016, the report of the independent auditing company on the issue price of the shares related to the capital increase with exclusion of option rights pursuant to Art. 2441,

Paragraphs five and six, of the Italian Civil Code, and Art. 158, Paragraph one of Legislative Decree 58/98, for a maximum number of 252,622,551 shares, in service of a maximum 252,622, 551 options reserved for the Chairman of Tiscali Spa, Renato Soru, as beneficiary of the stock option plan 2015-2019;

p) on 30 April 2015, expressed its favourable opinion to the following resolutions adopted by the Board of Directors:

- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, the appointment of the Manager responsible for preparing corporate documents;

- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the approval of the Risk Control Committee, the appointment of the head of internal auditing;

- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remunerations, with the favourable opinion of the Risk Control Committee, upon appointment of the Supervisory Board members;

q) on September 14, expressed a favourable opinion, on the following resolutions adopted by the Board of Directors:

- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the favourable opinion of the Risk Control Committee, upon the appointment of the head of internal control replacing the previously appointed party, who resigned;

- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the favourable opinion of the Risk Control Committee, upon the appointment of one of the members of the Supervisory Board, replacing the previously appointed party, who resigned;

r) it issued, according to law, the opinion pursuant to Art. 2389, Paragraph 3 of the Italian Civil Code regarding the remuneration of Directors with special duties;

s) the supervisory activities described above were carried out in thirteen Board meetings, six meetings of the Committee for Risk Control, and participating in all nine meetings of the Board of Directors, pursuant to Art. 149, Paragraph 2 of Legislative Decree no. 58/98;

t) during the course of the supervisory activity carried out and based on the information obtained by the external auditing company, no omissions and / or reprehensible actions and / or irregularities were found or significant events that would require reporting to the control bodies or mention in this Report. With regard to the disciplinary proceedings initiated by Consob against Tiscali S.p.A for failing to make available to the public within a period of 120 days from the end of the year, pursuant to Article 154-ter, Paragraph 1 of the Consolidated Finance Act, the financial report 2013, and its annexes, as well as the interim report at March 31, 2014 within a period of 45 days from the end of the quarter, we note that, during 2015, Consob announced the dismissal of the proceeding without the adoption of any disciplinary provisions.

Within the scope of our competence, we express a favourable opinion to the approval of the financial statements as at 31 December 2015 jointly with the management report and the resolutions proposed by the Board of Directors and with reference to provisions pursuant to Art. 2446 of the Italian Civil Code, the specific report with the comments of the Statutory Board of Auditors, may be referenced.

Cagliari, 6 April 2016

THE BOARD OF STATUTORY AUDITORS

PAOLO TAMPONI

EMILIO ABRUZZESE

VALERIA CALABI

INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of

Tiscali S.p.A.

Report on the consolidated financial statements

We have audited the annexed consolidated financial statements of Tiscali Group, consisting of the statement assets and liability and financial position as at 31 December 2015, the income statement and statement of comprehensive income, from the statement of changes in shareholders' equity, the cash flow statement for the year ending on said date, from a summary of significant accounting standards and other explanatory notes.

Responsibility of the Directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards adopted by the European Union and the measures implementing Art. 9 of Legislative Decree no. 38 of 28 February 2005.

Responsibility of the auditing company

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italy) established pursuant to Art. 11, Paragraph 3, of Legislative Decree no. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional opinion, including the assessment of risks of significant material misstatements in the consolidated financial statements due to fraud or unintentional events. In making said risk assessments, the auditor considers internal control relevant to the preparation of the company's consolidated financial statements that give a true and fair view in order to design audit procedures appropriate to the circumstances and not to express an opinion on the effectiveness of the company's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements as a whole.

We believe we have obtained sufficient appropriate audit evidence on which to base our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the statement of assets and liabilities and financial position of Tiscali Group as at 31 December 2015, of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union and the measures implementing Art. 9 of Legislative Decree no. 38 of 28 February 2005.

Emphasis of matters

Although without expressing a qualified opinion, what is described by the directors in the management report and in the explanatory notes, and related assessments of the same is noted, with reference to the events of the period, those at year-end and important remaining uncertainties that may cast significant doubts on the ability of the Group to continue operating as a going concern, related to the situation of equity, financial and economic imbalance prevailing in the Group, in the presence of a significant gross financial debt , subject to *covenants* and other contractual obligations.

As noted in the paragraph *"Significant events after year-end, business outlook and evaluations regarding the business continuity"* the Tiscali Group ended the year with a consolidated loss of EUR 18.5 million (including positive non-recurring items for 6.9 million Euro) and a consolidated balance deficit of EUR 121.4 million; furthermore, as at 31 December 2015, the Tiscali Group reports gross financial debt of EUR 177.9 million and current liabilities greater than current (non-financial) assets for EUR 162.5 million.

In this regard it is noted that, during FY 2015, the Tiscali Group has worked on the implementation of a business combination transaction (the "Transaction") with the group headed by Aria S.p.A (hereinafter "Aria "and, jointly with its subsidiaries, the "Aria Group"). The Transaction became effective as of 24 December 2015 through the merger by incorporation by Tiscali S.p.A of the vehicle Aria Italy S.p.A (the "Merger").

The Merger, which has the strategic objective of achieving an integration of a business nature among the assets held by Tiscali S.p.A and the asses held by Aria, has enabled the Tiscali Group to reduce its financial debt, through full repayment of the Facility A1 pursuant to the Restructuring Agreements entered into on 23 December 2014 (amounting to EUR 42.4 million) also made on 24 December 2015 due to the liquidity made available by the financial partner of the Transaction.

As a result of the Merger, the Company's management, renewed at the Ordinary Shareholders Meeting of Tiscali S.p.A held on 16 February 2016, prepared a new business plan for FY 2016-2021 ("2016-2021 Plan"), approved by Board of Directors on 25 March 2016 and based on a new strategic vision of the *combined entity* (reflecting the prudent exclusion of the execution of the agreement for the tender called by Consip S.p.A for the provision of connectivity services to Public Administration - Consip Tender - not yet signed to date, pending the final judgment by the TAR [(Tribunale Amministrativo Regionale -Regional Administrative Court] of Latium), as well as the refinancing of the entire outstanding debt resulting from the Restructuring Agreements ("*Refinancing*").

