Tiscali Group
First-Half Consolidated Financial Report as at June 30, 2018

Date of issue: November 22, 2018

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

Tiscali S.p.A.

Registered Office in Cagliari, Località Sa Illetta, SS195 Km 2,3

Share Capital € 43,065,376.20

Companies' Register of Cagliari and VAT No. 02375280928 R.E.A. (Economic and Administrative Directory) – 191784

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1 Highlights

Income statement	1st semester 2018	1st semester 2017
(EUR mln)		
Revenue	92.4	103.6
Adjusted Gross Operating Result (EBITDA)	9.0	14.4
Operating Result (EBIT)	(17.2)	(12.9)
Result from held for sale and discontinued operations	0.0	43.6
Ner Result	3.3	24.5

Statement of financial position	30 June 2018	31 December 2017
(EUR mln)		
Total assets	306.8	300.4
Net Financial Debt	177.0	178.9
Net Financial Debt as per Consob	177.5	179.4
Shareholders' equity (*)	(124.8)	(128.0)
Investments	10.3	64.4

Operating figures	30 June 2018	31 December 2017
(thousands)		
Total number of Clients	**697.4**	**748.2**
Broadband Fixed	416.0	451.2
of which Fiber	*66.3*	*47.1*
Broadband Wireless	62.3	66.6
of which LTE	*48.8*	*49.6*
Mobile	219.0	230.4

(*) At the date of application of this consolidated half-yearly financial report as at 30 June 2018, due to the completion of the Group's corporate restructuring operation, which took place on 16 November 2018, Tiscali S.p.A is not in the case provided for by art. 2446 of the Civil Code.

2 Agreement with Fastweb and effects on the business continuity of Tiscali S.p.A and Tiscali Group

As more fully described in the present consolidated half-yearly financial report as at 30 June 2018, as a result of the agreement finalized on 16 November with Fastweb, the Tiscali Group completed a complex corporate reorganization which - thanks to the upcoming finalization of debt restructuring agreements with the Financial Institutions and the Pool Leasing (as defined below), as a result of the aforementioned transaction - will allow the realization of the New Business Plan 2018-2021, certified for the entities Tiscal Italia and Aria pursuant to Article 67 of RD 2671942, which guarantees, within the time horizon in the next twelve months, the equity and financial balance of the business continuity of the Company and of the Group.

In particular, with the agreement of November 16, Fastweb acquires the license held by Aria S.p.A (subsidiary of Tiscali S.p.A) for 40 Mhz in the 3.5 Ghz band and the business branch Fixed Wireless Access (FWA) of Tiscali. At the same time, Tiscali obtains full access to Fastweb's fiber-based network infrastructure, as well as maintaining access to the FWA infrastructure that is the object of the acquisition at an agreed price. Therefore, Tiscali will continue to provide LTE FWA services to its customers in areas of extended digital divide and will also leverage access to Fastweb's high-performance fiber network to increase its nationwide landline coverage, increasingly focusing on on the core business of retail offerings.

The total economic value of this agreement is nominal EUR 198 million, of which EUR 130 million in cash (of which EUR 50 million settled on 16 November and EUR 80 million to be collected by 30 June 2019), a wholesale agreement for a total value of EUR 55 million and EUR 13 million for the acceptance of payables to suppliers.

In the continuation of this report and in particular in the paragraph "Assessment of business continuity and foreseeable evolution of management", the considerations that lead us to believe that the Tiscali Group will operate as a going concern for the next 12 months and can reasonably achieve the New Business Plan 2018-2021 despite the usual uncertainties connected to the dependence of the realization of forecast data on uncontrollable exogenous variables typical of the reference market in which the Group operates, as well as from the finalization of Debt Restructuring Agreements with Financial Institutions and the Pool Leasing have been disclosed in detail.

3 Alternative Performance Indicators

In this report on operations, in addition to the conventional indicators provided for by IFRS, a number of alternative performance indicators are present (EBITDA) used by the management of Tiscali Group for monitoring and assessing the operational performance of the Group. This indicator, also present in the previous financial reports (annual and half-year), and whose method of determination has not changed as compared to the past, should not be considered a substitute for the profitability measures established by IFRS; in particular, since the composition of the EBITDA and is not regulated by reference accounting standards, the calculation criteria applied by the Tiscali Group might not be the same as that adopted by other operators and therefore this alternative performance indicator might not be comparable.

With regard to these indicators, on December 3, 2015, Consob issued the communication No. 92543/15, which refers to the Guidelines issued on October 5, 2015, by the European Securities and Market Authority about their presentation in the regulated information or the prospectuses published from July 3, 2016. These regulations, which update the previous CESR recommendation (CESR/05 - 178b), are aimed at promoting the usefulness and transparency of alternative performance indicators included in the regulated information or prospectuses, within the scope of the Directive 2003/71/EC in order to improve its comparability, reliability and comprehensibility.

In line with the above communications, the criteria used to calculate the EBITDA indicator of the Tiscali Group follow; In particular, the EBITDA is formed as indicated below:

(Thousands of Euros)	***1° semester 2018***	***1° semester 2017***
Result before taxes	**(22,835)**	**(19,212)**
+ Financial Expenses	6,580	6,386
- Financial Income	(1,025)	(41)
+ Result on Investments at equity method	129	0
Operating income	**(17,151)**	**(12,867)**
+ Restructuring costs	283	3,537
+ Depreciation and Amortization	25,888	23,693
Gross Operating Result (EBITDA) (*)	**9,020**	**14,363**

The management also highlights, at the bottom of the income statement of the management report, an additional parameter represented by EBITDA gross of the provision for doubtful debts, as it believes that this parameter can provide additional information that benefits the understanding of the performance of the Business even if not representing an alternative performance indicator, such as the EBITDA defined above.

Restructuring costs mainly relate to reorganization costs and the downsizing of the workforce and are considered to be non-recurring in that they are related to processes of rationalization of the Group's core business which are not intended to be repeated over time but are connected to this phase of operational reorganization completed with the aforementioned signature of the agreement with Fastweb.

(*) Including of the proceeds amounting to EUR 1.1 million from the release of the accrued portion of the hjalf-year period of the capital gain realized with the Sale and Lease-Back transaction on the site of Cagliari (Sa Illetta).

4 Directors and Statutory Auditors

Board of Directors
The Board of Directors was appointed by the Shareholders' Meeting held on June 26, 2018, and shall remain in office until the approval of the financial statements as at December 31, 2020.

