Consolidated financial report as at 30 June 2014

Issue date: 30 June 2014

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

TISCALI S.P.A.
Registered office: SS195 Km 2.3, Sa Illetta, Cagliari, Italy
Share Capital EUR 92,022,830.47
Cagliari Companies' Register and VAT No. 02375280928 Econ. & Admin. Roster No. - 191784

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1 Highlights

Income statement *(EUR mln)*	1st half of 2014	1st half of 2013
· Revenues	106.7	114.3
· Adjusted Gross Operating Result (EBITDA)	25.7	35.5
· Gross Operating Result (EBITDA)	20.5	27.2
· Operating result	2.1	3.7
Balance sheet (EUR mln)	**1st half of 2014**	**31 December 2013**
· Total assets	218.7	222.7
· Net Financial Debt	(190.4)	(191.6)
· Net Financial Debt as per Consob	(197.3)	(198.5)
· Shareholders' equity	(157.9)	(151.9)
· Investments	9.4	24.8
Operating figures (000)	**1st half of 2014**	**1st half of 2013**
ADSL (broadband) users	489.3	492.5
Of which: Direct ADSL users (LLU)	356.2	352.0
Narrowband and Voice users	41.5	43.2
Active SIM with traffic data	64.9	36.2

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

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

+ Financial charges

- Financial income

+/- Income/Charges from equity investments in associated companies

Operating result

+ Restructuring costs

+ Amortisation/depreciation

+/- Atypical income/charges

Gross Operating Result (EBITDA)

+ Write-downs of receivables from customers

Gross Operating Result (Adjusted EBITDA)

3 Directors and Auditors

Board of Directors

Chairman and Chief Executive Officer: Renato Soru

Directors

Franco Grimaldi

Gabriele Racugno

Luca Scano

Assunta Brizio

Board of Statutory Auditors

Chairman

Paolo Tamponi

Statutory Auditors

Piero Maccioni

Andrea Zini

Alternate Auditors

Rita Casu

Giuseppe Biondo

Executive in charge of drawing up the corporate accounting documents

Pasquale Lionetti

Independent Auditing Firm

Reconta Ernst & Young S.p.A.

Interim report on operations

4 Interim report on operations

4.1 Tiscali's position within the market scenario

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

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

With regard to broadband access from the fixed network, in the first quarter of 2014, the number of accesses was unchanged which further confirmed the saturation of the segment and emphasises the importance of price and customer retention policies so as to counteract the tendency of a rise in the churn rate and to win over customers from direct competitors. A comparison of March 2014 data with March 2013 data shows that the Tiscali's market share remained unchanged, standing at 3.6%.

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

By contrast, Internet access from mobile devices continues to rise sharply, drawn along by Tablets and Smartphones, by internet keys and the increasingly greater development of mobile applications both by media on-line and companies. In the first 3 months of 2014, mobile data traffic grew by 34.9% compared with the 2013 total growth (31.8%). Starting from the second half of 2013, Tiscali launched new mobile products which, during the first six months of 2014, generated a sharp increase in revenues and customer base.

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

In the second half of 2013, the online advertising market showed for the first time a decline in the total turnover although less significant than reported by the traditional media. The slowdown is certainly due to the economic downturn and to a definite increase in the overall advertising offerings, both traditional and online, which erodes unit prices.

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

Tiscali continued to focus its operations on the areas with high growth potential, such as the media sector which showed a better performance than the market and the Over The Top services. Among these, Indoona and Streamago and lastly Istella deserve a special mention, the latter having been presented during 2013.

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

Research & Development Activities

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

Indoona is an application which integrates voice with social networks for calling, video calling and sending multimedia messages from smartphones and PCs. During 2013, a new version of Indoona was launched (2.2), with a new “live streaming” function which makes it possible to post videos created on the Indoona notice board in real time. This feature strengthens the “social” nature of Indoona, which integrates personal communication, social communication and sharing in just one instrument. As at 30 June 2014, Indoona accounted for 1.8 million downloads.

Istella is a search engine for the Italian web, which is not intended to replace existing engines, but represents an instrument for extending and expanding knowledge. The objective of arranging and spreading Italian cultural heritage, among other aspects, has in fact been created. Both Italian and leading international domains have been indexed for a total, as at 30 June 2014, of over 4.5 billion pages and 200 terabytes of data. It differs from other search engines present on the Internet, since all the users can add to the database sharing files, documents, photos, images, videos and audio. Istella was launched in March 2013.

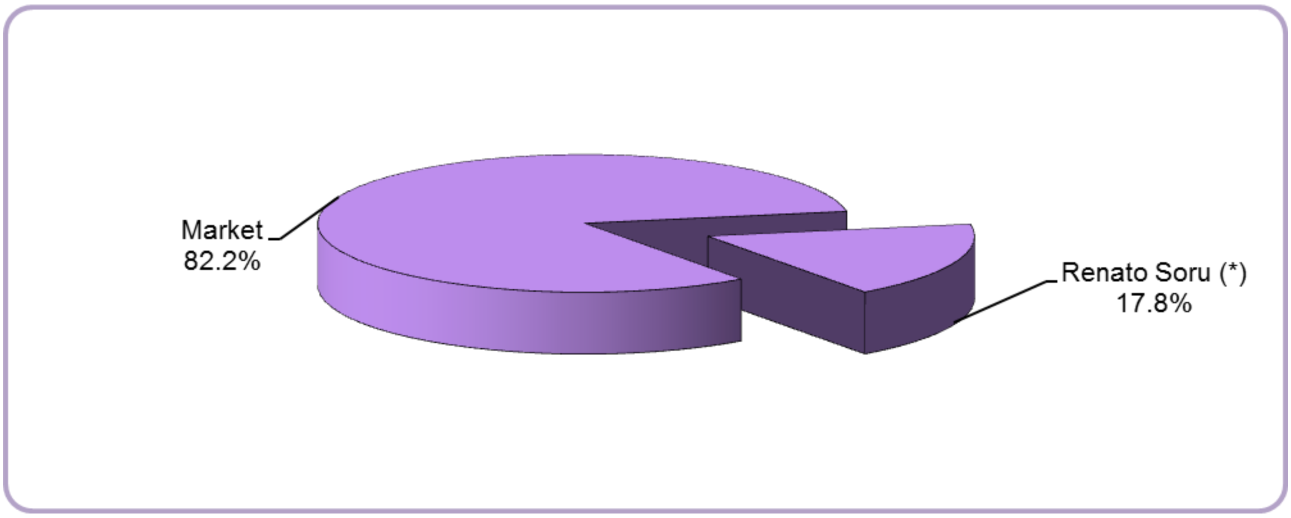
4.2 Tiscali shares

Tiscali shares have been listed on the Italian Stock market (Milan: TIS) since October 1999. At 30 June 2014, market capitalization came to EUR 109.6 million, calculated on the value of EUR 0,0589 per share as at that date.

At 30 June 2014, the number of shares representing the Group’s share capital amounted to 1,861,498,844.

Tiscali’s shareholder base at 30 June 2014 is illustrated below:

Fig. 4.1- Tiscali shares



Source: Tiscali

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

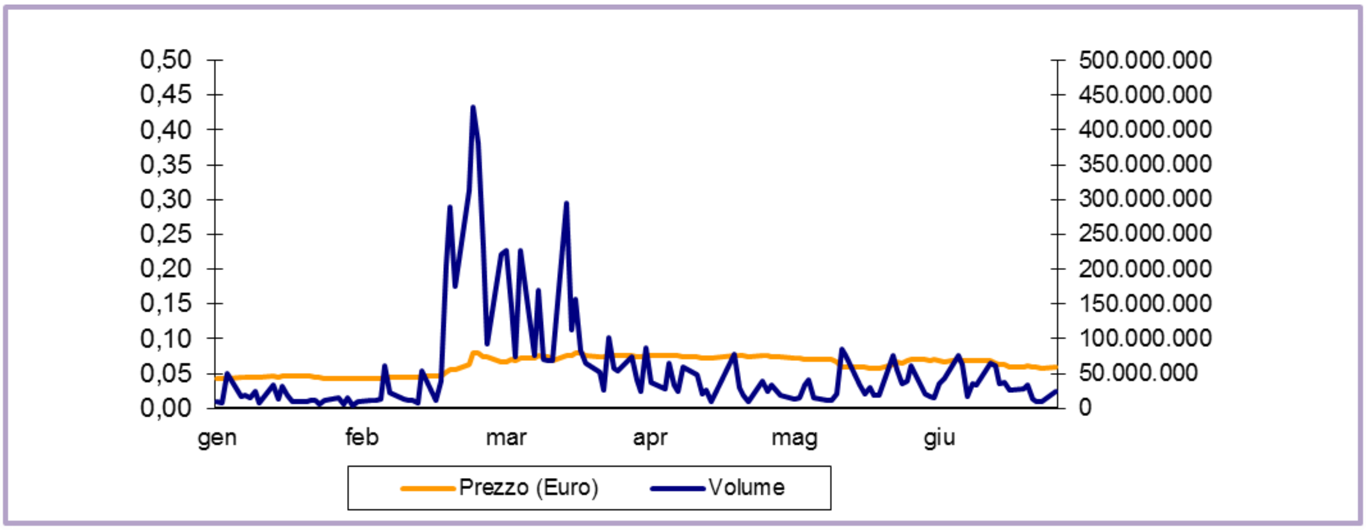
Share capital structure at 30 June 2014

SHARE CAPITAL STRUCTURE		
	No. of shares	**As % of share capital**
Ordinary shares	1,861,498,844	100%
OTHER FINANCIAL INSTRUMENTS		
	No. of warrants	**Listing market**
Tiscali 2009-2014 warrants***	1,799,320,871	Italian regulated market

*** The warrants – combined free of charge with newly issued shares relating to the increase in share capital launched in October 2009 and concluded successfully on 11 November 2009 – assign the right to subscribe ordinary company shares at the ratio of 1 conversion share for every 20 warrants exercised at the price of EUR 0.80 for each new share.

The graph below illustrates Tiscali's share trend during the first half of 2014.

Fig. 4.2 - Tiscali's share price performance during the first half of 2014



[Jan – Feb – Mar – Apr – May – June

Price (EUR) – Volume]

Source: Bloomberg data processing

The average monthly price in the period stood at EUR 0.063. The maximum price of EUR 0.0802 for the period was recorded on 26 February 2014, and the minimum of EUR 0.0419 on 04 February 2014.

Trading volumes stood at a daily average of about 59.2 million items, with a daily average trade value of around EUR 3.7 million.

Average Tiscali stock trading on the Italian Stock Exchange in the first half of 2014

	Price (EUR)	No. of shares
January	0.044	15,652,100
February	0.053	119,534,554
March	0.074	115,364,185
April	0.075	36,859,945
May	0.066	34,671,896
June	0.065	33,386,448
Average	**0.063**	**59,244,855**

4.3 Significant events during the first half of 2014

Payment of interest on the Senior Loan

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

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

As already described in the 2013 Annual Financial Report, dated 15 May 2014, the envelopes with the bids of the Consip S.p.A. (Service BTB) tender were opened for the awarding of connectivity services within the scope of the Public Connectivity System (SPC), and Tiscali was the company with the best bid. The tender concerned an outline " multi-supplier" contract for the provision of services throughout the whole of Italy for an overall duration of 7 years.

On conclusion of the tender procedure, which envisages the legal checks on the bids and the fulfilments for drawing up a final ranking, the Group may be awarded a minimum quota of 52% up to a maximum of 60%.

Approval of the 2013 Financial Statements and completion of the indebtedness renegotiation process

On 13 June 2014, Tiscali S.p.A.'s Board of Directors approved the 2013 draft financial statements.

As is known, the Group has been involved for some time in a multi-step negotiation process aimed at restructuring its senior financial indebtedness arising from a financing agreement executed by the companies of the Group on 2 July 2009 ("Group Facility Agreement" or "GFA"). This negotiation process has involved, in June 2014, the submission to the financing institutions, pursuant to GFA ("Financing Institutions"), of a proposal concerning a restructuring operation of the financial indebtedness of the Tiscali Group which was accepted in its entirety by the Financing Institutions under the GFA, although in a non-binding manner and not subject to the approval of the Financing Institutions, thus allowing the Group to pursue a consensual restructuring plan of the financial indebtedness under the GFA.