In this regard, during the initial months of the current year, the Company appointed its business, financial and legal *advisors* in order to assist it in determining the *Refinancing* transaction which provides for:

the granting of a new loan from two primary Italian Lending Institutions, for a total amount equal to EUR 88 million, which expires at the end of the sixth year following the signing of the related agreements;

the determining of an amortisation schedule that provides for the payment of by-yearly instalments for repayment capital equal to EUR 4.3 million from the first year following the signing of the relevant agreements, and an overall final instalment of EUR 40.7 million to be paid in the 2022 financial year.

The 2016-2021 Plan provides for the use of said new loan to repay in full the outstanding amount of debt under the Restructuring Agreements, and to prepay a portion equal to EUR 5 million of the loan granted, for a total amount equal to EUR 15 million, from Rigensis Bank AS to Aria.

In view of the expected full repayment of the debt in accordance with the Restructuring Agreements, the commitments made by the Group pursuant to said Restructuring Agreements as supplemented and amended by the *Consent and Amendment Letter* of 26 November 2015, would lapse.

Given the *Refinancing* transaction in place, the lenders of the Facility A2 pursuant to the Restructuring Agreements, dated 22 March 2016, confirmed their willingness to postpone by one month the scheduled instalment for only the principal due, to 31 March 2016, while a similar formal request was made to the lender of the Facility B pursuant to the Restructuring Agreements, by which the *Refinancing* transaction referenced above is in an advanced stage.

As part of the *Refinancing* transaction, several meetings have already been held between the management of the Group and the technical and commercial structures of the aforementioned Lending Institutions and a part of the preparatory activities for the transaction has already been completed. In particular, a so-called *Independent Business Review*, drafted by a primary business *advisor*, has been actually completed and handed, in conjunction with the business and financial plan, to the Lending Institutions. The Group has also appointed an external professional consultant to conduct a feasibility study of the 2016-2021 Plan, an activity that today is at an advanced stage of development and for which the professional has issued, on 24 March 2016, a *comfort letter*, certifying to the Company that in actuality there were no issues that might create obstacles to the issuance of a positive opinion on the 2016-2021 Plan being analysed.

Lastly, on 24 March 2016, both primary Italian Lending Institutions have sent Tiscali S.p.A a so-called *comfort letter* in order to communicate, inter alia, that they have launched the preliminary phase of the transaction, and that, to date, they have not detected critical issues in their investigation process and that they confirm their commitment, subject to the good outcome of the feasibility analysis by the professional in charge, to accelerate as much as possible the process to bring the matter to the competent decision-making bodies.

In the scenario described above, the directors highlighted the persistence of material uncertainties that may cast significant doubt on the Tiscali Group's ability to continue to operate on a going concern basis, attributable to: (i) the realisation of the objectives of the 2016-2021 Plan , with particular reference to the evolution of the telecommunications market and to achievement of its set growth targets, relating in particular to LTE ultra-broadband services, the main development area planned in the Plan, in a market characterized by strong competitive pressure, as well as with reference to expected synergies resulting from the merger of Aria Groups and Tiscali; ii) the outcome of the aforementioned negotiations in defining the *Refinancing* of senior financial debt in line with the objectives of the 2016-2021 Plan, which, moreover, are also subordinated to the good outcome of the feasibility analysis by the professional appointed for this purpose; iii) the retention by the lending banks of the hitherto guaranteed financial support.

The directors, in analysing what has already been built as part of the path to enable the group to achieve long term asset, financial and economic equilibrium, recognize that to date and in the presence of intrinsic 2016-2021 plan remain critical-despite the Group's financial debt reduction that took place in the year 2015 - uncertainties related to events or circumstances that could give rise to doubts on the Group's ability to continue to operate on the ongoing concern basis, however, after completing the necessary audits and taking into account the uncertainties identified in view of the elements described, confident in the ability of being able to implement the provisions of the Plan 2016-2021, in particular with regard to the finalisation of the *Refinancing* of senior debt, have a reasonable expectation that a financial structure may be reached for the Group, consistent with the expected cash flows and that the Group has adequate resources even in the case of a favourable outcome of the ruling of the Regional Administrative Court regarding the Consip Tender Award, to continue operating in the foreseeable future and have therefore adopted the going concern assumption in the preparation of the consolidated financial statements.

Lastly, the directors who, precisely because they are aware of the inherent limitations of their determination, will maintain a constant monitoring of the evolution of the factors taken into account, so they can promptly take the necessary steps, in terms of recourse under the procedures provided for by law for corporate crises situations.

Report on other legal and regulatory provisions

Opinion on the consistency of the management report and the information contained in the report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required under ISA (AS Italy) no. 720B in order to express, as required by law, an opinion on the consistency of the management report and the information in the report on corporate governance and ownership structure indicated in Art. 123-bis, Paragraph 4, of Legislative Decree no. 58 of 24 February 1998, which is the responsibility of the Directors of Tiscali S.p.A, with the consolidated financial statements of the Tiscali Group as at 31 December 2015. In our opinion, the above-mentioned management report and the information in the report on corporate governance and ownership structures are consistent with the consolidated financial statements of Tiscali Group as at 31 December 2015.

Milan, 6 April 2016

Reconta Ernst & Young S.p.A

Alberto Coglia

(Shareholder)

INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of

Tiscali S.p.A.

Report on the financial statements

We have audited the annexed financial statements of Tiscali S.p.A, consisting of the statement assets and liability and financial position at 31 December 2015, the income statement and statement of comprehensive income, from the statement of changes in shareholders' equity, the cash flow statement for the year ending on said date, from a summary of significant accounting standards and other explanatory notes.

Responsibility of the Directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards adopted by the European Union and the measures implementing Art. 9 of Legislative Decree no. 38 of 28 February 2005.

Responsibility of the auditing company

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italy) established pursuant to Art. 11, Paragraph 3, of Legislative Decree no. 39 of 27 January 2010. Said standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional opinion, including the assessment of risks of significant material misstatements in the financial statements due to fraud or unintentional events. In making said risk assessments, the auditor considers internal control relevant to the preparation of the company's financial statements that give a true and fair view in order to design audit procedures appropriate to the circumstances and not to express an opinion on the effectiveness of the company's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements as a whole.

We believe we have obtained sufficient appropriate audit evidence on which to base our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the statement of assets and liabilities and financial position of Tiscali S.p.A as at 31 December 2015, of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union and the measures implementing Art. 9 of Legislative Decree no. 38 of 28 February 2005.

Emphasis of matters

Although without expressing a qualified opinion, what is described by the directors in the management report and in the explanatory notes, and related assessments of the same is noted, with reference to the events of the period, those at year-end and important remaining uncertainties that may cast significant doubts on the ability of the Company, and of the group it belongs to, to continue operating as a going concern, related to the situation of equity, financial and economic imbalance prevailing in the group, in the presence of a significant gross financial debt , subject to *covenants* and other contractual obligations.