Chairman: Alexander Okun (#) (4)

Chief Executive Officer Alex Kossuta (#)

Anna Belova (*) (1) (2) (3)
Alina Sychova (2)
Paola De Martini (*) (1) (2) (3)
Oleg Anikin (1)
Renato Soru

(*) Independent directors
(#) The Chaiman of the Board is the legal representative of the Company, the CEO has powers of ordinary and extraordinary administration, to be jointly or severely exercised, in compliance with the powers conferred by resolution of the Board of Directors dated June 26, 2018.
(1) Control and Risks Committee
(2) Appointments and Remuneration Committee
(3) Related Party Transactions Committee
(4) Appointed as Chairman by resolution of the Board of Directors dated June 26, 2018.

Board of Auditors
The Board of Auditors was appointed by the Shareholders' Meeting held on June 26, 2018, and shall remain in office until the approval of the financial statements as at December 31, 2020:

Chairman	Barbara Tadolini
Standing Statutory Auditors	Emilio Abruzzese Valeria Calabi

Executive in charge of drafting the corporate financial documents
Daniele Renna

The Executive in charge of drafting the corporate financial documents was appointed by the Board of Directors held on June 26, 2018, and shall remain in office until the approval of the financial statements as at December 31, 2020. Before that day, Daniele Renna had covered the same post of Executive in Charge of Drafting the Corporate Financial Document up to June 27, 2017.

Auditing Company
Deloitte & Touche SpA

The Auditing Company was appointed by the Shareholders' Meeting held on May 30, 2017, and shall remain in office for a 9-year period from FY 2017 to FY 2025.

Interim Management Report

5 Managament Report

5.1 Tiscali's market positioning

Established in 1998 Tiscali S.p.A. (hereinafter referred to also as "Tiscali", the "Company" and, jointly with its subsidiaries the "Group" or the "Tiscali Group") is one of the leading alternative telecommunications operators in Italy.

Thanks to an IP-technology based state-of-the-technology, Tiscali offers a wide range of communication services to its customers: Internet access in Fixed Broadband and Broadband Fixed Wireless mode, mobile telephony services and added-value services, along with more specific and technologically advanced products. This offer also includes voice services (VOIP and CPS – for the meaning of the acronyms used in this Report, please refer to the Glossary), portal services and mobile telephony, thanks to the agreement for the provision of services reached with TIM (MVNO). Starting in 2016, thanks to the spectrum available since December 2015 with the merger with Aria Spa (hereinafter also referred to as "Aria"), the Tiscali Group also offers UltraBroadband LTE Fixed Wireless services on a proprietary access network.

Furthermore, Tiscali is active in the digital media and on-line advertising segment through:

- its www.tiscali.it web portal, one of the most important portals in Italy, which in the first semester of 2018 recorded a total traffic exceeding 284 million page views;
- the advertising concessionaire Veesible Srl (hereinafter referred to also as "Veesible"), which is responsible for selling advertising spaces on the portal www.tiscali.it and on other major Italian web properties.

Evolution of the Fixed Broadband Market

With regards to the evolution of the broadband access from the fixed network market, Tiscali's main market as at June 2018 (source: AGCOM, Authority for Communications Guarantees, latest available update), broadband accesses in Italy reached 16.87 million units, with an increase of about 810 thousan accesses year-over-year. Namely, this increase has been driven by Broadband accesses developed using alternative technologies to the traditional ADSL, in particular Fiber and Broadband Fixed Wireless, which in June 2018 reached about 7.15 million accesses, up by 2.73 billion accesses since June 2017, about 42% of the total broadband lines, while in the same period the traditional DSL component recorded a decrease by 1.92 million units. In this sector, the dynamics of NGA access (in FTTC and FTTH technology) should be noted as they increase from 3.5 to 6 million year-over-year, while FWA accesses reach 1.1 million lines with an increase of 20.9% year-over-year.

The Tiscali Group during 2018 has continued to pursue the strategy of development of the above-described Fiber market started in 2017, according to:

- the progressive focus on High Capacity Fiber offers, up to 1,000 MBps, also thanks to the 2016 agreement signed with Open Fiber (hereinafter referred to also as "OF") and on the FTTC offers;
- the progressive dissemination of the new Tiscali-branded LTE UltraBroadband Fixed Wireless offer, with capacity up to 100MBps, launched in 2016.

As at June 2018, the new clients acquired with these technologies represent about 70% of the total.

Concerning the fixed network Broadband market, Tiscali's client portfolio in June 2018 amounted to about 416 thousand units, a decrease as compared to the 453 thousand units as at June 2017 (453 thousand units as at Decembre 31th, 2017), manily due to the reduction of promotional activity on its products.

In particular, the number of Fiber users increased from around 22.3 thousand in June 2017 (47.1 thousand as at December 31, 2017) to over 66.3 thousand in June 2018, due to the migration of the Customer Base from traditional ADSL solutions to Fiber solutions implemented by Tiscali. The market is still fundamentally presidiated by historical operators (Telecom Italia, Wind, Fastweb, Vodafone) with substantially stable relative shares and a slight growth for Wind3.

Mobile Market

With regard to Mobile Services, the Italian market as at June 2018 (source: AGCOM) has recorded a growth of 2.4 million units in the total number of clients year-over-year: 101.4 million as compared to 99 million in June 2017, of which 18.5 million of M2M SIM cards (Machine to Machine) , amounting to 18.2% of the total, increased by 4.1 million year-over-year, and 82.9 million are ‘human’ SIM cards, with “only voice” and “voice+data” traffic only, decreasing by 1.7 million units year-over-year.

With reference to the overall sims on an annual basis, Tim overtook 31.2% on Wind3 at 30.4% and Vodafone at 30%, while in the MVNO segment – in which Tiscali operates and which represents 10.2% of the human SIM cards, the first operator is Poste Mobile with a 46.9% share, followed by Fastweb with a 20% share. Tiscali, which has been included in the AGCOM report since last March, in June 2018 has a market share of 2.8%.

These data do not include the entry into the market of the new operator Iliad, happened in June 2018.

On the mobile market, in which it operates as MVNO operator, Tiscali recorded a good performance in June 2018 thanks to a competitive voice-text and data offer. The mobile customer portfolio stood at 219 thousand units as at 30 June 2018, recording a 5% decrease as compared to 31 December 2017 (230 thousand units) but also an increase by approximately 7.8% in the number of MVNO Mobile customers as compared to June 2017 (201.9 thousand units). The reduction, as compared to 31 December 2017, is connected to a general increase in competitive pressure, also following the planned entry (later heppened in June 2018) of Iliad as a new entrant on the Italian Mobile market.