In June 2014, within the scope of the indebtedness restructuring process, the Group designated a professional third party to carry out approval and certification activities, pursuant to art. 67 of Financial Law, for the Business Plan 2014-2018.

More details regarding the activities carried out by the Tiscali Group concerning the indebtedness restructuring process are available in the Note "*Evaluation of the company as a going-concern and future outlook"* to this Half-Year Report.

4.4 Analysis of the Group economic, equity and financial position

Introduction

Tiscali is one of the main alternative suppliers of telecommunications services in Italy.

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

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

(i) “Access”, in Broadband modes (LLU, Bitstream), inclusive of VoIP and mobile telephone services (so-called MVNO);

(ii) *Narrowband*;

(iii) “Voice”, inclusive of traditional telephone traffic services (CS and CPS) and Wholesale;

(iv) “Business services” (so-called B2B), which include VPN, Hosting, domain connection and leased line services, provided to companies and, lastly,

(v) “Media and value added services”, which include media, advertising and other services.

Main risks and uncertainties for the Group

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 this state of play, and as a result this also affects the economic, equity and financial position.

Risks associated with the performance of the telecommunications market

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

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

Risks associated with the dependence on technology of the telecommunications sector

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

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

Risks associated with financial requirements

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

The Group has implemented a restructuring plan aimed at ensuring long-term economic and financial equilibrium. The on-going attainment of adequate financing depends on both the general conditions of the credit market but above all the Group's ability to complete the restructuring of the current indebtedness with the Financing Institutions, under the GFA, of which Tranche A expired on 3 July 2014, as well as to properly implement the economic and financial plan aimed at creating stable economic and financial conditions.

For further information, see *section Evaluation of the company as a going-concern and future outlook*

Risks associated with fluctuations in interest and exchange rates

The Tiscali Group operates essentially in Italy. Some supplies, even though for insignificant amounts, could be denominated in foreign currency; therefore, the risk of exchange rate fluctuations which the Group is exposed to is minimum. The Tiscali Group is exposed to risks deriving from changes in the interest rates which could have a negative impact on the economic and financial results.

Risks associated with dealings with employees and suppliers

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

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

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

Risks associated with business continuity

For further information, see *section Evaluation of the company as a going-concern and future outlook*

Risks associated with disputes and contingent liabilities

For further information, see section *"On-going disputes, contingent liabilities and commitments"*.

Consolidated income statement

(EUR mln)

CONSOLIDATED INCOME STATEMENT	1st half of 2014	1st half of 2013	Change
Revenues	106.7	114.3	(7.6)
Other income	1.1	1.2	(0.1)
Purchase of materials and outsourced services	64.5	64.7	(0.2)
Payroll and related costs	17.7	17.5	0.3
Other operating costs / (income)	(0.2)	(2.1)	1.9
Adjusted Gross Operating Result (EBITDA)	**25.7**	**35.5**	**(9.8)**
Write-downs of receivables from customers	5.1	8.2	(3.1)
Gross Operating Result (EBITDA)	**20.5**	**27.2**	**(6.7)**
Restructuring costs, provisions for risk reserves and write-downs	0.2	3.8	(3.7)
Amortisation/depreciation	18.2	19.6	(1.4)
Operating result (EBIT)	**2.1**	**3.7**	**(1.6)**
Net financial income (charges)	(7.4)	(6.6)	(0.8)
Pre-tax result	**(5.3)**	**(2.9)**	**(2.4)**
Income taxes	(0.4)	(0.7)	0.3
Net result from operating activities (on-going)	**(5.7)**	**(3.6)**	**(2.1)**
Result from assets disposed of and/or destined for disposal	0.0	0.0	0.0
Net result	(5.7)	(3.6)	(2.1)
Minority interests	0.0	0.0	0.0
Group Net Result	**(5.7)**	**(3.6)**	**(2.1)**

The Tiscali Group revenues during the first six months of 2014 stood at EUR 106.7 million, down from the EUR 114.3 million generated in the first half of 2013. The revenue mix by business line changed as described below:

- a decline of EUR 5 million (-6.1%) in revenues in the “Access, VOIP and MVNO” segment essentially due to the drop in the ARPU caused by the additional promotions on the prices of the services with respect to the first half of 2013, within an increasingly more competitive market scenario;
- BTB revenues rose by around EUR 0.4 million (increase of 4.5%);
- Analogue Voice revenues declined by EUR 1.9 million (-21.4%) mainly due to a decline in the volume of wholesale services by EUR 2.5 million (-55.9%) compared with the first half of 2013;
- Media revenues declined by EUR 1.1 million due to a sharp drop in the market which also affected the on-line segment.

During the first half of 2014, internet access (including narrowband) and voice revenues (the “Core business” of the Group) accounted for approximately 79.7% of the total turnover.

Costs for purchases of materials and services, totalling EUR 64.5 million, were substantially in line with the figures of the first half of last year (EUR 64.7 million).

The above effects caused the EBITDA decline, rectified to EUR 25.7 million in the first half year of 2014 compared with the figures of the first half of the previous year (EUR 35.5 million).

The operating result (EBIT) for the first half of 2014, net of provisions, write-downs and amortisation/depreciation, was a profit of EUR 2.1 million, down with respect to the corresponding balance for 2013, a profit of EUR 3.7 million.

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

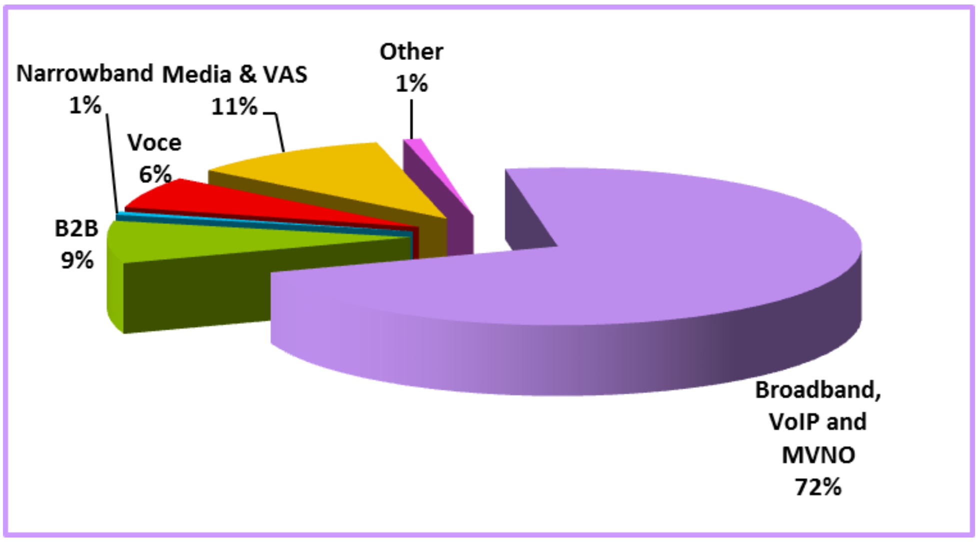
The Group's net result was a loss of EUR 5.7 million, down against the loss of EUR 3.6 million recorded in the first half of 2013.

Operational income statement - Group

(EUR mln)	**1st half of 2014**	**1st half of 2013**
Revenues	**106.7**	**114.3**
Access revenues (including VoIP)	77.3	82.3
of which: ADSL	*46.5*	*47.1*
of which VOIP	*28.6*	*33.8*
of which MVNO	*2.2*	*1.4*
Dial Up revenues (narrowband)	*0.7*	*1.2*
Voice revenues	7.0	8.9
Business service revenues	9.3	8.9
Media and value added service revenues	11.4	12.5
Other revenues	1.0	0.6
Gross operating margin	**54.0**	**61.5**
Indirect operating costs	**29.5**	**29.3**
Marketing and sales	5.2	4.4
Payroll and related costs	17.7	17.5
Other indirect costs	6.5	7.5
Other (income) / expense	(1.2)	(3.3)
Adjusted Gross Operating Result (EBITDA)	**25.7**	**35.5**
Write-down of receivables	5.1	8.2
Gross Operating Result (EBITDA)	**20.5**	**27.2**
Amortisation/depreciation	18.2	19.6
Gross result (EBIT) before restructuring costs and provisions for risks	**2.3**	**7.6**
Operating result (EBIT)	**2.1**	**3.7**
Group Net Result	**(5.7)**	**(3.6)**

Revenues by business segment

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



Source: Tiscali

Access

The segment in question, which includes revenues from Internet access services via broadband (ADSL) and narrowband (dial-up), the flat component of the bundled ranges (access fees) and mobile telephone revenues, in the first half of 2014 generated revenues of around EUR 78 million, down by approximately 6.5% with respect to the figure in the same period in 2013 (EUR 83.5 million). The decrease in revenue is mainly attributable to the VOIP segment (EUR 28.6 million in the first six months of 2014 compared with EUR 33.8 million in the first six months of 2013), whereas the ADSL access services slightly declined from EUR 47.1 million in the first half of 2013 to EUR 46.5 million in the first half of 2014.

Conversely, the MVNO segment showed an increase of 54.6%, from EUR 1.4 million in the first six months of 2013 to EUR 2.1 million in the first six months of 2014.

As at 30 June 2014, direct ADSL customers decreased by 3.2 thousand with respect to the comparable figure in the first half of 2013 However, the mix in customer base has improved since the number of units is up by approximately 4,000 for customers in the covered areas (data and ULL voice) whose marginality is above the bitstream customers.

Total ADSL customers at the end of the period amounted to around 489.3 thousand, of which 356.2 thousand linked under unbundling.

The customer base using dial-up access (narrowband) and analogue voice services stood at around 41.5 thousand users. More specifically, the customers using WLR showed a 7 thousand unit increase, from 20.8 thousand units as at 30 June 2013 to 27.7 thousand units as at 30 June 2014.

The reduction in the narrowband customer base followed the market trend which saw a progressive replacement with broadband services in the proposals to customers.

Evolution of the customer base

(000)	**30 June 2014**	**30 June 2013**
ADSL customers	489.3	492.5
of which LLU	*356.2*	*352.0*
Narrowband and Voice customers	41.5	43.2
Dual play customers	363.5	360.4
Active SIM with traffic data	64.9	36.2

The ADSL customers, as at 31 December 2013, stood at 498.2 thousand (357.9 thousand LLU).

The number of active and operating SIMs as at 30 June 2014 stood at 64.9 thousand, a sharp increase compared with the same figure in the first six months of 2013 which stood at 36.2 thousand units.

The unbundling network coverage at 30 June 2014 amounted to 688 sites.

Voice

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

There was a decrease in revenues relating to voice services of 21.4%, rising from EUR 8.9 million in the first half of 2013 to EUR 7 million in the first half of 2014.

Business services

Revenues from business services (VPN, housing, hosting services, domains and leased lines), excluding those from access and/or voice products for the same customer base already included in their respective business segments, amounted in the first half of 2014 to EUR 9.3 million, up 4.5% with respect to the EUR 8.9 million in the first six months of 2013.

Media

During the first half of 2014, revenues for the Media and value added services segment (mainly concerning sales of advertising space) amounted to around EUR 11.4 million and were down slightly by 8.6% with respect to the same period in the previous year (EUR 12.5 million). The decline in revenue is however less than the average in the sector which has showed a significant contraction since the second half of 2013.

Indirect operating costs during the first half of 2014 stood at EUR 29.5 million (27.7% of revenues), basically in line with the same figure of the first half of 2013 (EUR 29.3 million, 25.7% of revenues). Within indirect operating costs, payroll and related costs during the first half of 2014 amounted to EUR 17.7 million (16.6% of revenues), in line with the same figure of the first six months of 2013 (EUR 17.5 million, 15.3% of revenues).

The **Adjusted gross operating result (EBITDA**), before provisions for risks, write-downs, depreciation and amortisation, came to EUR 25.7 million (24.1% of revenues), down with respect to the first six months of 2013 (EUR 35.5 million, 31% of revenues).