As noted in paragraph *"Significant events after year-end, business outlook and evaluations regarding business continuity"* Tiscali S.p.A closed its financial statements with a loss of EUR 36.2 million and a net equity equal to EUR 91.2 million, findings itself under the conditions that apply to Article 2446 of the Italian Civil Code, in relation to which the directors propose to proceed without delay to convene the meeting of shareholders for the appropriate measures.

Tiscali S.p.A is the parent company of a group (the "Group" or the "Tiscali Group") which closed the year with a consolidated loss of EUR 18.5 million (which includes non-recurring positive items for EUR 6.9 million) and a consolidated balance deficit of EUR 121.4 million; furthermore, on 31 December 2015, the Tiscali Group reports gross financial debt of EUR 177.9 million and higher-current liabilities to current (non-financial) assets for EUR 162.5 million.

In this regard it is noted that, during the year 2015, the Company has worked on the implementation of a business combination (the "Transaction") with the group headed by Aria S.p.A (hereinafter "Air" and, jointly with its subsidiaries, the "Aria Group"). The Transaction became effective as of 24 December 2015 through the merger by incorporation by Tiscali S.p.A of the vehicle Aria Italy S.p.A (the "Merger").

The Merger, which has the strategic objective of achieving an integration of a business nature among the assets held by Tiscali S.p.A and the asses held by Aria, has enabled the Tiscali Group to reduce its financial debt, through full repayment of the Facility A1 pursuant to the Restructuring Agreements entered into on 23 December 2014 (amounting to EUR 42.4 million) also made on 24 December 2015 due to the liquidity made available by the financial partner of the Transaction.

As a result of the Merger, the Company's management, renewed at the Ordinary Shareholders Meeting of Tiscali S.p.A held on 16 February 2016, prepared a new business plan for FY 2016-2021 ("2016-2021 Plan"), approved by Board of Directors on 25 March 2016 and based on a new strategic vision of the *combined entity* (reflecting the prudent exclusion of the execution of the agreement for the tender called by Consip S.p.A for the provision of connectivity services to Public Administration - Consip Tender - not yet signed to date, pending the final judgment by the TAR [(Tribunale Amministrativo Regionale -Regional Administrative Court] of Latium), as well as the refinancing of the entire outstanding debt resulting from the Restructuring Agreements ("*Refinancing*").

In this regard, during the initial months of the current year, the Company appointed its business, financial and legal *advisors* in order to assist it in determining the *Refinancing* transaction which provides for:

the granting of a new loan from two primary Italian Lending Institutions, for a total amount equal to EUR 88 million, which expires at the end of the sixth year following the signing of the related agreements;

the determining of an amortisation schedule that provides for the payment of by-yearly instalments for repayment capital equal to EUR 4.3 million from the first year following the signing of the relevant agreements, and an overall final instalment of EUR 40.7 million to be paid in the 2022 financial year.

The 2016-2021 Plan provides for the use of said new loan to repay in full the outstanding amount of debt under the Restructuring Agreements, and to prepay a portion equal to EUR 5 million of the loan granted, for a total amount equal to EUR 15 million, from Rigensis Bank AS to Aria.

In view of the expected full repayment of the debt in accordance with the Restructuring Agreements, the commitments made by the Group pursuant to said Restructuring Agreements as supplemented and amended by the *Consent and Amendment Letter* of 26 November 2015, would lapse.

Given the *Refinancing* transaction in place, the lenders of the Facility A2 pursuant to the Restructuring Agreements, dated 22 March 2016, confirmed their willingness to postpone by one month the scheduled instalment for only the principal due, to 31 March 2016, while a similar formal request was made to the lender of the Facility B pursuant to the Restructuring Agreements, by which the *Refinancing* transaction referenced above is in an advanced stage.

As part of the *Refinancing* transactions, several meetings have already been held between the management of the Company and the technical and commercial structures of the aforementioned Lending Institutions and a part of the preparatory activities for the transaction has already been completed. In particular, a so-called *Independent Business Review*, drafted by a primary business *advisor*, has been actually completed and handed, in conjunction with the business and financial plan, to the Lending Institutions. The Company has also appointed an external consultant to conduct a feasibility study of the 2016-2021 plan, activities that today is at an advanced stage of development and which the trader has released on 24 March 2016 *comfort letter* the certifying company that actuality there were no problems that might create obstacles to the issuance of a positive opinion on the 2016-2021 Plan being analysed.

Lastly, on 24 March 2016, both primary Italian Lending Institutions have sent Tiscali S.p.A a so-called *comfort letter* in order to communicate, inter alia, that they have launched the preliminary phase of the transaction, and that, to date, they have not detected critical issues in their investigation process and that they confirm their commitment, subject to the good outcome of the feasibility analysis by the professional in charge, to accelerate as much as possible the process to bring the matter to the competent decision-making bodies.

In the scenario described above, the directors highlighted the persistence of material uncertainties that may cast significant doubt on the ability of the Company and the Tiscali Group to continue to operate on the basis of the going concern basis, attributable to: (i) the realization of the objectives of the Plan 2016-2021, with particular reference to the evolution of the telecommunications market and to achieve its growth targets, relating in particular to LTE ultra-broadband services, the main development area planned in Piano, in a market characterized by strong competitive pressure and with reference to the planned synergies resulting integration of Air and Tiscali Group; ii) the outcome of the aforementioned negotiations to define the functional *Refinancing* senior financial debt in line with the objectives of the 2016-2021 Plan, which are also subordinated to the good outcome of the feasibility analysis by the professional appointed for this purpose; iii) the retention by the lending banks of the hitherto guaranteed financial support.

The directors, in analysing what has been achieved under the path aimed at allowing the Group to achieve a balanced equity, financial and economic situation in the long-term, recognize that at the current date and in the presence of intrinsic critical issues in the 2016-2021 Plan - despite the Group debt reduction that took place in FY 2015 - uncertainties remain related to events or conditions that may cast significant doubt on the ability of the Company and the Group to continue to operate under the assumption of a going concern; however, after performing the necessary audits and assessing the uncertainties identified in view of the elements described, confident in the capacity of being able to implement the provisions in the 2016-2021 Plan, in particular with regard to the conclusion of the senior debt *Refinancing* , the directors have a reasonable expectation that a financial structure of the Group may be achieved, in line with the expected cash flows and that the Company and the Group have adequate resources, even in the event of a favourable outcome of the Regional

Administrative Court sentence on the Consip Tender award, to continue operations in the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

Lastly, the directors who, precisely because they are aware of the inherent limitations of their determination, will maintain a constant monitoring of the evolution of the factors taken into account, so they can promptly take the necessary steps, in terms of recourse under the procedures provided for by law for corporate crises situations.