Furthermore, the exponential growth on the market of Data traffic on Mobile network continues, with an increase by about 53.8% in June 2018 year-over-year, with an average monthly consumption per unit growth of more than 55%, equal to 3.63 Giga/month, driven by the increasing use of video, streaming and on-demand applications.

To compete with ever greater success in this market, Tiscali continued with the promotion in 2018 of the Open suite, with offers conceived for the different communication needs of customers, simple and without either hidden costs or recharge obligations, with an extremely competitive pricing, and that offer clients the possibility to create their own offer, having about 200 different personalizations available, and to change it for free according to their requirements of use. The evolution of the Open suite has followed the growing demand for bandwidth of end customers by proposing more advantageous combinations, especially on the data side.

Online Advertising Market

The online advertising market recorded an overall result of + 3.3% in the first half of 2018, mainly generated by the growth of advertising on smartphones (according to the findings of FCP: EUR 55.7 million in 2018, as compared to EUR 43.3 million in 2017 on a total market of EUR 230.15 million in 2018 as compared to EUR 222.82 million in 2017).

The mobile online advertising sector grew by +28.7%, and its impact on the total amounted to 24.23%, while the income from the traditional traditional fixed network web and tablet segment recorded a -2.8% contraction.

Mobile Advertising remains the main driver of future growth, even though it is currently still under-valued, given the time spent by users and the audience generated with the use of mobile devices as compared to traditional PCs (Audiweb, June 2018: 28.1 million single mobile users on the average day vs. 12.8 million single PC users, again on the average day).

The performance of the Italian economy does not point to a significant growth recovery, and this affects the advertising market trend during 2018. Still, the long-term outlook points to a growth forecast over the coming years, particularly thanks to the growth expected for the mobile advertising, native advertising (+9.4% as compared to 2017, with a low incidence amounting to 8.3% of the total market), and video advertising segments (+2.9% as compared to 2017, with an incidence amounting to 22.6% of the total market).

In the first half of 2018, the Media & VAS (added-value services) income of the Group, which represent 9.3% of the total income (EUR 8.6 million) grew by 27.9% as compared the comparative data of the 2017 first half.

5.2 2018 First Half Main Results and following events

During the first half of 2018, the Tiscali group's activities focused in particular on the preparatory actions for obtaining the extension of the license held on the 3.5GHz frequency and on the negotiation of the strategic agreement with Fastweb (signed on 16 November and the details of which will be given below) aimed at the full exploitation of the same frequency and the possibility of having access to the Fastweb Fiber access infrastructure in wholesale mode to extend the size of the aggressive market for Fibra services to end users. In addition, the negotiation process of agreements aimed at debt management, both of the one expired with the main strategic suppliers and of the financial one by financial institutions and pool leasing, is a preliminary step towards the conclusion of the aforementioned agreement with Fastweb .Please refer to the paragraph "Strategic agreement with Fastweb" for more details on the agreement finalized on November 16 and the paragraph "The New Business Plan 2018-2021 and its certification pursuant to Article 67" for details on the renegotiation agreements of the financial debt with Financial Institutions and Pool Leasing.

Licence extension on the 3.5GHz frequence

During the first 6 months of 2018, preparatory activities were completed to obtain the extension of the license on 3.5GHz frequency of which Tiscali is the holder of its natural expiry date set at May 2023 until December 2029, thus extending the duration of the license over 6 years.
This extension, obtained on 12 November, was fundamental for the finalization of the agreement with Fastweb and for the positive development of relations with the Financial Institutions and the Pool Leasing, consolidating the real value of the 3.5GHz frequency also by virtue of its use for development of future 5G services.
It is in fact well-known that the 3.5GHz frequency Tiscali owns is universally considered one of the “pioneer” frequencies for the development of 5G services. 5G services are considered one of the main drivers of growth for the telecommunications sector for the coming years. Operators, as shown by the trend of the auction for the assignment of the 5G spectrum, are making huge investments in the new 5G technologies, which will however require medium-long time schedules for a positive economic return. This is why the use of the Tiscali spectrum in this area shows the advantage of having the possibility of having the frequency immediately available for a sufficiently long number of years.
In relation to the extension, namely in the first months of 2018.
With regards to the extension, it should be noted that:

- in February 2018, the public consultation called by AGCOM concerning the resolution containing the opinion requested by the MISE to AGCOM about the conditions for granting the extension to 3.5GHz owners which had made a formal request in the last few months of 2017 was completed.
- in April 2018, AGCOM sent a positive opinion to the MISE concerning the granting of the extension to the owners which had requested it (with the sole exception of TIM).
- in July 2018, Tiscali received from the MISE the letter requesting formal acceptance of specific conditions contained in the AGCOM opinion in preparation for the extension. In particular, in this letter, the MISE set the extension charges in an amount equal to the basic auction prices of the 3.6GHz-3.8GHz frequencies, appropriately adjusted on the specific duration and size of frequencies held by Tiscali.
- in September, Tiscali replied to the MISE, formally accepting all the extension terms, thus substantially concluding the process for obtaining the extension of the frequencies until 2029;
- in October 2018, finally, MISE issued a favorable opinion to the transfer of the right to third parties to the maintenance of the right to an extension obtained by Tiscali (see following paragraph).
- on November 12, MISE confirmed the conditions for the extension to 2029 of the license that was then sold to Fastweb on November 16

The assignment of licenses for a nominal value of EUR 198 million made it possible to consolidate the present and prospective value of the spectrum that Tiscali held in the context of the 5G service development plan.

The new 2018-2021 Business Plan and its asseveration as per Art. No. 67

As previously indicated, during the first half and in the first months of the second half of 2018 the Group's management continued its activities aimed at enhancing the brand and spectrum, signing, on July 30, 2018, a preliminary agreement with Fastweb for the sale of the spectrum itself, subject to

revision of the sale value on 12 November; as already mentioned, the sale was therefore completed on 16 November.
As a result of this agreement, in order to redefine the business model and to re-establish the balance sheet and financial position, the Group has developed a Business Plan 2018-2021 (henceforth also the "New Business Plan 2018-2021") which - taking into account the effects of the transfer of the spectrum to Fastweb on the Tiscali group's development strategies and on the equity and financial structure - it aims to ensure the Group's business continuity and relaunch, also taking into account the positive finalization of agreements debt restructuring with the Financial Institutions and the Leasing Pool which - having obtained, on November 15, the certification of the aforementioned plan pursuant to Article 67 RD 267/1942, subject to the restructuring of the financial debt that involves them directly - have subscribed on November 14th, the letters of commitment to conclude the restructuring process of its receivables owed to the Group, in a manner consistent with the repayment terms and conditions reflected in the New Business Plan 2018-2021.