Provisions for the write-down of receivables in the first six months of 2014 totalled EUR 5.1 million (EUR 8.2 million in the same period of 2013).

The **Gross operating result (EBITDA)**, net of write-downs of receivables and other provisions came to EUR 20.5 million in the first half of 2014 (19.2% of revenues), a decrease when compared with the figure of 2013 (EUR 27.2 million, 23.8% of revenues).

Amortisation/depreciation in the first half of 2014 came to EUR 18.2 million (EUR 19.6 million in the first half of 2013).

The **Operating result (EBIT)** for the first half of 2014, net of provisions, write-downs and restructuring costs, was a profit of EUR 2.1 million, with respect to the corresponding balance for 2013, a profit of EUR 3.7 million.

The **Group's net result** was a loss of EUR 5.7 million (a loss of EUR 3.6 million in the first half of 2013).

Equity and financial position

CONSOLIDATED BALANCE SHEET (in abridged form)	30 June 2014	31 December 2013
(EUR mln)		
Non-current assets	154.5	163.4
Current assets	64.1	59.3
Total Assets	**218.7**	**222.7**
Group shareholders' equity	(157.9)	(151.9)
Shareholders' equity pertaining to minority shareholders	0.0	0.0
Total Shareholders' equity	**(157.9)**	**(151.9)**
Non-current liabilities	59.6	64.1
Current liabilities	317.0	310.5
Total Liabilities and Shareholders' equity	**218.7**	**222.7**

Assets

Non-current assets

Non-current assets at 30 June 2014 amounted in total to EUR 154.5 million (EUR 163.4 million at 31 December 2013). The net change is essentially attributable to the amortisation and depreciation charge on intangible and tangible fixed assets in the first six months of 2014. Investments, amounting to about EUR 9.4 million, referred essentially to the activation of new ADSL customers.

Current assets

Current assets as at 30 June 2014 amounted to EUR 64.1 million, up from 31 December 2013 (EUR 59.3 million), and include mainly receivables from clients which, as at 30 June 2014, amounted to EUR 44.5 million compared with EUR 45.2 as at 31 December 2013. In addition to cash on hand, this item includes also other receivables and other current assets, for EUR 10.8 million, represented by prepaid expenses related to service costs, accrued income from access services, and sundry receivables.

Liabilities

Non-current liabilities

Non-current liabilities, as at 30 June 2014, amounted in total to EUR 59.6 million, down with respect to 31 December 2013 (EUR 64.1 million). The balance includes both the items pertaining to the financial position, with reference to which please see the matters illustrated below, the provision for risks and charges for EUR

1.5 million, the provision for employee severance indemnities for EUR 5.3 million and other non-current liabilities for EUR 1.4 million.

Current liabilities

Current liabilities amounted to EUR 317 million as at 30 June 2014 (compared with EUR 310.5 million as at 31 December 2013) and mainly include the current portion of financial payables, payables to suppliers, together with accrued expenses pertaining to the purchase of access services and line rental.

Financial position

As at 30 June 2014, the Tiscali Group held cash, cash equivalents and bank deposits totalling EUR 7.8 million, against net financial debt, at the same date, of EUR 190.4 million (EUR 191.6 million as at 31 December 2013).

(EUR mln)	**Notes**	**30 June 2014**	**31 December 2013**
A. Cash and Bank deposits		7.8	3.1
B. Other cash equivalents		0.0	0.0
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		***7.8***	***3.1***
E. Current financial receivables		***0.1***	***0.1***
F. Non-current financial receivables	(1)	6.9	6.9
G. Current bank payables	(2)	11.0	11.9
H. Current portion of non-current debt	(3)	135.6	131.8
I. Other current financial payables (*)	(4)	7.2	4.3
J. Current financial debt (G) + (H) + (I)		***153.8***	***148.0***
K. Net current financial debt *(J) – (E) – (D) - (F)*		**139.0**	**137.9**
L. Non-current bank payables		0.0	0.0
M. Bonds issued		-	-
N. Other non-current payables (**)	(5)	51.4	53.7
O. Non-current financial debt *(N) + (L) + (M)*		**51.4**	**53.7**
P. Net Financial Debt *(K) + (O)*		**190.4**	**191.6**

(*) includes short-term financial leasing payables
(**) includes long-term financial leasing payables

Notes:

(1) Essentially includes the interest-bearing restricted deposit relating to the financial Sale & Lease-back transaction on Sa Illetta;
(2) Includes the bank payables of Tiscali Italia S.p.A., Tiscali S.p.A. and Veesible S.r.l.;
(3) Includes payables to Senior Lenders;
(4) Essentially includes the short-term portion of the Sale and Lease Back – Sa Illetta payable;
(5) Essentially includes the long-term portion of the Sale and Lease Back – Sa Illetta payable.

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

(EUR mln)	**30 June 2014**	**31 December 2013**
Consolidated net financial debt	**190.4**	**191.6**
Other cash equivalents and non-current financial receivables	6.9	6.9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006.	**197.3**	**198.5**

4.5 Related Parties

The Regulations for transactions with related parties drawn up in accordance with Article 2391 bis of the Italian Civil Code and Consob Regulation No. 17221 dated 12 March 2010 came into force as from 1 January 2011 as published on the Company website, in the Investor Relations section.

4.6 Significant events after the half year end

On 6 August 2014, an extension of the GFA standstill to 30 September 2014 was achieved by the Financing Institutions for the purpose of allowing the conclusion of the restructuring process of financial indebtedness, currently under way, as more detailed in the next paragraph.

4.7 Evaluation of the company as a going-concern and future outlook

Events and uncertainties regarding the business continuity

The Tiscali Group closed the first half of 2014 with a consolidated loss of EUR 5.7 million and negative consolidated shareholders' equity of EUR 157.9 million. Furthermore, as at 30 June 2014, the Group had a gross financial debt of EUR 205.1 million and current liabilities greater than current assets (non-financial) for EUR 107 million.

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

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

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

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

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

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

- activities seeking to contain costs and price increases in consumer broadband access, in order to increase revenue, and
- a strategy for the application of more stringent control policies on the incoming customers in order to improve the customer base and the consequent cash flows. More specifically, in the first six months of 2014, activities continued for the progressive reduction of payments via post office or credit transfers by customers (with greater rates of insolvency) thus favouring automatic payment methods (direct debit and credit cards); As at 30 June 2014, the customers using automatic payment methods reached 70% of the customer base.

The results of the first six months show:

- an increase in the number of customers using mobile telephones: the active and operating SIMs base, as at 30 June 2014, stood at 65 thousand units, an approximate 5 thousand units per month growth;
- despite a slight decline in customer base, there was an improvement in the percentage of the customer base within the covered areas (ULL), which presents a greater marginality compared with the bitstream;
- revenues from business services (VPN, housing, domains and leased lines) showed an increase of 4.5% compared with the previous year;
- focus on innovation through a new strategy for the development of web and Over-the-Top services.

All the activities listed above made it possible to generate cash and cash equivalents from operating activities for around EUR 17.2 million.

As at 30 June 2014, similar to 31 December 2013, some of the financial parameters laid out in the facility agreement executed by the companies of the Group on 2 July 2009 ("Group Facility Agreement" or "GFA"), were not met. In accordance with the provisions of the GFA, these violations represent an *Event of Default* based on which the financing institutions can decide - with the favourable vote of parties which overall hold more than two thirds of the debt deriving from the GFA - to declare the entire amount of the loans due and to be collected and therefore request a full repayment

On the basis of the matters set forth above, the Directors, when evaluating the existence of the conditions of the Group as a going concern in the current macro-economic context, and in the current competitive scenario, identified the factors which indicate the existence of the following significant uncertainties:

i. the unbalanced equity, financial and economic situation which the Group is headed into, as shown by the negative consolidated shareholders' equity for EUR 157.9 million, due to the negative economic performance over the years and the weight of the considerable indebtedness;
ii. the afore-mentioned presence of an *Event of Default*, as per the GFA, deriving from the violation of the financial parameters envisaged therein;
iii. the non-compliance with the 3 July 2014 deadline for the payback of Tranche A of the loan issued pursuant to the GFA, amounting approximately to EUR 82.5 million in principal plus the PIK interests accrued which amounted to EUR 25.5 million.

In light of these factors of uncertainty, the establishment of a balanced equity, financial and economic situation for the Group over the long-term depends on the need to finalise a restructuring transaction, with the Financing Institutions, for the Tiscali Group's financial debt, which provided amongst other aspects for the following: (1) the waiver by the Financing Institutions about availing themselves of the contractual remedies provided for in the GFA, should the afore-mentioned Events of Default occur, (2) the rescheduling of the debts matured on 3 July 2014, with related interests, and in July 2015, for an amount of about EUR 108 million and EUR 27.6 million, respectively, (3) the redefinition of the financial parameters on the basis of the results that were forecast in the business plan 2014-2018, approved by the Board of Directors on 29 August 2014, which in turn presumes that the forecasts and assumptions contained therein will materialise in particular with reference to the development of the telecommunications market and to the achievement of the set out growth objectives, and furthermore, the transfer of the leasing agreement pertaining to the real estate Sa Illetta, as well as the positive outcome of the bid for Consip S.p.A. tender, as hereinafter described.

In this context:

- during the first six months of 2014, following an intense and multi-step negotiation, initiated in 2013, with the support of a financial advisor appointed by the Group, different restructuring proposals were prepared as regards the financial indebtedness of the Group, in an attempt to reconcile the interests of all parties involved;
- in the months of June 2014, the draft of a "Term Sheet" was finalised with a non-binding proposal which provides for the possible recapitalisation of the Group, a partial rescheduling of the debt as well as a re-wording of the financial parameters set forth in the GFA, in line with the performance forecast of the business and financial plan. The Term Sheet, with reference to the GFA forecast, provides also for a standstill period, until 31 July 2014, and extendible to 31 August 2014, that will allow for the finalisation of the contractual documentation;
- the Term Sheet draft, forwarded by the Financial Advisor of the Group to the Financing Institutions on 6 June 2014, was accepted by all the Financing Institutions under the GFA, although in a non-binding manner and subject to the approval of the decision-makers at the Financing Institutions, thus allowing the Group to pursue a plan for the consensual restructuring of its financial indebtedness;
- in the following months, and to date, the Group continued to carry out, with the Financing Institutions, preparation activities for the finalisation of the contractual documentation that is necessary for performing the recapitalisation and restructuring operations up to the definition of a preliminary draft agreement, consistent with the Term Sheet;
- within this restructuring operation of the financial indebtedness, the Group has appointed an external professional for the execution of the approval and certification activities as regards the business and financial plan, pursuant to art. 67 of Financial Law; to date, these activities are at an advanced stage;
- on 6 August 2014, the Financing Institutions extended the standstill until 30 September 2014 in order to allow for the completion of the restructuring process of the GFA;
- the Board of Directors, in a meeting held on 29 August 2014, as mentioned above, has approved the updated version of the 2014-2018 business plan, assuming a restructuring of the debt in compliance with the Term Sheet. This update of the plan, which takes into account the results of the first six months of 2014, assumes, inter alias, in relation to projections for the 2014-2018 cash flows, the refinancing of the debt under the GFA, falling due in 2017, for the portion in excess of the net cash flows generated over the plan's duration. The Directors, based on the carried out analyses and with the support of the Financial Advisor, are confident about the refinancing of this share. The plan assumes also the sale of the leasing agreement regarding the real estate Sa Illetta, based on a specific unbinding proposal received from third parties and the positive conclusion of the awarding process of the Consip S.p.A. tender for connectivity services, for which the Tiscali Group has submitted the best bid as disclosed at the opening of the envelopes on 14 May 2014.

The recapitalisation and restructuring of the financial indebtedness are essential elements for the execution of the business plan and for enabling the following: a) to rebuild an adequate supply of equity, b) to recover assets, c) to comply with the financial parameters set forth in the GFA, and with other contractual requirements relating to the Group's financial debt, in order to meet the set out obligations, d) to achieve a balanced and long-term equity, economic and financial position for the Group.