Report on other legal and regulatory provisions

Opinion on the consistency of the management report and the information contained in the report on corporate governance and ownership structure with the financial statements

We have performed the procedures required under ISA (AS Italy) no. 720B in order to express, as required by law, an opinion on the consistency of the management report and the information in the report on corporate governance and ownership structure indicated in Art. 123-bis, Paragraph 4, of Legislative Decree no. 58 of 24 February 1998, which is the responsibility of the Directors of Tiscali S.p.A, with the financial statements of Tiscali S.p.A as at 31 December 2015. In our opinion, the above-mentioned management report and the information in the report on corporate governance and ownership structures are consistent with the financial statements of Tiscali S.p.A as at 31 December 2015.

Milan, 6 April 2016

Reconta Ernst & Young S.p.A

Alberto Coglia

(Shareholder)

Report of the Board of Statutory Auditors to the shareholders pursuant to Art. 153 of Legislative Decree no. 58/98

At the Shareholders' Meeting of Tiscali S.p.A

This report has been prepared by the Board of Auditors appointed by the Shareholders' Meeting held on 16 February 2016, for three years, until the approval of financial statements at 31.12.2017, consisting of Paolo Tamponi, Chairman, Emilio Abruzzese and Valeria Calabi, Standing Auditors, and as regards the activities of the previous Board, of which the current Chairman was part, is based on the documented results.

During the year ended December 31, 2015, the Board carried out the supervisory activities required by law, according to the principles of conduct of the Board of Statutory Auditors recommended by the National Board of Certified Public Accountants.

Given that the analytical review on the content of the - statutory and consolidated - financial statement is not attributed to the Board, said Board reports to have supervised the general terms attributed to it, as well as compliance with law for its form and structure.

Also in compliance with the guidelines provided by Consob with communication dated 6 April 2001, subsequently supplemented with communications no. DEM / 3021582 of 4 April 2003 and no. DEM / 6031329 of 7 April 2006, the Board reports the following:

a) supervised compliance with law and articles of association;

b) obtained from the Directors, with the intervals provided for by Art. 14 of the Articles of Association, with the relevant information on the most significant economic, financial and balance sheet transactions carried out by the Company also through its subsidiaries; the Board can reasonably assure that the actions approved and implemented complied with the law and the Articles of Association and were not patently imprudent, risky, or in potential conflict of interest or in contrast with the resolutions passed by the Shareholders' Assembly or such to undermine the integrity of corporate assets;

c) verified and monitored, within the scope of its abilities, the organizational structure of the Company, compliance with the principles of correct administration and the adequacy of the provisions given by the Company to its subsidiaries pursuant to Art. 114, Paragraph 2 of Legislative Decree no. 58/98, by collecting information from the various departments and meetings with the auditing company in order to exchange relevant data and information, and in this respect has no particular comments to make;

d) held regular meetings with the Board of Auditors of the subsidiary Tiscali Italy S.p.A for the reciprocal exchange of data and information; it should be noted that the company Aria S.p.A has joined the Tiscali Group with effect from the date of effect of the merger in December 2015. To this regard, no significant data and information that should be included in this report was found;

e) assessed the adequacy of the internal control and administrative-accounting system and the reliability of the latter in correctly representing management, by i) the examination of the Manager responsible for preparing the financial reports of the company on the Administrative and Accounting and on the Internal Control System on Corporate Disclosure produced every six months; ii) the examination of the Internal Audit report on the internal control and risk management system; iii) The examination of the internal audit reports; iv) relationships with management and the supervisory body of the subsidiary Tiscali Italy S.p.A, pursuant to paragraphs 1 and 2 of Art. 151 of Legislative Decree 58/98; iv) participation in the work of the Risk Control Committee, established under the Board of Directors and consists of three members, two of which are independent members of said board; v) obtaining information from the managers of the respective departments; vi) examining company documents and analysing the results of the work done by the external auditing company. From the activities carried out, no situations or critical issues were found to deem the Internal Control System inadequate;

f) examined and obtained information on organizational and procedural activities carried out pursuant to Legislative Decree 231/2001 and subsequent supplements and amendments, on the administrative liability of Entities for offenses governed by said legislation. This activity is illustrated in the Report on corporate governance and ownership structure which may be referenced. The Supervisory Body has reported on its activities during FY 2015, without reporting facts or situations that should be highlighted in this Report, that, except as already stated by the Board of Directors in the Annual Financial Report at 31 December 2015, on the pending criminal proceedings for the alleged offense of false corporate accounting related to the financial statements from 2008 to 2012, for alleged underestimation of provisions for doubtful accounts. Tiscali S.p.A and the company Tiscali Italy S.p.A are parties in the above-stated proceedings according to law 231/2001. Currently, the preliminary hearing stage is in progress and the Company has put in place the necessary defence activities.

g) The Board of Directors, in the management report and in the notes to the financial and consolidated statements - in accordance with the Regulations for the execution of transactions with related parties, entered into force on 1 January 2011 - has exhaustively shown the transactions which took place with subsidiaries and related parties, specifying their financial effects. Transactions with related parties were broken down in the management report which summarises the balance sheet and income statement amounts that may be referenced under the specific paragraph of the consolidated financial statements entitled "*Related party transactions*". The Board did not detect any atypical or unusual transactions with third parties, group companies or related parties;

h) during the year there were no complaints pursuant to Art. 2408 of the Italian Civil Code, nor petitions from third parties;

i) held meetings with representatives of the external auditing company, in accordance with Art. 150 Paragraph 2 of Legislative Decree 58/98 and Art. 19, Paragraph 1 of Legislative Decree 39/10, during which no significant data or information was found that should be highlighted in this Report; the accounting firm Reconta Ernst & Young S.p.A, today has issued its reports on the financial statements and consolidated financial statements as at 31 December 2015, prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The reports show that the financial statements and consolidated financial statements of Tiscali S.p.A provide *"a true and fair view of the balance sheet and financial position of Tiscali* S.p.A *as at 31 December 2015, of the financial performance and cash flows for the year then ended"*; they also include references to information on the economic, equity and financial, situation on the main initiatives taken by the directors and the elements and evaluations described by the Directors in support of the adoption of the going concern basis in preparing the financial statements. The auditing firm also stated that the management report and the report on corporate governance and ownership structure, limited to the information indicated in Art. 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the financial statements;