In particular, the new 2018-2021 Business Plan includes, inter alia, a financial maneuver which provides for both the restructuring of senior debt and the restructuring of the leasing debt relating to the property of Sa Illetta.

In this context, the senior loan with Intesa San Paolo and BPM is reflected in the New Business Plan 2018-2021 on the basis of the following restructuring assumptions:

- New deadline: 30 September 2024
- Repayment plan structured as follows:
  - a prepayment of EUR 20 million, to be followed by a period of three years of pre-amortization;
  - payment of about EUR 30 million in 6 six-monthly installments from 31 March 2022;
  - balance of the residual debt, equal to 2/3 of the total, to be paid in full on 30 September 2024.
- Interest rate:
  - rate of 1% on the portion of debt that will be amortized over the period 2022-2024 (approximately EUR 30 million);
  - 1.25% rate on the portion of debt to be repaid in full on September 30th, 2024 (approximately EUR 42.5 million).

The conditions and terms of the financial maneuver described above ("Senior Debt Restructuring Agreement"), finalized with the two aforementioned credit institutions at the date of this financial report, were confirmed by them with specific comfort letters received on November 14th and November 15th, 2018. With these letters, the two institutions undertake to bring to the approval of the competent decision-making bodies the restructuring agreements described above, obtaining a positive opinion.

Likewise, with reference to the "Sale & Lease Back Sa Illetta" debt outstanding with Mediocredito Italiano and Unicredit Leasing ("Pool Leasing"), an agreement is being finalized with the Pool Leasing (the "Sa Leasing Restructuring Agreement Illetta "and, jointly with the Senior Debt Restructuring Agreement, the" Debt Restructuring Agreements "), which provides for the property to return in the possession of the leasing companies at a value that will be defined as a result of an assessment carried out by an independent expert. If this valuation value is found to be lower than the residual debt on the date of transfer of ownership, Tiscali will pay on June 30, 2019 a total payment equal to the difference between this valuation value and the value of the residual debt, for a total maximum amount of EUR 10 million for the complete repayment of the residual debt.

The value of the asset accounted for as at 30 June 2018 amounted to EUR 41,1 million, while the lease payable recorded in short-term financial debt amounted to EUR 52,6 million.

The financial institutions and the Pool Leasing have welcomed the closure of the Sale Agreement with Fastweb under the conditions and terms mentioned above and sent Tiscali two comfort letters on 14 and 15 November 2018, the first from Banca IMI in quality as senior debt agent and the second by Mediocredito Italiano as leader of Pool Leasing. In the aforementioned comfort letters, the Institutions undertake to bring the debt restructuring proposals to the terms and conditions referred to above for the approval of the competent decision-making bodies in a short time.

Lastly, it should be noted that the financial maneuver included in the 2018-2021 Business Plan also envisages a financial reinforcement operation for a maximum of EUR 25 million to be finalized by 30 June 2019.

With reference to this transaction, it should be noted that the reference shareholders ICT and Sova Disciplined Equity Fund sent a letter to the Board of Directors of Tiscali SpA on 16 November 2018 in which they undertake to disburse two bridging loans of EUR 5 million aimed at making financial resources available to the group, also in order to facilitate the approval by the decision-making bodies of the Financial Institutions and Pool Leasing of the Debt Restructuring Agreements.

The New Plan 2018-2021 bases its assumptions on the final sale of the spectrum and part of the network infrastructure to Fastweb and is based on the full confirmation of Tiscali's focus on its "Core Business", ie the sale of Broadband and UltraBroadband Fixed Services Fixed Wireless and Mobile to the retail Consumers, SOHO and SME customers, within a process of progressive redefinition of the operating model that, as a result of the aforementioned transaction, will focus increasingly on the ability to develop new services, on the activities of Marketing and sales and excellence in customer management.

This process will be facilitated by the wholesale agreement signed with Fastweb, that allows for an expansion of the addressable market deriving from the possibility of continuing to market LTE Fixed Wireless services in the *Extended Digital Divide* areas and accessing the Fastweb Fiber network, allowing Tiscali to expand the addressable market for fiber services without further incremental investments from approximately 8 million households and businesses to around 18 million.

The New Business Plan 2018-2021 also provides for the relaunch of the Tiscali brand to support the marketing of services, thanks to significant investments in communication thanks to the proceeds from the agreement with Fastweb.

This plan therefore represents an opportunity for a re-launch of Tiscali, which can use the resources acquired from the sale to refocus its business in line with the size and investment capacity of the company and the changed technological and market environment (Fiber, 5G).

As said before, on November 15th, 2018 the asseveration procedure pursuant to Article No. 67, paragraph 3, letter d) of the Royal Decree dated 16 March 1942, No. 267 of the New 2018-2021 Business Plan for the companies Tiscali Italia and Aria. This positive conclusion is conditional on the definitive signing of the Debt Restructuring Agreements underlying the financial maneuver for the restructuring of the senior debt and debt leasing relating to the Sa Illetta property described above.

Strategic agreement with Fastweb

During the last quarter of 2017 Tiscali had given a mandate to a financial advisor to act in favor of the Company to evaluate possible strategic options for the Group. Within this mandate, the interest of Fastweb to evaluate a potential strategic agreement has emerged, concerning, in particular, the 3.5GHz frequency owned by Tiscali, and the Fixed Wireless access network infrastructure which has been realized to exercise this frequency. The complex negotiation of this agreement has committed Tiscali for the entire April-July 2018 period.

On 30 July 2018, Tiscali signed a preliminary agreement with Fastweb (hereinafter referred to also as “Transfer Agreement”), aimed at strengthening the strategic partnership launched in December 2016 with Fastweb.
The structure of the agreement with the Fastweb group is based on three pillars:

- the sale by Aria (a Tiscali group company holding the license) of the 42 MHz license in the 3.5 GHz frequency;
- the sale by Tiscali Italia of a Fixed Wireless Access (FWA) company branch, including all the FWA infrastructures (836 towers) owned by the Tiscali group on that date, as well as the transfer of 34 employees;
- a wholesale agreement (hereinafter referredo to also as “Wholesale Agreement”), which allowed the Tiscali group to obtain full access to the Fastweb Fiber access network infrastructure and the FWA infrastructure sold to Fastweb.