Final assessment of the Board of Directors

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

- has generated, in the first six months of 2014, cash and cash equivalents amounting to approximately EUR 17.2 million;
- has continued to focus on certain sectors with high growth potential, such as the media sector and on Over-The-Top products;
- has continued its strategy for the development of mobile phones;
- has submitted its best economic bid for the Consip S.p.A. tender (BTB Services) for the awarding of the connectivity services, within the scope of the Public Connectivity System (SPC), as disclosed at the opening of the envelopes on 14 May 2014. The tender concerned an outline " multi-supplier" contract for the provision of services throughout the whole of Italy for an overall duration of 7 years. The tender procedures involve the assessments, pursuant to the law, of the bids for which the Directors are confident of a positive outcome of the awarding of the contract;
- has updated the 2014-2018 financial and business plan having taken into account the results of the first six months of 2014, in line with the projected debt restructuring operations under the GFA, and with the above content.

Furthermore, the Directors - despite disclosing how the finalisation of the recapitalisation and restructuring operations as set forth in the Term Sheet is subject to the occurrence of specific conditions, including:

- the waiver by the financing institutions of the adoption of the contractual remedies envisaged by the GFA in the event of Events of Default, until all the necessary contractual documentation has been signed;
- the completion of the approval and certification of the business plan 2014-2018, ex art. 67 of the Financial Law, by the appointed external professional;
- the finalisation of the contractual documentation in satisfactory terms for all the Financing Institutions;
- the completion of the authorisation process by the competent decision making bodies of the participating Financing Institutions and the execution of a new financing agreement.

on the basis of the above statements, reasonably believe that the afore-mentioned Group indebtedness restructuring operations can be completed by the end of the extended standstill period (30 September 2014), so as to be able to proceed with the implementation of the Group's financial and business plan, thereby permitting over the long-term the achievement of a balanced equity, financial and economic position.

In conclusion, when analysing what has already been achieved within the scope of the process aimed at enabling the Group to obtain long-term equity, financial and capital adequacy, the Directors acknowledge that, as already indicated in the 2013 financial statements, uncertainties still remain with regards to events and circumstances that may raise considerable doubt on the ability of the Group to continue to operate under the going-concern assumption; however, after making the necessary assessments and after verifying the uncertainties found in the light of the factors described, and having taken into account the afore-mentioned outline consent expressed by all the financing institutions with regard to the proposed restructuring of the debt as per the GFA, they reasonably expect that the definition of the transaction can be reached for the rebalancing of the Group's financial structures, on a consistent basis, with the expected cash flows and the definition of an equity position that is suitable for supporting the operating activities laid out in the afore-mentioned financial and business plans, and that the Group has adequate resources to continue operations in the near future, and therefore they have adopted the going-concern assumption when preparing the financial statements.

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

One-off transactions

Pursuant to Consob Resolution N. 15519 dated 27 July 2006, it should be noted in particular that during the first six months of 2014, a non-recurrent cost savings was recognised for a total of EUR 3.4 million in addition to a savings in financial charges for approximately EUR 0.7 million.

Atypical and/or unusual operations

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

Condensed half-year consolidated financial statements as at 30 June 2014

5 Consolidated financial statements and explanatory notes

5.1 Income statement

	Notes	1st half of 2014	1st half of 2013
(EUR 000)			
Revenues	*1*	106,694	114,329
Other income	*2*	1,055	1,185
Purchase of materials and outsourced services	*3*	64,477	64,673
Payroll and related costs	*4*	17,750	17,456
Other operating (income) charges	*5*	(153)	(2,086)
Write-downs of receivables from customers	*6*	5,148	8,241
Restructuring costs and other write-downs	*7*	179	3,845
Amortisation/depreciation	*13-14*	18,245	19,644
Operating result		**2,103**	**3,741**
Net financial income (charges)	*8*	(7,394)	(6,631)
Pre-tax result		**(5,291)**	**(2,889)**
Income taxes	*9*	(441)	(734)
Net result from operating activities (on-going)		**(5,732)**	**(3,623)**
Result from assets disposed of and/or destined for disposal	*10*	0	0
Net result for the period	*11*	**(5,732)**	**(3,623)**
Attributable to:			
- Result pertaining to the parent company		**(5,732)**	**(3,623)**
- Minority interests		0.00	0.0
Earnings (Losses) per share			
Earnings per share from operating activities and those disposed of:			
- Basic		(0.00)	**(0.00)**
- Diluted		(0.00)	**(0.00)**
Earnings per share from operating activities:			
- Basic		(0.00)	**(0.00)**
- Diluted		(0.00)	**(0.00)**

5.2 Statement of comprehensive income

(EUR 000)	Notes	1st half of 2014	1st half of 2013
Result for the period		**(5,732)**	**(3,623)**
Other components of comprehensive income:			
Other components of comprehensive income which will be subsequently reclassified under profit/loss for the period		0	0
Other components of comprehensive income which will not be subsequently reclassified under profit/(loss) for the period		(285)	181
(Loss)/profit from revaluation on defined benefit plans		**(285)**	**181**
Total other components of comprehensive income:		**(285)**	**181**
Total statement of comprehensive income result		**(6,017)**	**(3,442)**
Attributable to:			
Shareholders of the parent company		**(6,017)**	**(3,442)**
Minority shareholders		0	0
		(6,017)	**(3,442)**

5.3 Statement of financial position

(EUR 000)	Notes	**30 June 2014**	**31 December 2013**
Non-current assets			
Intangible assets	*13*	63,926	67,792
Property, plant and equipment	*14*	79,929	84,934
Other financial assets	*15*	10,691	10,713
		154,546	**163,440**
Current assets			
Inventories	*16*	877	744
Receivables from customers	*17*	44,541	45,213
Other receivables and other current assets	*18*	10,841	10,128
Other current financial assets	*19*	106	97
Cash and cash equivalents	*20*	7,756	3,112
		64,121	**59,293**
Assets held for sale		(0)	**(0)**
Total Assets		**218,667**	**222,733**
Share Capital and reserves			
Share Capital		92,023	92,023
Results from previous periods and Other reserves		(244,205)	(239,136)
Result pertaining to the Group		(5,732)	(4,782)
Group shareholders' equity	*21*	**(157,914)**	**(151,896)**
Minority interests		0	0
Shareholders' equity pertaining to minority shareholders	*22*	**0**	**0**
Total Shareholders' equity		**(157,914)**	**(151,896)**
Non-current liabilities			
Payables to banks and to other lenders	*23*	(0)	(0)
Payables for financial leases	*23*	51,397	53,742
Other non-current liabilities	*24*	1,355	3,346
Liabilities for pension obligations and staff severance indemnities	*25*	5,318	5,146
Provisions for risks and charges	*26*	1,534	1,863
		59,603	**64,097**
Current liabilities			
Payables to banks and other lenders	*23*	146,615	143,730
Payables for financial leases	*23*	7,096	4,208

Payables to suppliers	*27*	88,936	94,001
Other current liabilities	*28*	74,331	68,592
		316,977	**310,531**
Liabilities directly related to assets held for sale		(0)	(0)
Total Liabilities and Shareholders' equity		**218,667**	**222,733**

5.4 Cash flow statement

	1st half of 2014	1st half of 2013
(EUR 000)		
OPERATIONS		
Result from operating activities	**(5,732)**	**(3,623)**
Adjustments for:		
Depreciation of tangible assets	5,714	6,992
Amortisation of intangible assets	12,531	12,652
Allowance for bad debt provision	5,148	8,241
Capital gain on disposal of non-current assets	(1,054)	(1,054)
Income taxes	441	734
Release of provisions for risks	(22)	0
Other changes	19	1,066
Financial income/charges	7,394	6,631
Cash flow from operations before changes in working capital	***24,439***	***31,639***
Change in receivables	(4,475)	(1,625)
Change in inventory	(133)	(232)
Change in payables to suppliers	(4,523)	(8,168)
Change in long-term payables to suppliers	(2,285)	17
Net change in provisions for risks and charges	(329)	(145)
Net change in provision for staff severance indemnities	(188)	(650)
Changes in other liabilities	5,413	4,797
Changes in other assets	(713)	(497)
Changes in working capital	***(7,233)***	***(6,503)***
CASH AND CASH EQUIVALENTS DERIVING FROM OPERATIONS	**17,206**	**25,136**
INVESTMENT ACTIVITIES		
Change in other financial assets	13	58
Purchases of tangible fixed assets	(709)	(915)
Purchases of intangible fixed assets	(8,664)	(11,155)
Payments for the sale of assets	(0)	0

NET CASH AND CASH EQUIVALENTS USED FOR THE INVESTMENT ACTIVITIES	**(9,361)**	**(12,012)**
FINANCIAL ACTIVITIES		
Change in loans from banks	(2,989)	(4,492)
of which:		
Repayment of capital and interest on Senior loans	(546)	(932)
Increase/Decrease in current account overdrafts	(2,442)	(3,560)
Repayment/Acceptance of finance leases	(211)	157
Exchange differences	(1)	(3)
UCI reserve	0	0
Changes in shareholders' equity	(1)	3
NET CASH AND CASH EQUIVALENTS GENERATED BY/(USED IN) FINANCIAL ACTIVITIES	**(3,202)**	**(4,335)**
Effect of changes in foreign currency exchange rates	-	-
Cash flow generated /Absorbed by assets disposed of/held for sale	-	-
NET CASH AND CASH EQUIVALENTS GENERATED BY/(USED IN) FINANCIAL ACTIVITIES including cash flow generated/absorbed by assets disposed of/held for sale	**(3,202)**	**(4,335)**
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	**4,644**	**8,789**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**3,112**	**4,406**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**7,756**	**13,195**

5.5 Statement of changes in shareholders' equity

	Share Capital	Share premium reserve	Stock option reserve	Reserves for employee benefits	Accumulated losses and Other reserves	Group shareholders' equity	Minority interests	Total
Balance at 31 December 2013	**92,023**			**(1,294)**	**(242,624)**	**(151,896)**		**(151,896)**
Share capital increase								
Increases /(Decreases)					(1)	**(1)**		**(1)**
Statement of comprehensive income result				(285)	(5,732)	**(6,017)**		**(6,017)**
Balance at 30 June 2014	**92,023**			**(1,580)**	**(248,357)**	**(157,914)**		**(157,914)**

	Share Capital	Share premium reserve	Stock option reserve	Reserves for employee benefits	Accumulated losses and Other reserves	Group shareholders' equity	Minority interests	Total
Balance at 31 December 2012 Restated*	**92,020**			**(1,396)**	**(237,842)**	**(147,219)**		**(147,219)**
Share capital increase								
Increases /(Decreases)	2				1	**3**		**3**
Statement of comprehensive income result				181	(3,623)	**(3,442)**		**(3,442)**
Balance at 30 June 2013	**92,022**			**(1,215)**	**(241,465)**	**(150,658)**		**(150,658)**

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

	Notes	1st half of 2014	of which: related parties	1st half of 2013	of which: related parties
(EUR 000)					
Revenues	*1*	106,694	11	114,329	12
Other income	*2*	1,055		1,185	
Purchase of materials and outsourced services	*3*	64,477	36	64,673	
Payroll and related costs	*4*	17,750		17,456	
Other operating (income) charges	*5*	(153)		(2,086)	
Write-downs of receivables from customers	*6*	5,148		8,241	
Restructuring costs and other write-downs	*7*	179		3,845	
Amortisation/depreciation	*13-14*	18,245		19,644	
Operating result		**2,103**	**(25)**	**3,741**	**12**
Net financial income (charges)	*8*	(7,394)		(6,631)	
Pre-tax result		**(5,291)**	**(25)**	**(2,889)**	**12**
Income taxes	*9*	(441)		(734)	
Net result from operating activities (on-going)		**(5,732)**	**(25)**	**(3,623)**	**12**
Result from assets disposed of and/or destined for disposal	*10*				
Net result for the period	*11*	**(5,732)**	**(25)**	**(3,623)**	**12**
Attributable to:					
- Result pertaining to the parent company		**(5,732)**		**(3,623)**	
- Minority interests					
Earnings (Losses) per share					
Earnings per share from operating activities and those disposed of:					
- Basic		(0.00)		**(0.00)**	
- Diluted		(0.00)		**(0.00)**	
Earnings per share from operating activities:					
- Basic		(0.00)		**(0.00)**	
- Diluted		(0.00)		**(0.00)**	