j) as already noted in the Board report for FY 2014, the Board of Directors of 16 February 2015, in the exercise of the powers conferred by the Extraordinary Shareholders' Meeting of 30 January 2015, has resolved to increase the share capital with the exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, for a maximum amount of one billion shares, to be reserved for subscription by Société Générale. The above-mentioned operation is part of the agreements with *senior* creditors of the Group for the restructuring of *senior* debt deriving from *Group Facility Agreement* signed in 2009. To date, the delegation of the directors has not yet been exercised;

k) during 2015 the merger transaction was concluded with the Aria Group, by the incorporation into Tiscali S.p.A of the newly formed company, Aria Italy S.p.A. The Aria Italy S.p.A company, had the entire share capital of the Aria S.p.A company in the balance sheet assets, carried at a value of approximately 34.6 million Euro, and free cash flow of 42.5 million Euro, used to for full settlement of Facility A1 for Tiscali's debt pursuant to *Group Facilities Agreement*. - GFA. Due to the merger, the share capital was increased to approximately 77 million Euro by issuing a total of 1,283,746,550 ordinary shares of no par value in favour of the shareholders of Aria Italia according to the exchange ratio of 50 Tiscali ordinary shares for each 3 ordinary shares of Aria Italia. The merger was approved by the Shareholders' Meeting on 29 September 2015 and became effective on 24 December 2015;

l) today, the auditing company issued the Report pursuant to Art. 19, Paragraph 3 of Legislative Decree 39/10;

m) in compliance with Art. 149, Paragraph 1, Lett. c) bis of Legislative Decree 58/98, we acknowledge that the Directors in their report on Corporate Governance specify that the Tiscali Group adopted and adheres to the Code of Conduct for Italian Listed Companies issued in March 2006 (updated July 2015). Adherence to the rules provided by the above-stated Code was observed by us in practice and has been the subject, in its various aspects, of the report on Corporate Governance that the Board of Directors places at your disposal, and which may be referenced to provide you with more appropriate and more detailed information in this regard; The Board has also verified the correct application of the criteria and procedures adopted to evaluate the independence of Board Members qualified as independent, as well as compliance with the independence criteria by individual members of the Board, as required by the code;

n) during 2015, the Reconta Ernst & Young S.p.A company has audited the financial statements and consolidated financial statements - entrusted by the Shareholders' Meeting on 29 April 2008 - for a total cost of Euro 444 thousand. The total fees for FY 2015 may be summarised as follows:

	Euro/000
Statutory audit services:	
Parent Company - Tiscali S.p.A	272
Subsidiary companies	172
Other professional services:	
Parent Company - Tiscali S.p.A	860
Subsidiary companies	45
Other services provided by entities of the Ernst & Young network.	50
Total	1,400

The amount of Euro 860,000 - other professional services - include the fee of Euro 360,000 for issuing an report by an expert appointed by the Court, pursuant to Art.

2501, Paragraph 3 of the Italian Civil Code, part of the merger by incorporation of the Aria Italy Spa into Tiscali S.p.A, the remuneration of Euro 70,000 for issuing of the fairness opinion of the criteria of determination of the issue price of the shares for capital increase with exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, and the fees relating to the issue of the reports of the external auditing company on the pro forma data and forecast data in support of the prospectuses of the above-mentioned transactions.

Taking into account: (i) the annual independence confirmation letter issued by Reconta Ernst & Young S.p.A pursuant to Art. 17, Paragraph 9 of Legislative Decree 39/10; (ii) the transparency report produced by the same in accordance with Art. 18, Paragraph 1 of Legislative Decree 39/10 and published on its website; (iii) the duties assigned to it by Tiscali S.p.A and other group companies, the Board of Statutory Auditors does not consider that there are critical issues related to the independence of Reconta Ernst & Young S.p.A;

o) during 2015, the accounting firm Reconta Ernst & Young S.p.A issued the following opinions required by law, in addition to the by-yearly report as at 30 June 2015:

- On 9 January 2015, the opinion of fairness of the criterion for determining the issue price of shares for the capital increase with exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, for a maximum amount of one billion shares, to be reserved for subscription by Société Générale.
- On 28 August 2015, the report of the auditing company on the share exchange ratio pursuant to Art. 2501 of the Italian Civil Code as part of the merger by incorporation of the Aria Italy Spa company into Tiscali Spa.

It is also reported that during the initial months of 2016, the following additional opinions required by law were issued:

- on 22 January 2016, the report of the independent auditing company on the issue price of the shares related to the capital increase with exclusion of option rights pursuant to Art. 2441, Paragraphs five and six, of the Italian Civil Code, and Art. 158, Paragraph one of Legislative Decree 58/98, for a maximum number of 250,000,000 shares reserved to Rigensis Bank;
- on 22 January 2016, the report of the independent auditing company on the issue price of the shares related to the capital increase with exclusion of option rights pursuant to Art. 2441, Paragraphs five and six, of the Italian Civil Code, and Art. 158, Paragraph one of Legislative Decree 58/98, for a maximum number of 252,622,551 shares, in service of a maximum 252,622, 551 options reserved for the

Chairman of Tiscali Spa, Renato Soru, as beneficiary of the stock option plan 2015-2019;

p) on 30 April 2015, expressed its favourable opinion to the following resolutions adopted by the Board of Directors:

- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, the appointment of the Manager responsible for preparing corporate documents;
- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the approval of the Risk Control Committee, the appointment of the head of internal auditing;
- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remunerations, with the favourable opinion of the Risk Control Committee, upon appointment of the Supervisory Board members;

q) on September 14, expressed a favourable opinion, on the following resolutions adopted by the Board of Directors:

- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the favourable opinion of the Risk Control Committee, upon the appointment of the head of internal control replacing the previously appointed party, who resigned;
- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the favourable opinion of the Risk Control Committee, upon the appointment of one of the members of the Supervisory Board, replacing the previously appointed party, who resigned;

r) it issued, according to law, the opinion pursuant to Art. 2389, Paragraph 3 of the Italian Civil Code regarding the remuneration of Directors with special duties;

s) the supervisory activities described above were carried out in thirteen Board meetings, six meetings of the Committee for Risk Control, and participating in all nine meetings of the Board of Directors, pursuant to Art. 149, Paragraph 2 of Legislative Decree no. 58/98;

t) during the course of the supervisory activity carried out and based on the information obtained by the external auditing company, no omissions and / or reprehensible actions and / or irregularities were found or significant events that would require reporting to the control bodies or mention in this Report. With regard to the disciplinary proceedings initiated by Consob against Tiscali S.p.A for failing to make available to the public within a period of 120 days from the end of the year, pursuant to Article 154-ter, Paragraph 1 of the Consolidated Finance Act, the financial report 2013, and its annexes, as well as the interim report at March 31, 2014 within a period of 45 days from the end of the quarter, we note that, during 2015, Consob announced the dismissal of the proceeding without the adoption of any disciplinary provisions.