The Preliminary Sale Agreement was finalized on November 16, 2018 through the signing of the definitive agreements (the "Sale Agreement") and with the payment of the part of the first tranche of the envisaged price, totaling EUR 50 million, residual to advance payments previously made by Fastweb to support Tiscali's temporary liquidity needs that emerged during the negotiation period. This subscription took place following the occurrence of all the conditions precedent, and in particular:

1) approval by the Ministry of Economic Development, dated 12 November, of the assignment of the right to use and maintenance of the extension of the rights to use the frequencies until 2029;

2) the receipt on November 14th and November 15th of the comfort letters by the Financial Institutions and the Pool Leasing which undertake to bring into approval the Debt Restructuring Agreements on terms and conditions consistent with those reflected in the New Business Plan 2018-2021;

3) the asseveration on November 15 of the New Business Plan 2018-2021 pursuant to article 67, paragraph 3, letter d), of the Royal Decree of 16 March 1942, n. 267 of Tiscali Italia and Aria.

As anticipated, the asseveration was issued subject to the completion of the Debt Restructuring Agreements described in the previous paragraph "The New Business Plan 2018-2021 and its asseveration pursuant to art. 67”.

In relation to the burden to be incurred for the extension of the concession of the rights to use frequencies to 2029, determined by the MISE, it should be noted that the same is fully borne by Fastweb.

The amount agreed with Fastweb for the acquisition of the frequency and assets of Fixed Wireless infrastructure, restated in its valuation on 12 November, is nominal EUR 198 million, of which:

- EUR 130 million in cash (of which EUR 50 million to be settled on the closing date and the remaining EUR 80 million to be paid by 30 June 2019);
- 55 million "in-kind" vouchers to be spent on services that the Tiscali Group can acquire from Fastweb, based on the conditions contained in the Wholesale Agreement;
- the acquisition by Fastweb of approximately EUR 13 million of trade payables.

Thanks to the operation finalized with Fastweb on November 16th, Tiscali will be able to undertake a new corporate process consistent with the expectations of the neww 2018-2021 Business Plan, with a consequent relaunch of its business activities, based on the following assumptions:

- the significant improvement in the equity and financial structure, guaranteed by the contribution of about EUR 198 million by Fastweb in the above-described forms. In particular, this contribution will make it possible to substantially reduce overdue debts, in particular tax and trade liabilities;
- the restructuring of senior financial debt and the leasing debt relating to the Sa Illetta property, consistent with the capacities of cash generation highlighted in the 2018-2021 Business Plan;
- the significant increase in the coverage of Fiber services for its end users, thanks to the possibility to access the Fastweb Fiber access network, guaranteed by the wholesale agreement signed, which will allow – without any incremental investments – the offer in the market for Fiber services, from the current about 8 million households and businesses to around 18 million;
- the possibility of continuing to provide LTE FWA services to its customers in areas of extended digital divide, continuing to be able to access the Wireless Wireless infrastructure sold to Fastweb to the conditions contained in the signed Wholesale agreement. In addition, Tiscali will benefit from the fact that Fastweb, in addition to supporting the charge set by MISE for the extension of the license expiration until 2029, will complete the migration of the remaining antennas from WiMax to LTE at its own expense, expanding also in this case, the LTE market which can be addressed from the current approximately 4 million families and businesses to approximately 6.5 million. This commitment has been included in the Sale Agreement;
- the definition of a relaunch plan also based on investments in communication aimed at revitalizing the Tiscali brand and strengthening the company’s digital strategy, in order to support the acquisition of new customers, in particular Fiber, LTE Fixed Wireless and Mobile customers;

- the possibility of future access to also 5G services developed by Fastweb on the spectrum sold as well, which guarantees Tiscali a better prospective competitive position also in the context of Mobile Data services, one of the main drivers for the future development of the telecommunications market.

By virtue of the above, Tiscali will be able to implement a new development plan, focusing its strategy on the development of new services and on the marketing, sales and customer management activities, reducing costs and investments dedicated to the management and development of network infrastructures.
Therefore, consistently with the provisions of the new 2018-2021 Business Plan, Tiscali will continue to focus on its core business, i.e. the sale of UltraBroadBand services (Fiber and LTE) to Consumer, SOHO and SME customer segments, as well as the sale of Mobile services.
Moreover, Tiscali will be able to progressively rationalize its infrastructures, benefiting over time from a significant reduction in operating costs and investments, with a view to strengthening its business model and the overall risk profile of the company.

The economic and financial effects of the Sale Agreement finalized on November 16 are not reflected in the consolidated financial report as of June 30, 2018 as they were finalized after that date, with the consequence that the application of IFRS5 on the assets sold is not applicable to June 30, 2018; however, the expectation of realizing significant taxable income in the second half of 2018 following the recognition of the capital gain from the sale of the assets, led to the valuation at 30 June 2018 of the deferred tax benefits associated with the tax losses that can be carried forward up to the amount of expected taxable income, with recognition of a related income of EUR 26.1 million which substantially contributed to the realization of the profit for the period of EUR 3.3 million.
Furthermore, for a better understanding of the impact of the agreement on the equity-financial and economic figures deriving from the Fastweb operation, a specific paragraph has been developed in the explanatory notes that highlights the impact of the transaction on the aforementioned quantities in order to highlight the residual size of the business finalization of the Sale Agreement.

Moreover, the methods for regulating the sale price and the reasonable expectation that the Financial Institutions and the Leasing Pool would conclude the process of debt restructuring, have had an immediate effect on the considerations related to the increased recurrence of the business continuity assumption in the foreseeable future in the next twelve months with the consequent use of accounting principles of a on-going Group, as better described in the paragraph “Assessment of business continuity and foreseeable management evolution”.

5.3 Regulatory background

The main areas subject to regulatory intervention in the first half of 2018 are summarized below.

TIM's Reference Offers

With resolution No. 34/18/CIR at the end of March 2018, AGCOM approved Telecom Italia's reference offers for wholesale unbundled access services and for the placement for the year 2017.
The main changes compared to the current regime concern:

- the economic conditions, for the year 2017, of one-off contributions that are reduced by 12% for termination and by 18% for activation;
- the conditions of Number Portability (NP) supply to which, starting from 1 January 2017, the *bill and keep* model applies (in which each subject bears its own costs without wholesale remuneration)
- the economic conditions and procedures to be adopted for the disposal of the co-location resources, whose entry into force is established on the date of publication of the approved OR (27 April 2018).