5.7 Balance sheet pursuant to Consob Resolution No. 15519 dated 27 July 2006

(EUR 000)	Notes	30 June 2014	of which: related parties	31 December 2013	of which: related parties
Non-current assets					
Intangible assets	*13*	63,926		67,792	
Property, plant and equipment	*14*	79,929		84,934	
Other financial assets	*15*	10,691		10,713	
		154,546		**163,440**	
Current assets					
Inventories	*16*	877		744	
Receivables from customers	*17*	44,541	2	45,213	
Other receivables and other current assets	*18*	10,841		10,128	
Other current financial assets	*19*	106		97	
Cash and cash equivalents	*20*	7,756		3,112	
		64,121	**2**	**59,293**	
Assets held for sale		(0)		**(0)**	
Total Assets		**218,667**	**2**	**222,733**	
Share Capital and reserves					
Share Capital		92,023		92,023	
Results from previous periods and Other reserves		(244,205)		(239,136)	
Result pertaining to the Group		(5,732)		(4,782)	
Group shareholders' equity	*21*	**(157,914)**		**(151,896)**	
Minority interests					
Shareholders' equity pertaining to minority shareholders	*22*				
Total Shareholders' equity		**(157,914)**		**(151,896)**	
Non-current liabilities					
Payables to banks and to other lenders	*23*	()		()	
Payables for financial leases	*23*	51,397		53,742	
Other non-current liabilities	*24*	1,355		3,346	
Liabilities for pension obligations and staff severance indemnities	*25*	5,318		5,146	
Provisions for risks and charges	*26*	1,534		1,863	
		59,603		**64,097**	
Current liabilities					
Payables to banks and other lenders	*23*	146,615		143,730	

Payables for financial leases	*23*	7,096		4,208	
Payables to suppliers	*27*	88,936	20	94,001	150
Other current liabilities	*28*	74,331		68,592	
		316,977	**20**	**310,531**	**150**
Liabilities directly related to assets held for sale		(0)		(0)	
Total Liabilities and Shareholders' equity		**218,667**	**20**	**222,733**	**150**

5.8 Explanatory Notes

Tiscali S.p.A. (hereinafter "Tiscali" or the "Company") is a limited company incorporated under the laws of the Republic of Italy at the Cagliari Companies' Register.

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

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

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

These condensed consolidated half-yearly financial statements (the financial statements) are presented in thousands of Euro (EUR), which is the currency used to conduct most of the Group's operations. Foreign activities have been included in the consolidated financial statements according to the principles detailed below.

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

The half-yearly financial report has been approved by the Board of Directors on 29 August 2014, which authorised the publication of the same as per the formalities and legal deadlines.

Events and uncertainties regarding the business continuity

The Tiscali Group closed the first half of 2014 with a consolidated loss of EUR 5.7 million and negative consolidated shareholders' equity of EUR 157.9 million. Furthermore, as at 30 June 2014, the Group had a gross financial debt of EUR 205.1 million and current liabilities greater than current assets (non-financial) for EUR 107 million.

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

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

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

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

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

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

- activities seeking to contain costs and price increases in consumer broadband access, in order to increase revenue, and
- a strategy for the application of more stringent control policies on the incoming customers in order to improve the customer base and the consequent cash flows. More specifically, in the first six months of 2014, activities continued for the progressive reduction of payments via post office or credit transfers by customers (with greater rates of insolvency) thus favouring automatic payment methods (direct debit and credit cards); As at 30 June 2014, the customers using automatic payment methods reached 70% of the customer base.

The results of the first six months show:

- an increase in the number of customers using mobile telephones: the active and operating SIM base, as at 30 June 2014, stood at 65 thousand units, an approximate 5 thousand unit growth a month;
- despite a slight decline in customer base, there was an improvement in the percentage of the customer base within the covered areas (ULL), which presents a greater marginality compared with the bitstream;
- revenues from business services (VPN, housing, domains and leased lines) showed an increase of 4.5% compared with the previous year;
- focus on innovation through a new strategy for the development of web and Over-the-Top services.

All the activities listed above made it possible to generate cash and cash equivalents from operating activities for around EUR 17.2 million.

As at 30 June 2014, similar to 31 December 2013, some of the financial parameters laid out in the facility agreement executed by the companies of the Group on 2 July 2009 (“Group Facility Agreement” or “GFA”), were not met. In accordance with the provisions of the GFA, these violations represent an *Event of Default* based on which the financing institutions can decide - with the favourable vote of parties which overall hold more than two thirds of the debt deriving from the GFA - to declare the entire amount of the loans due and to be collected and therefore request a full repayment.

On the basis of the matters set forth above, the Directors, when evaluating the existence of the conditions of the Group as a going concern in the current macro-economic context, and in the current competitive scenario, identified the factors which indicate the existence of the following significant uncertainties:

iv. the unbalanced equity, financial and economic situation which the Group is headed into, as shown by the negative consolidated shareholders’ equity for EUR 157.9 million, due to the negative economic performance over the years and the weight of the considerable indebtedness;

v. the afore-mentioned presence of an *Event of Default* as per the GFA, deriving from the violation of the financial parameters envisaged therein;

vi. the non-compliance with the 3 July 2014 deadline for the payback of Tranche A of the loan issued pursuant to the GFA, amounting approximately to EUR 82.5 million in principal plus the PIK interests accrued which amounted to EUR 25.5 million.

In light of these factors of uncertainty, the establishment of a balanced equity, financial and economic situation for the Group over the long-term depends on the need to finalise a restructuring transaction, with the Financing Institutions, for the Tiscali Group’s financial debt, which provided amongst other aspects for the following: (1) the waiver by the Financing Institutions about availing themselves of the contractual remedies provided for in the GFA, should the afore-mentioned Events of Default occur, (2) the rescheduling of the debts matured on 3 July 2014, with related interest, and on July 2015, for an amount of about EUR 108 million and EUR 27.6 million, respectively, (3) the redefinition of the financial parameters on the basis of the results that were forecast in the business plan 2014-2018, approved by the Board of Directors on 29 August 2014, which in turn presumes that the forecasts and assumptions contained therein will materialise, in particular with reference to the development of the telecommunications market and achievement of the set out growth objectives, and furthermore, the transfer of the leasing agreement pertaining to the real estate Sa Illetta, as well as the positive outcome of the bid for Consip S.p.A. tender, as hereinafter described.

In this context:

- during the first six months of 2014, following an intense and multi-step negotiation, initiated in 2013, with the support of a financial advisor appointed by the Group, different restructuring proposals were prepared as regards the financial indebtedness of the Group, in an attempt to reconcile the interests of all parties involved;
- in the months of June 2014, the draft of a “Term Sheet” was finalised with a non-binding proposal which provides for the possible recapitalisation of the Group, a partial rescheduling of the debt as well as a re-wording of the financial parameters set forth in the GFA, in line with the performance forecast of the business and financial plan. The Term Sheet, with reference to the GFA forecast, provides also for a standstill period, until 31 July 2014, and extendible to 31 August 2014, that will allow for the finalisation of the contractual documentation;
- the Term Sheet draft, forwarded by the Financial Advisor of the Group to the Financing Institutions on 6 June 2014, was accepted by all the Financing Institutions under the GFA, although in a non-binding manner and subject to the approval of the decision-makers at the Financing Institutions, thus allowing the Group to pursue a plan for the consensual restructuring of its financial indebtedness;
- in the following months, and to date, the Group continued to carry out, with the Financing Institutions, preparation activities for the finalisation of the contractual documentation that is necessary for performing the recapitalisation and restructuring operations up to the definition of a preliminary draft agreement, consistent with the Term Sheet;
- within this restructuring operation of the financial indebtedness, the Group has appointed an external professional for the execution of the approval and certification activities as regards the business and financial plan, pursuant to art. 67 of Financial Law; to date, these activities are at an advanced stage;
- on 6 August 2014, the Financing Institutions extended the standstill until 30 September 2014 in order to allow for the completion of the restructuring process of the GFA;
- the Board of Directors, in a meeting held on 29 August 2014, as mentioned above, has approved the updated version of the 2014-2018 business plan, assuming a restructuring of the debt in compliance with the Term Sheet. This update of the plan, which takes into account the results of the first six months of 2014, assumes, inter alias, in relation to projections for the 2014-2018 cash flows, the refinancing of the debt under the GFA, falling due in 2017, for the portion in excess of the net cash flows generated over the plan’s duration. The Directors, based on the carried out analyses and with the support of the Financial Advisor, are confident about the refinancing of this share. The plan assumes also the sale of the leasing agreement regarding the real estate Sa Illetta, based on a specific unbinding proposal received from third parties and the positive conclusion of the awarding process of the Consip S.p.A. tender for connectivity services, for which the Tiscali Group has submitted the best bid, as disclosed at the opening of the envelopes on 14 May 2014.

The recapitalisation and restructuring of the financial indebtedness are essential elements for the execution of the business plan and for enabling the following: a) to rebuild an adequate supply of equity, b) to recover assets, c) to comply with the financial parameters set forth in the GFA, and with other contractual requirements relating to the Group’s financial debt, in order to meet the set out obligations, d) to achieve a balanced and long-term equity, economic and financial position for the Group.

Final assessment of the Board of Directors

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

- has generated, in the first six months of 2014, cash and cash equivalents amounting to approximately EUR 17.2 million;
- has continued to focus on certain sectors with high growth potential, such as the media sector and on Over-The-Top products;
- has continued its strategy for the development of mobile phones;
- has submitted its best economic bid for the Consip S.p.A. tender (BTB Services) for the awarding of the connectivity services within the scope of the Public Connectivity System (SPC) as disclosed at the opening of the envelops on 14 May 2014.. The tender concerned an outline " multi-supplier" contract for the provision of services throughout the whole of Italy for an overall duration of 7 years. The tender procedures involve the assessments, pursuant to the law, of the bids for which the Directors are confident of a positive outcome of the awarding of the contract;
- has updated the 2014-2018 financial and business plan having taken into account the results of the first six months of 2014, in line with the projected debt restructuring operations under the GFA, and with the above content.

Furthermore, the Directors - despite disclosing how the finalisation of the recapitalisation and restructuring operations as set forth in the Term Sheet is subject to the occurrence of specific conditions, including:

- the waiver by the financing institutions of the adoption of the contractual remedies envisaged by the GFA in the event of Events of Default, until all the necessary contractual documentation has been signed;
- the completion of the approval and certification of the business plan 2014-2018, ex art. 67 of the Financial Law, by the appointed external professional;
- the finalisation of the contractual documentation in satisfactory terms for all Financing Institutions;
- the completion of the authorisation process by the competent decision making bodies of the participating Financing Institutions and the execution of a new financing agreement;

on the basis of the above statements, reasonably believe that the afore-mentioned Group indebtedness restructuring operations can be completed by the end of the extended standstill period (30 September 2014), so as to be able to proceed with the implementation of the Group's financial and business plan, thereby permitting over the long-term the achievement of a balanced equity, financial and economic position.

In conclusion, when analysing what has already been achieved within the scope of the process aimed at enabling the Group to obtain long-term equity, financial and capital adequacy, the Directors acknowledge that, as already indicated in the 2013 financial statements, uncertainties still remain, with regards to events and circumstances that may raise considerable doubt on the ability of the Group to continue to operate under the going-concern assumption, however, after making the necessary assessments and after verifying the uncertainties found in the light of the factors described, and having taken into account the afore-mentioned outline consent expressed by all the financing institutions with regard to the proposed restructuring of the debt under the GFA, they reasonably expect that the definition of the transaction can be reached for the rebalancing of the Group's financial structures on a consistent basis with the expected cash flows and the definition of an equity position that is suitable for supporting the operating activities laid out in the afore-mentioned financial and business plans and that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when preparing the financial statements.

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

Form and content of the accounting statements

Basis of presentation and consolidation

This condensed consolidated half-yearly financial statements have been drawn up by following the International Accounting Standards ("IFRS") issued by the Accounting Standards Board ("IASB") and ratified by the European Union. IFRS also include all the reviewed international accounting standards ("IAS") and all the interpretations by the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC").