Within the scope of our competence, we express a favourable opinion to the approval of the financial statements as at 31 December 2015 jointly with the management report and the resolutions proposed by the Board of Directors and with reference to provisions pursuant to Art. 2446 of the Italian Civil Code, the specific report with the comments of the Statutory Board of Auditors, may be referenced.

Cagliari, 6 April 2016

THE BOARD OF STATUTORY AUDITORS

PAOLO TAMPONI

EMILIO ABRUZZESE

VALERIA CALABI

Tiscali S.p.A.

Consolidated Financial Statements as at 31 December 2015

Independent Auditors' Report
pursuant to Articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010

INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Tiscali S.p.A.

Report on the consolidated financial statements

We have audited the annexed consolidated financial statements of Tiscali Group, consisting of the statement assets and liability and financial position as at 31 December 2015, the income statement and statement of comprehensive income, from the statement of changes in shareholders' equity, the cash flow statement for the year ending on said date, from a summary of significant accounting standards and other explanatory notes.

Responsibility of the Directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards adopted by the European Union and the measures implementing Art. 9 of Legislative Decree no. 38 of 28 February 2005.

Responsibility of the auditing company

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italy) established pursuant to Art. 11, Paragraph 3, of Legislative Decree no. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional opinion, including the assessment of risks of significant material misstatements in the consolidated financial statements due to fraud or unintentional events. In making said risk assessments, the auditor considers internal control relevant to the preparation of the company's consolidated financial statements that give a true and fair view in order to design audit procedures appropriate to the circumstances and not to express an opinion on the effectiveness of the company's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements as a whole.

We believe we have obtained sufficient appropriate audit evidence on which to base our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the statement of assets and liabilities and financial position of Tiscali Group as at 31 December 2015, of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union and the measures implementing Art. 9 of Legislative Decree no. 38 of 28 February 2005.

Emphasis of matters

Although without expressing a qualified opinion, what is described by the directors in the management report and in the explanatory notes, and related assessments of the same is noted, with reference to the events of the period, those at year-end and important remaining uncertainties that may cast significant doubts on the ability of the Group to continue operating as a going concern, related to the situation of equity, financial and economic imbalance prevailing in the Group, in the presence of a significant gross financial debt , subject to *covenants* and other contractual obligations.

As noted in the paragraph *"Significant events after year-end, business outlook and evaluations regarding the business continuity"* the Tiscali Group ended the year with a consolidated loss of 18.5 million Euro (including positive non-recurring items for 6.9 million Euro) and a consolidated balance deficit of 121.4 million Euro; furthermore, as at 31 December 2015, the Tiscali Group reports gross financial debt of 177.9 million Euro and current liabilities greater than current (non-financial) assets for 162.5 million Euro.

In this regard it is noted that, during FY 2015, the Tiscali Group has worked on the implementation of a business combination transaction (the ''Transaction") with the group headed by Aria S.p.A (hereinafter "Aria "and, jointly with its subsidiaries, the "Aria Group"). The Transaction became effective as of 24 December 2015 through the merger by incorporation by Tiscali S.p.A of the vehicle Aria Italy S.p.A (the "Merger").

The Merger, which has the strategic objective of achieving an integration of a business nature among the assets held by Tiscali S.p.A and the asses held by Aria, has enabled the Tiscali Group to reduce its financial debt, through full repayment of the Facility A1 pursuant to the Restructuring Agreements entered into on 23 December 2014 (amounting to Euro 42.4 million) also made on 24 December 2015 due to the liquidity made available by the financial partner of the Transaction.

As a result of the Merger, the Company's management, renewed at the Ordinary Shareholders Meeting of Tiscali S.p.A held on 16 February 2016, prepared a new business plan for FY 2016-2021 ("2016-2021 Plan"), approved by Board of Directors on 25 March 2016 and based on a new strategic vision of the *combined entity* (reflecting the prudent exclusion of the execution of the agreement for the tender called by Consip S.p.A for the provision of connectivity services to Public Administration - Consip Tender - not yet signed to date, pending the final judgment by the TAR [(Tribunale Amministrativo Regionale -Regional Administrative Court] of Latium), as well as the refinancing of the entire outstanding debt resulting from the Restructuring Agreements ("*Refinancing*").

In this regard, during the initial months of the current year, the Company appointed its business, financial and legal *advisors* in order to assist it in determining the *Refinancing* transaction which provides for:

- the granting of a new loan from two primary Italian Lending Institutions, for a total amount equal to Euro 88 million, which expires at the end of the sixth year following the signing of the related agreements;
- the determining of an amortisation schedule that provides for the payment of by-yearly instalments for repayment capital equal to Euro 4.3 million from the first year following the signing of the relevant agreements, and an overall final instalment of Euro 40.7 million to be paid in the 2022 financial year.

The 2016-2021 Plan provides for the use of said new loan to repay in full the outstanding amount of debt under the Restructuring Agreements, and to prepay a portion equal to Euro 5 million of the loan granted, for a total amount equal to Euro 15 million, from Rigensis Bank AS to Aria.

In view of the expected full repayment of the debt in accordance with the Restructuring Agreements, the commitments made by the Group pursuant to said Restructuring Agreements as supplemented and amended by the *Consent and Amendment Letter* of 26 November 2015, would lapse.
Given the *Refinancing* transaction in place, the lenders of the Facility A2 pursuant to the Restructuring Agreements, dated 22 March 2016, confirmed their willingness to postpone by one month the scheduled instalment for only the principal due, to 31 March 2016, while a similar formal request was made to the lender of the Facility B pursuant to the Restructuring Agreements, by which the *Refinancing* transaction referenced above is in an advanced stage.