With resolution No. 87/18/CIR at the end of June 2018, AGCOM approved Telecom Italia’s reference offers for bitstream access services on copper and fiber optic networks for the year 2017. The main changes concern the economic conditions, for the year 2017, of the services that are subject to cost orientation (one-off contributions, band – ATM and Ethernet – and ancillary services).
In particular, this resolution establishes a substantial reduction in the fees of the Ethernet band (about 30%) with retroactive effect, starting from 1 January 2017, following the in-depth analysis and measurements carried out within a specific technical table held with operators.

The impacts of the above-described provisions have been included in the new 2018-2021 Business

Plan.

Update of the regulatory framework for fixed network access services markets

In February 2017, with Resolution No. 43/17/CONS, the Authority initiated the fourth analysis cycle of fixed wholesale access market services.
After having collected the preliminary qualitative and quantitative information from all the interested Operators, AGCOM has repeatedly extended the procedure and, at the moment, is considering the opportunity to merge the procedure related to the voluntary separation of TIM's fixed access network in a disjoint legal entity.
It is therefore expected that the time for publication of the consultation will be extended and that we will have to wait until the end of 2018 / the beginning of 2019.

Market analysis of voice call termination on individual mobile networks

In February 2017, with Resolution No. 45/17/CONS, the Authority initiated the fifth market analysis cycle of the mobile termination market in order to assess the existence of operators with significant market power; as well as the maintenance, modification or integration of existing regulatory obligations. In the course of this proceeding, AGCOM published the related consultation, proposing a termination rate decalage (from EUR cent 0.98 in 2018 to EUR cent 0.89 in 2021).
Moreover, as compared to the previous provision, the Authority proposed to identify a greater number of operators with significant market power by adding five operators to the list of SMP operators (Digi Italy, Fastweb, Iliad, Vectone and Welcome Italia).
Tiscali presented its contribution to the consultation, in which it observes that the value of 0.89 EURcent/min proposed for 2021 is not adequate, as it is not in line with the actual and efficient costs of providing the service, as well as unjustifiably high, especially if compared to the European *benchmark*.
In February 2018, following some clarification requests related to the cost model for determining termination prices, the Authority published some additional information.
According to the timetable set by AGCOM, which extended the proceeding for 180 days as compared to the initial deadline, the closure of the proceedings is expected no earlier than February 2019.
With regards to the matter, the new 2018-2021 Business Plan includes what has been resolved by AGCOM in August 2018.

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

The Authority also has power of intervention regarding the use of the radio spectrum for the electronic communications systems, with the aim of facilitating the development of broadband and ultrabroadband services.

Among the significant interventions in this area, the Authority published on 22 January 2018 a procedure for the assessment of the request for the extension of the rights of use in the 3.4-3.6 GHz band, compared to the current deadline of 2023, forwarded in the month November 2017 by operators which are already assignees and active in this band, including Tiscali.

The proceeding was initiated through a public consultation in which the Authority, before giving its opinion to the MISE, the competent ministry for the purpose of granting the extension, acquires the market's views on the opportunity and potential risks to competition of this operation

On 11 April, the summary of the consultation was published, showing that the Authority expresses a positive opinion to the extension until 2029, although it has some related conditions (annual reporting obligation, access obligation, prohibition of trading, cap fixing as an anti-hoarding measure).

On July 13, 2018, the MISE noted the positive opinion of AGCOM, and asked Tiscali and the other applicants for the extension of a declaration of commitment *regarding the technical and regulatory provisions, aimed at encouraging the transition to new technologies*.

Tiscali therefore integrated its request for extension by sending this declaration of commitment on 13 September 2018,

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On 12 November, the MISE confirmed the conditions, not onerous for the Tiscali Group, for the extension to 2029 of the license which was then sold to Fastweb on 16 November.

In addition, in view of the forthcoming evolution towards the 5G, at the beginning of March 2018 the Authority published a procedure aimed at defining procedures for the allocation of rights of use in the other bands identified as priorities for the development of this technology (700 MHz, 3.6-3.8 GHz and 26 GHz) in order to prepare a “multiband” competition regulation for the following allocations.

On 11 July, the MISE, having noted the decision of AGCOM following the above described procedure, published in the Official Journal the call for tenders for the assignment of the rights of use in the above-mentioned frequencies. In particular, in the 3.6-3.8 GHz band, lots of 80 and 20 MHz are identified, possibly coupled with batches in the contiguous band 3.4-3.6 GHz, provided they are within the limit of 100 MHz total. The call for tenders is important for Tiscali, as it establishes the minimum auction-based values for the allocation of the frequencies in the above-mentioned lots which, appropriately reconfigured, determine the contributions to be paid for the period of extension of the frequencies used by Tiscali, and to be borne by Fastweb as per the Transfer Agreement.

In September 2018, the multiband competition for the assignment of the rights to use the frequencies for the 5G was started and ended on October 2, after 14 days of competitive improvements with 171 rounds, leading to awarding values that exceeded for 164% the value of the initial offers and for 130.5% the starting price. The total amount of offers for bands put up for tender reached EUR 6,550,422,258.00, exceeding the minimum income set in the Budget Law by more than EUR 4 billion. In particular, the lots for the 3700 MHz band have reached and amount of EUR 4,346,820,000.00.

Inquiry on the 5G

The Authority continued the activities started with the Resolution No. 557/16/CONS (December 2016) with which it launched a survey on the development prospects of *wireless* and mobile systems towards the fifth generation (5G) and the use of new spectrum portions above 6GHz.

The process aimed at analyzing the evolution of network architectures, the main applications, the spectrum usage development plans, and the market interest degree for frequency bands candidate for the 5G.

Tiscali participated in the inquiry, focusing its positioning on the subject of spectrum management and regulation concerned, with particular reference to the band 3.6-3.8 GHz, close and “twin” band of the 3.4-3.6 GHz band, in which it holds rights of use. To this end, the company made a contribution and, during a hearing, strengthened his position on the importance of extending the existing rights of use and the urgency and importance of the new allocation of rights in the contiguous band in order to contribute to the achievement of the objectives set by the Government and the EU on broadband and ultra-broad coverage of the country, while allowing operators to plan over a longer duration time schedule, with greater certainty to allow the necessary investments.

The outcome of this survey was made public on 6 March 2018, pointing out that, albeit currently there is generally a preference for traditional allocation methods, with rights of use granted on an exclusive basis, new forms of shared access to the spectrum are considered with interest by some subjects, mainly among the potentially new entrants in the mobile and/or wireless market.

The outcomes collected in the survey merged into the important project of the 5G pioneer bands allocation plan, and in the consultation on the definition of procedures for the allocation of rights of use in the 700 MHz, 3.6-3.8 GHz and 26 GHz bands, which have been previously described.