The form and content of these condensed consolidated semi-annual financial statements is compliant with the disclosure envisaged by International Accounting Standard No. 34 Interim financial reporting (IAS 34).

The notes have been drawn up in abridged form, applying the faculty envisaged by IAS 34 and therefore they do not include the information required for annual financial statements drawn up in accordance with the IFRS.

In accordance with applicable legal rules and provisions, the condensed consolidated half-yearly financial statements were drawn up on a consolidated basis and were subject to a limited audit by Reconta Ernst & Young S.p.A..

The consolidation principles, the accounting standards and the calculation methods used for the preparation of the half-yearly statements have been uniformly applied also to the preparation of the half-yearly report as at 30 June 2013 and the consolidated financial statements as at 31 December 2013, submitted for comparative purposes (with the exception of the adoption of the new standards, the amendments and interpretations effective as from 1 January 2014, briefly described in the following paragraphs which have not had any impact on the half-year report as at 30 June 2014). For a complete illustration of the accounting standards and the calculation methods used, reference should be made to the explanatory notes to the consolidated financial statements as at 31 December 2013.

Preparation of the half-yearly financial statements and the related notes in accordance with the IFRS requires management to make a number of estimates and in certain cases adopt assumptions in the application of accounting standards. Within the sphere of the drafting of the half-year financial statements, the significant assessments made by company management regarding the application of the accounting standards and the main sources of uncertainty regarding the estimates, comply with those applied for the preparation of the consolidated financial statements for the year ended as at 31 December 2013.

Consolidation area

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

These consolidated subsidiaries are listed in the note List of subsidiaries included in the consolidation area.

Accounting standards

The accounting standards adopted by the group for the preparation of the consolidated half-year financial statements, as at 30 June 2014, are compliant with those used for the preparation of the consolidated financial statements as at 31 December 2013, to which reference should be made, except for the adoption of the new standards, amendments and interpretations effective as from 1 January 2014, as briefly described here below.

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

IFRS 10 introduces one single control model to be applied to all companies, including special purpose entities. IFRS 10 supersedes the section of IAS 27 - *Consolidated and separate financial statements* which regulates the accounting of the consolidated financial statement and SIC-12 - *Consolidation – Special Purpose Vehicles*. IFRS 10 changes the definition of control by stating that an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. An investor controls an investee if and only if the investor has all of the following elements: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The accounting treatment and consolidation procedures are by contrast unchanged with respect to that currently envisaged by IAS 27. IFRS 10 did not have any impact on the consolidation of the investments held by the Group.

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

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

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

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

IFRS 12 - Disclosure on interests in other entities

IFRS 12 sets forth the disclosure standards regarding a company's interests in subsidiaries, joint ventures, associates and 'structured entities'. These standards do not apply to condensed interim financial statements unless significant events and/or transactions occurring during the period require such disclosure. Consequently the Group has not provided the disclosure required by IFRS 12 in the condensed half-year financial statements.

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

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

Amendments to IAS 32 – Offsetting financial assets and liabilities

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

These amendments did not have any impact on the Group's Half-Year Consolidated Financial Statement.

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

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

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

These amendments remove the consequences unintentionally introduced by IFRS 13 on the disclosure requirements set by IAS 36. In addition, these amendments require disclosure of the recoverable amount of any assets or CGU for which, during the period, an impairment loss has been recognised or “reversed”. There have been no impact on the disclosures provided in the Notes to the Half-Year Consolidated Financial Statements of the Group.

Revenues (note 1)

(EUR 000)	1st half of 2014	1st half of 2013
Revenues	106,694	114,329

Revenues during the first half of 2014 decreased EUR 7.6 million with respect to those in the first half of 2013. For greater details, reference should be made to the Interim report on operations.

Other income (note 2)

(EUR 000)	1st half of 2014	1st half of 2013
Other income	1,055	1,185

Other income mainly includes the release, totalling around EUR 1 million, of the pertinent portion of the capital gain generated via the sale and lease back transaction on the Cagliari headquarters (Sa Illetta).

Purchase of materials and outsourced services (note 3)

(EUR 000)	1st half of 2014	1st half of 2013
Line/traffic rental and interconnection costs	35,819	36,456
Costs for use of third party assets	3,170	4,067
Portal services	4,844	5,178
Marketing costs	5,225	4,433
Other services	15,419	14,540
Total	**64,477**	**64,673**

Costs for the purchase of materials and outsourced services (which include line rental/traffic and interconnection) were essentially in line with the figures of the same period of last year.

Payroll and related costs (note 4)

(EUR 000)	1st half of 2014	1st half of 2013
Payroll and related costs	17,750	17,456
Total	**17,750**	**17,456**

The breakdown of the employees by category and the corresponding balance at 30 June 2013 are presented below.

Number of employees

	30 June 2014	30 June 2013
Executives	18	19
Middle managers	75	82
Office staff	799	793
Blue-collar workers	3	3
Total	**895**	**896**

Other operating (income) charges (note 5)

The breakdown is as follows:

(EUR 000)	1st half of 2014	1st half of 2013
Other operating (income) charges	(153)	(2,086)
Total	**(153)**	**(2,086)**

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

Write-downs of receivables from customers (note 6)

(EUR 000)	1st half of 2014	1st half of 2013
Write-downs of receivables from customers	5,148	8,241
Total	**5,148**	**8,241**

The provision for the write-down of receivables was 5% of the turnover in the first six months of 2014.

See the note "Receivables from customers" for further details (Note 17).

Restructuring costs and other write-downs (note 7)

(EUR 000)	**1st half of 2014**	**1st half of 2013**
Restructuring costs and other write-downs	179	3,845
Total	**179**	**3,845**

The item "restructuring costs and other write-downs" refers to provisions for restructuring charges of the Group.

This item included, in the first six months of 2013, professional charges from the Group's senior debt restructuring and from the winding up of external companies, in addition to a provision for the settlement of a prior dispute arising from the IPO of the subsidiary World On Line BV.

Financial income (charges) (note 8)

Net financial income (charges)

A breakdown of net financial income (charges) for the period, presenting a negative balance of EUR 7.4 million, is provided below.

(EUR 000)	**1st half of 2014**	**1st half of 2013**
Financial income		
Interest on bank deposits	17	8
Other financial income	5	83
Total	**22**	**91**
Financial charges		
Interest and other charges due to banks	4,798	3,838
Other financial charges	2,619	2,884
Total	**7,416**	**6,722**
Net financial income (charges)	**(7,394)**	**(6,631)**

The balance of Net financial income (charges) mainly included bank interest on the Senior Loan for EUR 4.4 million, interest on leasing for EUR 0.7 million, interest on current accounts for EUR 1.1 million, bank charges for EUR 0.5 million and default interest payable for EUR 0.3 million.

Income taxes (note 9)

(EUR 000)	1st half of 2014	1st half of 2013
Current taxes	441	734
Total	**(441)**	**(734)**

Current taxes for the period are represented by the IRAP (regional business tax) to be paid 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 30 June 2014.

Earnings (Losses) per share (note 11)

The result per share of "operating activities" was close to zero and was calculated by dividing the net loss for the year attributable to the ordinary shareholders of the parent company, amounting to EUR 5.7 million, by the weighted average number of ordinary shares in circulation during the first six months, totalling 1,861,498,844.

The result per share from "operating activities and those disposed of" was close to zero and was calculated by dividing the loss from operating activities and those disposed of, amounting to EUR 5.7 million, by the weighted average number of ordinary shares in circulation during the first six months.

Impairment test on assets (note 12)

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

The impairment test on assets was performed by comparing the value of assets reported at 30 June 2014 and their utilization value, determined based on the following essential elements.

(i) Definition of Cash Generating Units

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

(ii) Criteria for estimating the recoverable amount

The utilization value of the Cash Generating Units (CGU) was determined by discounting the cash flows deriving from the 2014-2018 Plan approved by the Board of Directors.

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

- explicit forecast period equating to the remaining plan duration;
- EBITDA emerging from market and business development hypothesis;
- investments to maintain the expected development of the business and the pre-established level of profitability;

- determination of the terminal value calculated as perpetuity based on the projection of the last year of the plan;
- the WACC rate determined on the basis of market valuations of the cost of money and specific risks related to the company's core business;
- terminal growth rate (Long-Term Growth - LTG) equal to 1.5%.

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

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

Based on these parameters, the WACC used for the impairment tests was 7.71%.

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 30 June 2014, an analysis was made on the sensitivity of the recoverable value estimated using the discounted cash flow method. The discount rate is considered a key parameter in the estimate of recoverable value. An increase of 1% would lower the positive difference between estimated recoverable value and book value. This difference would continue to be positive.

(iv) Considerations on the presence of external impairment indicators

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

Intangible assets (note 13)

At 30 June 2014, intangible assets amounted in total to EUR 63.9 million.

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**
NET VALUE						
31 December 2013	**-**	**42,767**	**23,504**	**821**	**700**	**67,792**
30 June 2014	**-**	**39,932**	**22,390**	**949**	**654**	**63,926**

Investments in the period ended at 30 June 2014 amounted in total to around EUR 8.5 million.

The balance of "Concessions and similar rights", amounting to EUR 39.9 million, includes EUR 31.1 million relating to rights and costs connected with the acquiring of conveying ability, on a several-year basis, in the shape of concession contracts for the use of the same (IRU/Indefeasible Rights of Use) and around EUR 7 million relating the licences, software and patents. Investments for the period amounted to around EUR 1.6 million and mainly concerned licences and software.

The item "Broadband service activation costs", equalling EUR 22.4 million, relates to the capitalization of the acquisition and activation costs of customers concerning the ADSL service. Capitalisation in the first half of 2014 came to around EUR 6.5 million.

"Other intangible assets" amounting to around EUR 1 million, were mainly made up of costs for the development of the UNIT2 IT platforms and the costs relating to the development of mobile telephone services (MVNO).

"Intangible assets in course of construction and prepayments" amounted to EUR 0.7 million and include software development projects not yet completed at 30 June 2014.

Property, plant and equipment (note 14)

At 30 June 2014, tangible assets amounted in total to EUR 79.9 million.

Tangible assets *(EUR 000)*	**Property**	**Plant and equipment**	**Other tangible assets**	**Tangible assets in course of construction**	**Total**
NET VALUE					
31 December 2013	**48,665**	**33,956**	**1,504**	**809**	**84,934**
30 June 2014	**47,744**	**30,225**	**1,385**	**574**	**79,929**

The item "Property", amounting to EUR 47.7 million, mainly relates to the Cagliari headquarters (Sa Illetta) of the Italian subsidiary, which was subject to a Sale & Lease back financial transaction in 2007.

The net book value of "Plant and equipment" (EUR 30.2 million) includes LLU site extension and installation costs and network and transmission equipment (routers, DSLAM, servers). During the interim period, there was an increase of EUR 0.8 million for investments concerning the development of the network infrastructure.

The "Other tangible assets", whose balance amounts to EUR 1.4 million, include furniture and furnishings, office equipment and motor vehicles.

The item "Tangible assets in course of construction and prepayments" amounts to around EUR 0.6 million.

Other non-current financial assets (note 15)

(EUR 000)	**30 June 2014**	**31 December 2013**
Guarantee deposits	6,944	6,944
Other receivables	1,707	1,670
Equity investments in other companies	2,040	2,099
Total	**10,691**	**10,713**

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

Equity investments in other companies are mainly represented by Janna S.c.p.a., a consortium company which is involved in the management of an underwater fibre optics cable between Sardinia and the mainland

and between Sardinia and Sicily. Other financial receivables are due from the same consortium company Janna S.c.p.a..

Inventories (note 16)

At 30 June 2014, inventory amounted in total to EUR 0.9 million.

Receivables from customers (note 17)

(EUR 000)	30 June 2014	31 December 2013
Receivables from customers	66,999	67,305
Write-down provision	(22,458)	(22,092)
Total	**44,541**	**45,213**

At 30 June 2014, receivables from customers totalled EUR 44.5 million, after write-downs of EUR 22.5 million. These receivables accrued from the sale of internet services, billing of network access services, inverse interconnection traffic, advertising revenues and business customer and telephone services provided by the Group.