As part of the *Refinancing* transaction, several meetings have already been held between the management of the Group and the technical and commercial structures of the aforementioned Lending Institutions and a part of the preparatory activities for the transaction has already been completed. In particular, a so-called *Independent Business Review*, drafted by a primary business *advisor*, has been actually completed and handed, in conjunction with the business and financial plan, to the Lending Institutions. The Group has also appointed an external professional consultant to conduct a feasibility study of the 2016-2021 Plan, an activity that today is at an advanced stage of development and for which the professional has issued, on 24 March 2016, a *comfort letter*, certifying to the Company that in actuality there were no issues that might create obstacles to the issuance of a positive opinion on the 2016-2021 Plan being analysed.

Lastly, on 24 March 2016, both primary Italian Lending Institutions have sent Tiscali S.p.A a so-called *comfort letter* in order to communicate, inter alia, that they have launched the preliminary phase of the transaction, and that, to date, they have not detected critical issues in their investigation process and that they confirm their commitment, subject to the good outcome of the feasibility analysis by the professional in charge, to accelerate as much as possible the process to bring the matter to the competent decision-making bodies.

In the scenario described above, the directors highlighted the persistence of material uncertainties that may cast significant doubt on the Tiscali Group's ability to continue to operate on a going concern basis, attributable to: (i) the realisation of the objectives of the 2016-2021 Plan , with particular reference to the evolution of the telecommunications market and to achievement of its set growth targets, relating in particular to LTE ultra-broadband services, the main development area planned in the Plan, in a market characterized by strong competitive pressure, as well as with reference to expected synergies resulting from the merger of Aria Groups and Tiscali; ii) the outcome of the aforementioned negotiations in defining the *Refinancing* of senior financial debt in line with the objectives of the 2016-2021 Plan, which, moreover, are also subordinated to the good outcome of the feasibility analysis by the professional appointed for this purpose; iii) the retention by the lending banks of the hitherto guaranteed financial support.

The directors, in analysing what has already been built as part of the path to enable the group to achieve long term asset, financial and economic equilibrium, recognize that to date and in the presence of intrinsic 2016-2021 plan remain critical- despite the Group's financial debt reduction that took place in the year 2015 - uncertainties related to events or circumstances that could give rise to doubts on the Group's ability to continue to operate on the ongoing concern basis, however, after completing the necessary audits and taking into account the uncertainties identified in view of the elements described, confident in the ability of being able to implement the provisions of the Plan 2016-2021, in particular with regard to the finalisation of the *Refinancing* of senior debt, have a reasonable expectation that a financial structure may be reached for the Group, consistent with the expected cash flows and that the Group has adequate resources even in the case of a favourable outcome of the ruling of the Regional Administrative Court regarding the Consip Tender Award, to continue operating in the foreseeable future and have therefore adopted the going concern assumption in the preparation of the consolidated financial statements.
Lastly, the directors who, precisely because they are aware of the inherent limitations of their determination, will maintain a constant monitoring of the evolution of the factors taken into account, so they can promptly take the necessary steps, in terms of recourse under the procedures provided for by law for corporate crises situations.

Report on other legal and regulatory provisions

Opinion on the consistency of the management report and the information contained in the report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required under ISA (AS Italy) no. 720B in order to express, as required by law, an opinion on the consistency of the management report and the information in the report on corporate governance and ownership structure indicated in Art. 123-bis, Paragraph 4, of Legislative Decree no. 58 of 24 February 1998, which is the responsibility of the Directors of Tiscali S.p.A, with the consolidated financial statements of the Tiscali Group as at 31 December 2015. In our opinion, the above-mentioned management report and the information in the report on corporate governance and ownership structures are consistent with the consolidated financial statements of Tiscali Group as at 31 December 2015.

Milan, 6 April 2016

Reconta Ernst & Young S.p.A

Alberto Coglia
(Shareholder)

Tiscali S.p.A.

Financial Statements as at 31 December 2015

Independent Auditors' Report
pursuant to Articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010

INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Tiscali S.p.A.

Report on the financial statements

We have audited the annexed financial statements of Tiscali S.p.A, consisting of the statement assets and liability and financial position at 31 December 2015, the income statement and statement of comprehensive income, from the statement of changes in shareholders' equity, the cash flow statement for the year ending on said date, from a summary of significant accounting standards and other explanatory notes.

Responsibility of the Directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards adopted by the European Union and the measures implementing Art. 9 of Legislative Decree no. 38 of 28 February 2005.

Responsibility of the auditing company

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italy) established pursuant to Art. 11, Paragraph 3, of Legislative Decree no. 39 of 27 January 2010. Said standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional opinion, including the assessment of risks of significant material misstatements in the financial statements due to fraud or unintentional events. In making said risk assessments, the auditor considers internal control relevant to the preparation of the company's financial statements that give a true and fair view in order to design audit procedures appropriate to the circumstances and not to express an opinion on the effectiveness of the company's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements as a whole.

We believe we have obtained sufficient appropriate audit evidence on which to base our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the statement of assets and liabilities and financial position of Tiscali S.p.A as at 31 December 2015, of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union and the measures implementing Art. 9 of Legislative Decree no. 38 of 28 February 2005.

Emphasis of matters

Although without expressing a qualified opinion, what is described by the directors in the management report and in the explanatory notes, and related assessments of the same is noted, with reference to the events of the period, those at year-end and important remaining uncertainties that may cast significant doubts on the ability of the Company, and of the group it belongs to, to continue operating as a going concern, related to the situation of equity, financial and economic imbalance prevailing in the group, in the presence of a significant gross financial debt , subject to *covenants* and other contractual obligations.

As noted in paragraph *"Significant events after year-end, business outlook and evaluations regarding business continuity"* Tiscali S.p.A closed its financial statements with a loss of Euro 36.2 million and a net equity equal to Euro 91.2 million, findings itself under the conditions that apply to Article 2446 of the Italian Civil Code, in relation to which the directors propose to proceed without delay to convene the meeting of shareholders for the appropriate measures.

Tiscali S.p.A is the parent company of a group (the "Group" or the "Tiscali Group") which closed the year with a consolidated loss of EUR 18.5 million (which includes non-recurring positive items for 6.9 million Euro) and a consolidated balance deficit of 121.4 million Euro; furthermore, on 31 December 2015, the Tiscali Group reports gross financial debt of 177.9 million Euro and higher-current liabilities to current (non-financial) assets for 162.5 million Euro.
In this regard it is noted that, during the year 2015, the Company has worked on the implementation of a business combination (the "Transaction") with the group headed by Aria S.p.A (hereinafter "Air" and, jointly with its subsidiaries, the "Aria Group"). The Transaction became effective as of 24 December 2015 through the merger by incorporation by Tiscali S.p.A of the vehicle Aria Italy S.p.A (the "Merger").