Consumer protection

An intense regulatory activity was the framework for the Authority's actions on consumer protection between the end of 2017 and the first half of the current year, with particular attention to issues related to tariff transparency and freedom of choice for consumers in the market.

Following the change in the Consumer Code, the Antitrust Authority carried out an inspection activity between 2016 and 2017 to verify the adaptation of the various Operators in the sector to the new provisions.
With particular regard to Tiscali, the Antitrust Authority, during the inspection, which began in November 2016 and ended in June 2017, has contested, among other things, an unlawful conduct related to the conclusion of distance contracts by proceeding with the start of the activation process of

the line during the withdrawal period (14 days) without contemplating the possibility of the consumer to be able to expressly request that the service be provided within the deadline for exercising the right of reconsideration as required by the amended Consumer Code. The proceeding ended with the application of a EUR 1 million fine.

1. monthly invoicing for fixed and mobile network services

In March 2017, with resolution 121/17/CONS, the Authority has introduced the prohibition to adopt invoicing periods other than on a monthly basis for fixed telephony services and for “converging” offers, authorizing instead the 28-day invoicing period for mobile telephony.

Subsequently, in the wake of this resolution, the Legislator (with article 19-quinquiesdecies of the legislative decree 16 October 2017, n.148, converted with amendments by law 4 December 2017, n.172) introduced, starting from April of the current year, the obligation to provide for the renewal frequency of offers and billing for both fixed and mobile telephony services on a "monthly basis" or multiples of the month.

Tiscali was not affected by the regulatory intervention for fixed telephony, as the billing method applied was already on a monthly basis, while, for mobile telephony services, it has promptly adapted its mobile offers on a monthly basis, both for new customers and for the customer base.

2. measures for the free choice of terminal devices

In February 2018, with resolution No. 35/18/CONS, the Authority has opened a public consultation with the aim of acquiring elements and feedback regarding the right of end users to make use of terminal devices of their choice.

The proceeding closed at the beginning of August with the publication of Resolution No. 348/18/CONS, with which the Authority established the existence of the freedom of choice of the terminals by the users for the Internet access service and introduces a series of measures to protect this right.

Tiscali intends to adapt to regulatory measures, in particular to allow free choice on the use of the user terminal, gradually implementing in the short term (by January 2019) the actions immediately possible from the technical and commercial point of view. Requirements that present a greater level of criticality, both in terms of technical/procedural impact and in terms of investment, will instead be adopted in the medium term, e.g. during 2019.

3. transparency measures in the BroadBand and UltraBroadBand retail offers

At the end of February, with Resolution No. 33/18/CONS, the Authority launched a public consultation aimed at defining the technical characteristics and the corresponding names of the various types of physical infrastructure used for the provision of electronic communications services.

The final provision, adopted in July with Resolution No. 292/18/CONS, establishes that operators providing connectivity services via a fixed connection must guarantee, both in advertising messages and in commercial and contractual communications, full transparency in the presentation of physical infrastructures on which these are provided, and specifies cases and modalities with which the operators can use the term “fiber” or not. In addition, operators will have to integrate communications with specific symbols aimed at indicating, in a simplified manner, the type of infrastructure used.

With reference to the Tiscali Group, the Company promptly proceeded to adapt to the new regulatory measures, amending the sales and subscription pages of its services, product names, advertising material, as well as the material sent to its customers immediately after the conclusion of the contract (welcome pack).

4. guidelines on how to dispose of and transfer users in membership contracts

In May 2018, with Resolution No. 204/18/CONS, the Authority launched a public consultation proposing new guidelines on the methods and costs of disposal and transfer of users, following the provisions of the Annual Market Act and competition (Law No. 124/2017) which, in this regard, has amended the so-called Bersani Decree.

The proceeding ended with the publication, on 2 November 2018, of Resolution No. 487/18/CONS with which the Authority establishes the new rules governing the transfer to another Operator, or the withdrawal by the users.

The new regulation of withdrawal expenses applies not only to the costs incurred by operators to dispose of or transfer the user – who, according to the law, must be commensurate with the contract value and the costs incurred by the company – but also to the ones concerning the reimbursement of the discounts provided in the case of promotional offers, as well as the costs related to the payment of the residual installments of the products and the services offered together with the main service. In particular, the Authority has established that the withdrawal expenses may not exceed the monthly fee paid by the user and that the refund of the discounts must be fair and proportionate to the value of the contract and the residual duration of the promotion.

By virtue of these provisions, considering the amounts currently debited by Tiscali, it will be necessary to proceed within the next quarter, to the redetermination, or downsizing, of the same. Moreover, it will not be possible to impose on the customer who withdraws the full refund of the discounts that may have been obtained: the operators will be able to request a refund, but to a much lower extent than the current one.

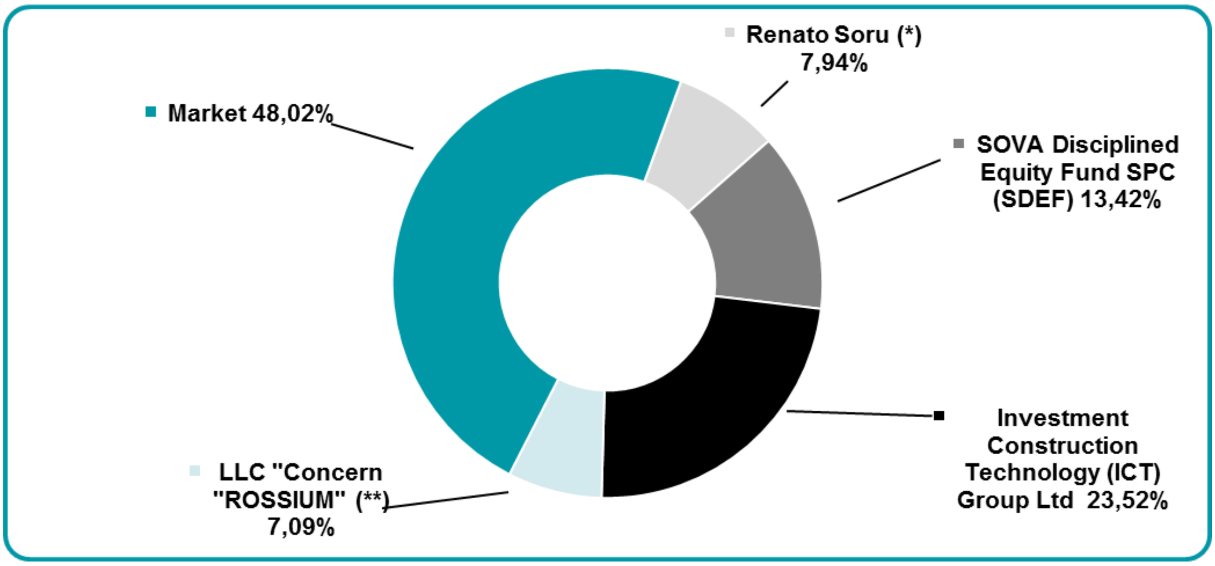
5.4 Tiscali's Shares

Tiscali shares are listed on the Italian Stock Exchange (Milan: TIS) since October 1999. As at 30 June 2018, the market capitalization amounted to approximately EUR 89,990,505 calculated on the value of EUR 0.0226 per share on a total of 3.981.880.763 shares. At the date of approval by the Directors of this Half-Year Financial Report, the value per share stands at EUR 0,0203, with a market capitalization of EUR 80.8 million.