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

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

Other Receivables and other Current Assets (note 18)

(EUR 000)	30 June 2014	31 December 2013
Other receivables	1,057	276
Accrued income	53	53
Prepaid expense	9,730	9,799
Total	**10,841**	**10,128**

Other Receivables, amounting to about EUR 1.1 million, include advances to suppliers for about EUR 0.3 million, due from tax authorities for about EUR 0.2 million and other receivables for EUR 0.5 million.

Prepaid expenses, whose balance comes to EUR 9.7 million, include costs already incurred and deferred to the following financial year, mainly associated with multi-year line rental contracts, hardware and software maintenance costs, and advertising and insurance costs.

Other current financial assets (note 19)

(EUR 000)	**30 June 2014**	**31 December 2013**
Guarantee deposits	10	
Other receivables	96	97
Total	**106**	**97**

Cash and cash equivalents (note 20)

Cash and cash equivalents at 30 June 2014 amounted to EUR 7.8 million and include the Group's cash, essentially held in bank current accounts.

Shareholders' equity (note 21)

(EUR 000)	**30 June 2014**	**31 December 2013**
Share capital	92,023	92,023
Accumulated losses and other reserves	(244,205)	(239,136)
Result for the period	(5,732)	(4,782)
Total Shareholders' equity	**(157,914)**	**(151,896)**

Changes in the various shareholders' equity items are detailed in the relevant table. At 30 June 2014, the share capital amounted to EUR 92,022,830.47 (corresponding to 1,861,498,844 ordinary shares). The item Accumulated losses and Other reserves included EUR 31.4 million in other reserves and EUR 212.8 million in accumulated losses pertaining to previous years.

Shareholders' equity pertaining to minority shareholders (note 22)

The shareholders' equity pertaining to minority shareholders was nil.

Current and non-current financial liabilities (note 23)

The net financial position is shown in the table below:

EUR 000	**30 June 2014**	**31 December 2013**
A. Cash and Bank deposits	7,756	3,112
B. Other cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	***7,756***	***3,112***
E. Current financial receivables	***96***	***97***
F. Non-current financial receivables		
G. Current bank payables	11,017	11,940
H. Current portion of non-current debt	135,598	131,791
I. Other current financial payables (*)	7,177	4,264
J. Current financial debt (G) + (H) + (I)	***153,792***	***147,994***
K. Net current financial debt *(J) – (E) – (D) - (F)*	**145,940**	**144,786**
L. Non-current bank payables		-
M. Bonds issued		
N. Other non-current payables (**)	51,397	53,742
O. Non-current financial debt (N) + (L) + (M)	**51,397**	**53,742**
P. Net Financial Debt *(K) + (O)*	**197,337**	**198,528**

(*) includes short-term financial leasing payables
(**) includes long-term financial leasing payables

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 shown in the interim Report on operations.

(EUR mln)	**30 June 2014**	**31 December 2013**
Consolidated net financial debt	**190.4**	**191.6**
Other cash equivalents and non-current financial receivables	6.9	6.9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006.	**197.3**	**198.5**

Financial indebtedness comprises:

- amounts owed to banks mainly in relation to the loan agreement signed on 2 July 2009 following the Group debt restructuring (“Group Facilities Agreement “ - or GFA);
- amounts for financial leasing contracts mainly in relation to the *sale and lease back* agreement stipulated for the Cagliari office (Sa Illetta).

Payables to banks

- Current bank payables, amounting to EUR 146.6 million, refer for EUR 135.6 million to the Group Facility Agreement and for the remaining portion to current bank payables for current account overdrafts.

The amount owed to banks represented by the GFA loan was as follows as at 30 June 2014:

- **Tranche A**: residual amount of EUR 107.9 million (maturing on 3 July 2014);
- **Tranche B**: residual amount of EUR 27.6 million (maturing in 2015).

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

The following table summarizes the main elements of the loan.

Loan	Amount	Year of maturity	Financing institution	Borrower	Guarantor
Facility A **Facility B**	EUR 82.5 million (*) EUR 20.5 million (*)	2014 2015	Intesa Sanpaolo London BG Master Fund Plc SVP Capital Funding Lux Silver Point Lux Plat Sarl Sothic Cap Deutsche Bank London (**)	Tiscali UK Holdings Ltd	Tiscali S.p.A. Tiscali Italia S.p.A. Tiscali International BV Tiscali Financial Services SA

(*) nominal amounts as at 30 June 2014 excluding capitalised interest.

(**)Deutsche Bank London sold its share as from 3 July 2014.

The loan agreement also provides for:

- Informational covenants that essentially include periodic disclosure to lenders with regard to accounting data and forecasts reported quarterly and yearly, together with explanatory notes from management;
- Financial covenants that will be monitored on pre-established maturities. These covenants provide for achieving certain EBITDA levels with regard to indebtedness and the result of financial operations as well as specific cash flow levels which will enable the Group to honour loan repayments and instalments envisaged in the financial plan;
- Operational covenants that provide for achieving specific ARPU levels and a specific number of customers and investments (“capital expenditure”).

Several general covenants where also defined to limit certain extraordinary transactions of a particular size, such as the disposal of important assets, transfer of ownership, intercompany payments over a certain threshold, payment of dividends.

The loan agreement provides for events of default, which is common practice for this type of agreement, where the senior financing institutions can apply an acceleration clause for repayment of all or part of the loan. Among these is default on certain contract obligations, namely the exceeding of the financial and operational covenants and failure to pay the amounts due according to the payment schedule. In addition, the Group Facility Agreement envisages as an event of default any litigation whose negative outcome might have a significant impact on the Group to such a degree that it would place doubts on its ability to survive or fulfil its payment obligations as laid down in the loan agreement (“Material Adverse Effect”).

As at 31 December 2013, as described in the 2013 Annual Financial Report, the financial covenants were not complied with and consequently, in accordance with the reference accounting standards, the entire GFA financial debt was classified under current liabilities. This approach was maintained as at 30 June 2014.

In this regard, see the note “Evaluation of the company as a going-concern”.

With regard to the guarantees provided, the parent company Tiscali S.p.A. and subsidiaries Tiscali Italia S.p.A., Tiscali International BV and Tiscali Financial Services SA are the entities that provide them under the loan agreement.

The amortisation plan established by the GFA provides for repayment of Facilities A, B and C for 85% directly on expiry. A portion of the interest is to be paid in cash according to pre-set deadlines, while the remaining portion is capitalized on the loan and paid off on maturity of each tranche (“PIK” interest).

Payables for financial leases

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

- the “Sales & Lease Back” financial lease on the Sa Illetta property, head offices of the company in Cagliari, whose debt at 30 June 2014 amounted to Euro 58.1 million;
- other financial leases for the remaining balance.

Breakdown of current and non-current financial debt

Current and non-current financial liabilities at 30 June 2014 are presented in the following table:

(EUR 000)	**30 June 2014**	**31 December 2013**
Non-current financial liabilities		
Payables to banks and other lenders:		
Payables for financial leases (short-term)	51,397	53,742
Total	**51,397**	**53,742**
Current financial liabilities		
Payables to banks and other lenders:		
Payables to banks	146,615	143,730
Payables for financial leases (short-term)	7,096	4,208
Total	**153,711**	**147,938**

Other non-current liabilities (note 24)

(EUR 000)	30 June 2014	31 December 2013
Payables to suppliers	-	1,935
Other payables	1,355	1,411
Total	**1,355**	**3,346**

Payables to suppliers are mainly represented by the medium/long-term portion of the debt deriving from the purchase of the rights to use the fibre optic network ("Indefeasible right of use" or "IRU").

Liabilities for pension obligations and staff severance indemnities (note 25)

The staff severance provision, which comprises the indemnities accrued, amounted to EUR 5.3 million at 30 June 2014.

(EUR 000)	31 December 2013	Provisions	Utilisation	Payments to Funds (**)	Actuarial (Gain)/loss	30 June 2014
Staff severance indemnities	5,146	1,013	(188)	(938)	285	5,318
Total	**5,146**	**1,013**	**(188)**	**(938)**	**285**	**5,318**

(**) These are payments made to the treasury funds and other supplementary pension funds

Provisions for risks and charges (note 26)

A breakdown of the provision covering risks and charges is as follows:

(EUR 000)	31 December 2013	Provisions	Utilisation	30 June 2014
Provisions for risks and charges	1,863	(1)	(328)	1,534
Total	**1,863**	**(1)**	**(328)**	**1,534**

Utilisations refer to the reclassification of the share of Tax provision, included in the Risk provision, under Due to tax authorities.

Payables to suppliers (note 27)

(EUR 000)	30 June 2014	31 December 2013
Payables to suppliers	88,936	94,001
Total	**88,936**	**94,001**

Payables to suppliers refer primarily to trade transactions for the provision of telephone traffic, data traffic, materials, technology services and other services of a commercial nature.

Other current liabilities (note 28)

(EUR 000)	30 June 2014	31 December 2013
Accrued expenses	4,337	3,337
Deferred income	37,963	38,837
Other payables	32,031	26,417
Total	**74,331**	**68,592**

Accrued expenses refer to charges for staff and costs for professional consultancy.

Deferred income mainly refers to:

- the capital gain on disposal relating to the Sale & Lease back transaction on the Sa Illetta property, amounting to around EUR 16 million which is released pro-rata depending on the duration of the lease agreement;
- the deferral of the revenues deriving from the sale of transmission capacity pertaining to future periods, for around EUR 10.1 million;
- the deferral of the revenues for the activation of the ADSL and VoIP services in relation to the non-pertinent portion, for around EUR 11.9 million.

The item other payables, EUR 32 million, essentially includes:

- VAT debt balance for EUR 19.3 million referred to debts recognised in these first six months and in 2013;
- payables to the tax authorities and social security institutions for around EUR 6.7 million;
- payables relating to the ministerial grants concerning the Italian subsidiary for EUR 4.7 million;
- amounts due for IRAP and other taxes with regard to the Italian subsidiary for EUR 1.3 million;

Stock options

There are no stock option or share incentive plans outstanding.

Disputes, contingent liabilities and commitments

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

A summary of the main proceedings to which the Group is a party, is presented below.

<u>Disputes</u>

Vereniging van Effectenbezitters/ Stichting Van der Goen WOL Claims dispute

In July 2001, the Dutch association Vereniging van Effectenbezitters and the Stichting VEB-Actie WOL foundation, which represent a group of around 10,000 former minority shareholders of World Online

International NV (hereinafter "WOL"), summonsed WOL (currently 99.5% owned by Tiscali) and the financial institutions tasked with the stock market listing of the Dutch subsidiary, disputing, in particular, the incomplete and incorrect nature, as per Dutch law, of certain information contained in the WOL listing prospectus and of certain public statements made by WOL and its Chairman immediately prior to and after the listing.

By means of provision dated 17 December 2003, the first level Dutch court deemed that in certain press releases issued by WOL prior to 3 April 2000, sufficient clarity was not provided regarding the declarations made public by its former chairman at the time of listing relating to his shareholding. Consequently, WOL was held responsible vis-à-vis the parties who had subscribed the shares of the company at the time of the IPO on 17 March 2000 (start date of trading) and who acquired shares on the secondary market up to 3 April 2000 (date on which the press release was issued, specifying the effective shareholding held by the former chairman of WOL). WOL appealed against this decision, citing the correctness of the listing prospectus.

On 3 May 2007, the Amsterdam Court of Appeal partially amended the decision of the first level court, deeming that the prospectus used at the time of listing was incomplete in some of its parts and that WOL should have corrected certain information relating to the shareholding held by its former chairman, reported by the media before said listing; furthermore, it was deemed that WOL had created optimistic expectations regarding its activities.