The Merger, which has the strategic objective of achieving an integration of a business nature among the assets held by Tiscali S.p.A and the asses held by Aria, has enabled the Tiscali Group to reduce its financial debt, through full repayment of the Facility A1 pursuant to the Restructuring Agreements entered into on 23 December 2014 (amounting to Euro 42.4 million) also made on 24 December 2015 due to the liquidity made available by the financial partner of the Transaction.

As a result of the Merger, the Company's management, renewed at the Ordinary Shareholders Meeting of Tiscali S.p.A held on 16 February 2016, prepared a new business plan for FY 2016-2021 ("2016-2021 Plan"), approved by Board of Directors on 25 March 2016 and based on a new strategic vision of the *combined entity* (reflecting the prudent exclusion of the execution of the agreement for the tender called by Consip S.p.A for the provision of connectivity services to Public Administration - Consip Tender - not yet signed to date, pending the final judgment by the TAR [(Tribunale Amministrativo Regionale -Regional Administrative Court] of Latium), as well as the refinancing of the entire outstanding debt resulting from the Restructuring Agreements ("*Refinancing*").
In this regard, during the initial months of the current year, the Company appointed its business, financial and legal *advisors* in order to assist it in determining the *Refinancing* transaction which provides for:

- the granting of a new loan from two primary Italian Lending Institutions, for a total amount equal to Euro 88 million, which expires at the end of the sixth year following the signing of the related agreements;
- the determining of an amortisation schedule that provides for the payment of by-yearly instalments for repayment capital equal to Euro 4.3 million from the first year following the signing of the relevant agreements, and an overall final instalment of Euro 40.7 million to be paid in the 2022 financial year.

The 2016-2021 Plan provides for the use of said new loan to repay in full the outstanding amount of debt under the Restructuring Agreements, and to prepay a portion equal to Euro 5 million of the loan granted, for a total amount equal to Euro 15 million, from Rigensis Bank AS to Aria.

In view of the expected full repayment of the debt in accordance with the Restructuring Agreements, the commitments made by the Group pursuant to said Restructuring Agreements as supplemented and amended by the *Consent and Amendment Letter* of 26 November 2015, would lapse.

Given the *Refinancing* transaction in place, the lenders of the Facility A2 pursuant to the Restructuring Agreements, dated 22 March 2016, confirmed their willingness to postpone by one month the scheduled instalment for only the principal due, to 31 March 2016, while a similar formal request was made to the lender of the Facility B pursuant to the Restructuring Agreements, by which the *Refinancing* transaction referenced above is in an advanced stage.

As part of the *Refinancing* transactions, several meetings have already been held between the management of the Company and the technical and commercial structures of the aforementioned Lending Institutions and a part of the preparatory activities for the transaction has already been completed. In particular, a so-called *Independent Business Review*, drafted by a primary business *advisor*, has been actually completed and handed, in conjunction with the business and financial plan, to the Lending Institutions. The Company has also appointed an external consultant to conduct a feasibility study of the 2016-2021 plan, activities that today is at an advanced stage of development and which the trader has released on 24 March 2016 *comfort letter* the certifying company that actuality there were no problems that might create obstacles to the issuance of a positive opinion on the 2016-2021 Plan being analysed.

Lastly, on 24 March 2016, both primary Italian Lending Institutions have sent Tiscali S.p.A a so-called *comfort letter* in order to communicate, inter alia, that they have launched the preliminary phase of the transaction, and that, to date, they have not detected critical issues in their investigation process and that they confirm their commitment, subject to the good outcome of the feasibility analysis by the professional in charge, to accelerate as much as possible the process to bring the matter to the competent decision-making bodies.

In the scenario described above, the directors highlighted the persistence of material uncertainties that may cast significant doubt on the ability of the Company and the Tiscali Group to continue to operate on the basis of the going concern basis, attributable to: (i) the realization of the objectives of the Plan 2016-2021, with particular reference to the evolution of the telecommunications market and to achieve its growth targets, relating in particular to LTE ultra-broadband services, the main development area planned in Piano, in a market characterized by strong competitive pressure and with reference to the planned synergies resulting integration of Air and Tiscali Group; ii) the outcome of the aforementioned negotiations to define the functional *Refinancing* senior financial debt in line with the objectives of the 2016-2021 Plan, which are also subordinated to the good outcome of the feasibility analysis by the professional appointed for this purpose; iii) the retention by the lending banks of the hitherto guaranteed financial support.

The directors, in analysing what has been achieved under the path aimed at allowing the Group to achieve a balanced equity, financial and economic situation in the long-term, recognize that at the current date and in the presence of intrinsic critical issues in the 2016-2021 Plan - despite the Group debt reduction that took place in FY 2015 - uncertainties remain related to events or conditions that may cast significant doubt on the ability of the Company and the Group to continue to operate under the assumption of a going concern; however, after performing the necessary audits and assessing the uncertainties identified in view of the elements described, confident in the capacity of being able to implement the provisions in the 2016-2021 Plan, in particular with regard to the conclusion of the senior debt *Refinancing* , the directors have a reasonable expectation that a financial structure of the Group may be achieved, in line with the expected cash flows and that the Company and the Group have adequate resources, even in the event of a favourable outcome of the Regional Administrative Court sentence on the Consip Tender award, to continue operations in the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

Lastly, the directors who, precisely because they are aware of the inherent limitations of their determination, will maintain a constant monitoring of the evolution of the factors taken into account, so they can promptly take the necessary steps, in terms of recourse under the procedures provided for by law for corporate crises situations.

Report on other legal and regulatory provisions

Opinion on the consistency of the management report and the information contained in the report on corporate governance and ownership structure with the financial statements

We have performed the procedures required under ISA (AS Italy) no. 720B in order to express, as required by law, an opinion on the consistency of the management report and the information in the report on corporate governance and ownership structure indicated in Art. 123-bis, Paragraph 4, of Legislative Decree no. 58 of 24 February 1998, which is the responsibility of the Directors of Tiscali S.p.A, with the financial statements of Tiscali S.p.A as at 31 December 2015. In our opinion, the above-mentioned management report and the information in the report on corporate governance and ownership structures are consistent with the financial statements of Tiscali S.p.A as at 31 December 2015.

Milan, 6 April 2016

Reconta Ernst & Young S.p.A

Alberto Coglia
(Shareholder)