On 24 July 2007, the Dutch association and the foundation mentioned above proposed an appeal before the Dutch Supreme Court against the sentence of the Court of Appeal. On 2 November 2007, WOL and the financial institutions tasked with the stock market listing filed their counter-appeal. In November 2009, the Dutch Supreme Court pronounced its final sentence confirming the ruling of the Court of Appeal and ruled that the listing prospectus was not complete under certain aspects and that WOL management should have provided additional information during listing. It should be mentioned that the ruling is limited to ascertaining certain aspects of WOL's responsibility and that of the financial institutions handling the listing with regard to the obligations on disclosure during an IPO and defines certain principles that might be considered applicable to future court decisions (e.g. on the proof of cause), while it did not rule on the actual damages, which should be the object of new, separate and independent proceedings at the competent courts petitioned by investors.

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

In August 2013, the Tiscali Group - having also taken into account the existing insurance coverage - entered into a settlement agreement with the financial institutions, on the basis of which the same financial institutions waive all compensatory action vis-à-vis WOL relating to the transactions carried out by them with the shareholders' associations indicated above.

The agreement envisaged an outlay, by WOL, of a sum amounting to EUR 1.75 million, made in September 2013.

You are also hereby informed that Stichting Van der Goen WOL Claims in December 2011 made an additional request for compensation representing a further 28 shareholders or those entitled, in which the hypothesis of proceedings with legal action was furthered. This request for compensation does not fall within the afore-mentioned settlement agreement which the Tiscali Group has finalised with the financial institutions. The same Stichting Van der Goen WOL Claims confirmed its claims by means of letter dated 6 March 2013 and, subsequently, launched legal proceedings, served on 19 June 2014, vis-à-vis WOL and the financial institutions tasked with the listing of said WOL. Currently, the procedure requires an exchange in documented memorandums on 1 October 2014.

Having also taken into account the opinion of their Dutch legal advisors, the directors believe that the risk of losing is not probable.

Tax assessments

In 2003, the Dutch tax authorities notified WOL and the direct subsidiary Tiscali International BV with regard to the alleged non-payment of withholdings on remuneration and stock options acknowledged to a number of company executives. The total amount of these disputes is EUR 2 million, against which payments were made totalling around EUR 0.3 million. The residual amount mainly refers to withholdings on stock options which, in the opinion of the Group's tax advisors, would not be subject to taxation in the Netherlands. Given this circumstance and considering that the Dutch tax authorities have not sent any formal letter or document in the years following receipt of the notice of dispute, it is not deemed that the liability can be considered probable and, consequently, no further provision has been made.

Furthermore, the Revenue Agency is currently carrying out an audit of Tiscali Italia S.p.A. for the year 2011.

Other legal proceedings

In September 2013, the Company received notification, pursuant to Italian Legislative Decree No. 231/2001, of the conclusion of the preliminary investigations for alleged false corporate communications relating to the financial statements between 2008 and 2012. Trusting in the full legitimacy of its action and its directors, as well as in the absolute correctness of the accounting and financial documents, the Company is taking the necessary defence action. The subsidiary Tiscali Italia S.p.A received the same notification in January 2014.

Segment reporting

Segment information is reported, in compliance with the definition of operating segments used for the preparation of the annual financial statements as at 31 December 2013, in accordance with the following segments:

- Italy (BTC and BTB connectivity);
- Veesible (Media & Advertising);
- Other countries;
- Corporate.

Income statement

30 June 2014 *(EUR 000)*	Italy	Veesible	Other	Corporate	HFS/ Discontinued	Cancellation adjustments	Total
Revenues							
From third parties	95,591	11,048	-	55	-	-	106,694
Intra-group	3,974	1,962	-	3,173	-	(9,109)	-
Total revenues	**99,565**	**13,010**	**-**	**3,228**	**-**	**(9,109)**	**106,694**
Operating result	**382**	**293**	**(41)**	**1,470**	**-**	**()**	**2,103**
Portion of results of equity inv. carried at equity							**-**
Net financial income (charges)							(7,394)
Pre-tax result							(5,291)
Income taxes							(441)
Net result from operating activities (on-going)							(5,732)
Result from assets disposed of and/or destined for disposal							-
Net result							**(5,732)**

Income statement as at 30 June 2013

30 June 2013 *(EUR 000)*	Italy	Veesible	Other	Corporate	HFS/ Discontinued	Cancellation adjustments	Total
Revenues							
From third parties	102,239	12,035	-	55	-	-	114,329
Intra-group	4,116	1,402	-	2,140	-	(7,657)	-
Total revenues	**106,355**	**13,437**	**-**	**2,195**	**-**	**(7,657)**	**114,329**
Operating result	**6,006**	**(21)**	**(220)**	**(2,021)**	**-**	**(4)**	**3,741**
Portion of results of equity inv. carried at equity							**-**
Net financial income (charges)							(6,631)
Pre-tax result							(2,889)
Income taxes							(734)
Net result from operating activities (on-going)							(3,623)
Result from assets disposed of and/or destined for disposal							-
Net result							**(3,623)**

Transactions with related parties

Dealings with non-consolidated Group companies

The Group has no significant dealings with non-consolidated companies.

Dealings with other related parties

During the first half of 2014, the Tiscali Group had a number of dealings with related parties, regulated under market conditions (arms'-length basis), 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 half-yearly financial statements at 30 June 2014 arising from transactions with related parties.

INCOME STATEMENT VALUES *(EUR 000)*	Notes	**1st half of 2014**	**1st half of 2013**
Studio Racugno	1	(36)	
Nuova Iniziativa Editoriale S.p.A.	2	11	12
TOTAL SUPPLIERS OF MATERIALS AND SERVICES		**(25)**	**12**
TOTAL		**(25)**	**12**

BALANCE SHEET VALUES *(EUR 000)*	Notes	**30 June 2014**	**31 December 2013**
Studio Racugno	1	(20)	(36)
Nuova Iniziativa Editoriale S.p.A.	2	2	(114)
TOTAL SUPPLIERS OF MATERIALS AND SERVICES		**(18)**	**(150)**
TOTAL		**(18)**	**(150)**

(1) Studio Legale Racugno: The director Gabriele Racugno, member of Tiscali S.p.A.'s Board of Directors, since 21 December 2009, provides Tiscali Italia S.p.A. with legal and out-of-court assistance.

(2) Nuova Iniziativa Editoriale S.p.A.: investee company of the majority shareholder, Renato Soru; the dealings refer to an advertising concession and the provision of telecommunications services. It should be mentioned that the investment held by Renato Soru was in the name of Gabriele Racugno by virtue of a deed of trust. The latter was appointed member of the Board of Directors of Tiscali S.p.A. from 21 December 2009 to January 2010.

List of subsidiaries included in the consolidation area

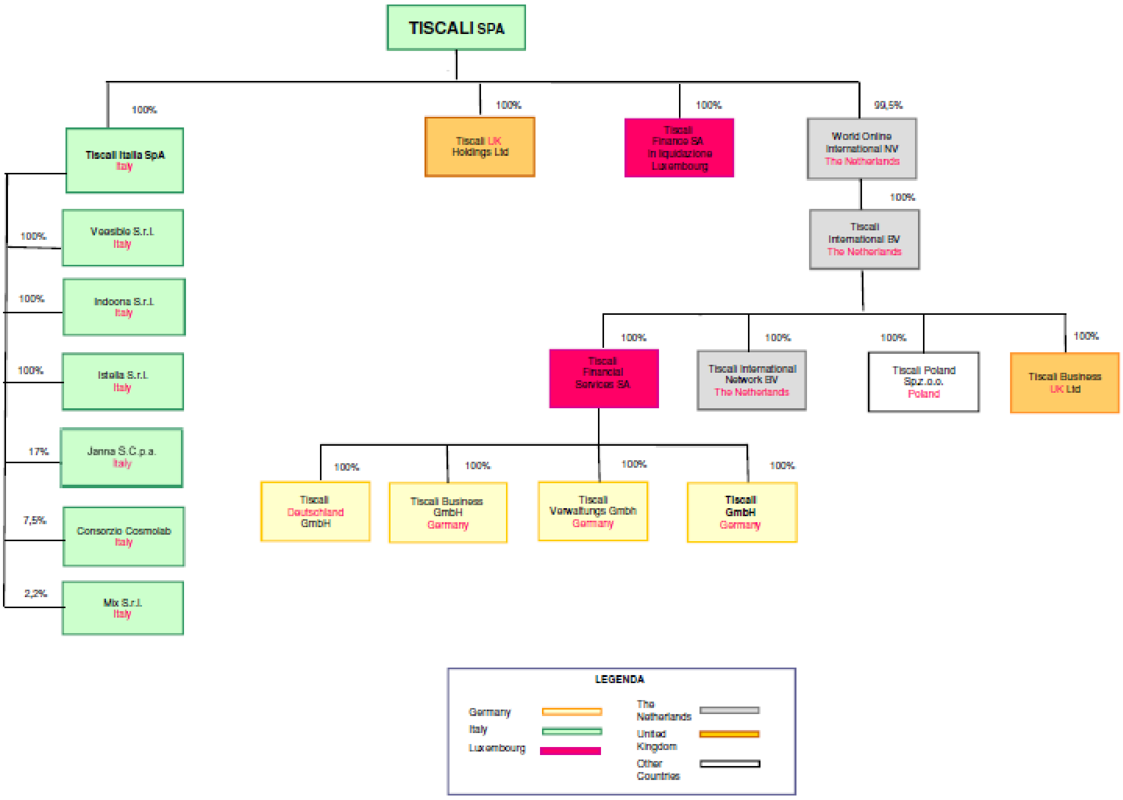
A list of the subsidiary companies included within the consolidation area is presented below:

Company name	Registered Offices	% investment
Tiscali S.p.A.	Italy	
Tiscali Italia S.p.A.	Italy	100.00%
Veesible S.r.l.	Italy	100.00%
Indoona S.r.l.	Italy	100.00%
Istella S.r.l.	Italy	100.00%
Tiscali Holdings UK Ltd	UK	100.00%
Tiscali Finance SA (in liquidation)	Luxembourg	100.00%
World Online International NV	The Netherlands	99.50%
Tiscali International BV	The 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.	The Netherlands	99.50%
Tiscali Business UK Ltd	UK	99.50%

List of equity investments in other companies carried at cost:

Mix S.r.l.	Italy
Janna S.c.p.a.	Italy
Cosmolab Consortium	Italy
Tiscali Poland Sp Z.O.O.	Poland

Group at 30 June 2014



Non-recurrent significant transactions and events

Pursuant to Consob Resolution No. 15519 dated 27 July 2006, it should be noted in particular that during the first six months of 2014, non-recurrent cost savings was recognised for a total of EUR 3.4 million in addition to savings of financial charges for approximately EUR 0.7 million.

Positions and transactions deriving from atypical and/or unusual operations

There were no positions or transactions deriving from atypical and/or unusual operations in the first half of 2014.

On behalf of the Board of Directors

Chairman and Chief Executive Officer:

Renato Soru

5.9 Certification of the consolidated financial report as at 30 June 2014 pursuant to Article 154 bis of Italian Legislative Decree No. 58/98

The undersigned, Renato Soru in his capacity as Chief Executive Officer, and Pasquale Lionetti, in his capacity as Executive appointed to draw up the corporate accounting documents of Tiscali S.p.A., hereby certify, also taking into account the provisions of Article 154 bis, sections 3 and 4 of Italian Legislative Decree No. 58 dated 24 February 1998:

- the adequacy in relation to the Company's characteristics and
- the effective application

of the administrative and accounting procedures for the formation of the condensed consolidated half-yearly financial statements for the period ended 30 June 2014.

It is also hereby certified that the condensed consolidated half-yearly financial statements for the period ended 30 June 2014:

- were prepared in compliance with the international accounting standards (International Financial Reporting Standards) 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;
- provide 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 interim report on operations includes a reliable analysis of the references to important events which have taken place during the first six months of the year and their effect on the condensed consolidated half-yearly financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Cagliari, Italy, 29 August 2014

The CEO	**The Executive responsible for preparing the corporate accounting documents**
Renato Soru	Pasquale Lionetti

6 Independent auditors' report

7 Attachment - Glossary

Shared access	Technique for shared access to a local network in which a former monopoly operator rents part of its 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: A 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: 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.

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: only one signal occupies the entire available band. 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 recorded 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 VoIP 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: 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: 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.