Shares Structure:

Below the share structure as at 30 June 2018.

Fig. 1 Shareholding structure: *% ordinary share capital and of voting rights*



Source: Tiscali

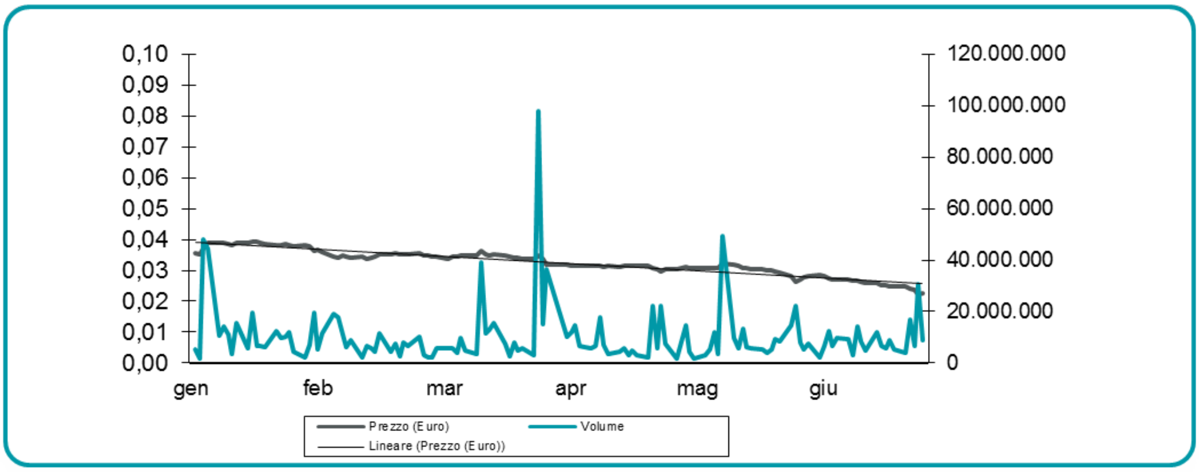
(*) Directly for 6.66% approximately and indirectly through the part-owned companies Monteverdi Srl (0.44%), Cuccureddus Srl (0.83%).

(**) Indirectly through Sova Capital Limited (formerly known as Otkritie Capital International Limited) (100%)

Tiscali Shares Trend

The graph illustrated below shows the trend of Tiscali shares over the course of the first half of 2018, characterized by significant trading volumes, in particular in the month of March.

Fig. 2 – Shares trend during the first half of 2018



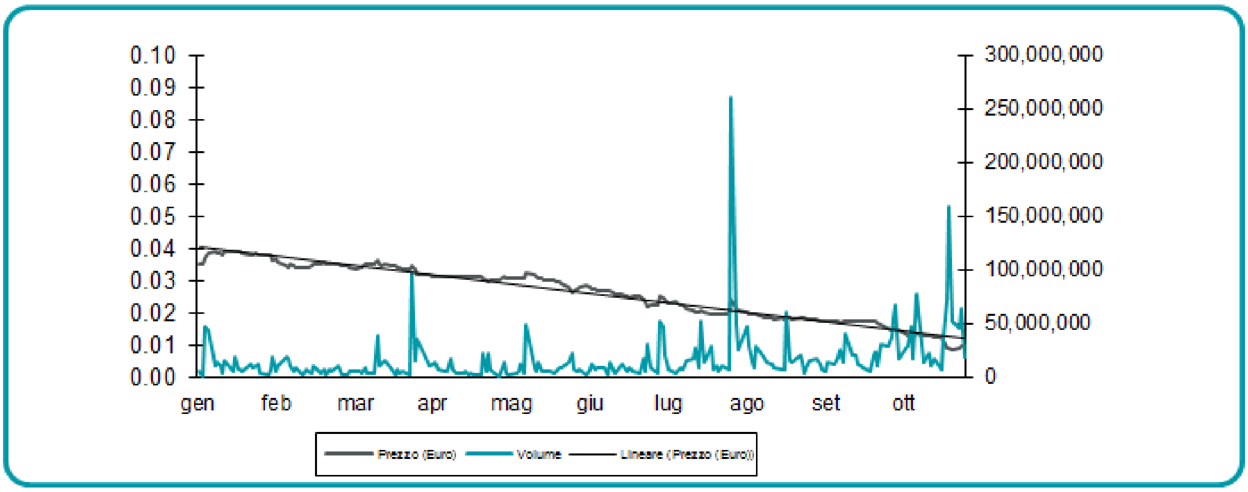
Source: processing of Bloomberg data

The average monthly price in the first half of 2018 was EUR 0.032. The maximum price in the period was of EUR 0.0394 and it was recorded on 16 January 2018, while the minimum price of EUR 0.0221 was recorded on 28 June 2018.

Trading volumes settled on a daily average of approximately 10.3 million shares for a corresponding daily average value of EUR 0.3 million.

Average trading of Tiscali shares on the Italian Stock Exchange over the first half of 2018		
	Price (EUR)	**Number of shares**
January	0.038	12,621,403
February	0.035	7,718,134
March	0.034	14,406,769
April	0.031	8,378,591
May	0.030	9,876,037
June	0.026	9,068,822
Average	**0.032**	**10,344,960**

The graph below shows the performance of the Tiscali share, extending the observation period until the end of October 2018.



Average trading of Tiscali shares on the Italian Stock Exchange for the period Jan-Oct 2018		
	Price (EUR)	**Number of shares**
January	0.038	12,621,403
February	0.035	7,718,134
March	0.034	14,406,769
April	0.031	8,378,591
May	0.030	9,876,037
June	0.026	9,068,822
July	0.022	28,486,263
August	0.019	24,754,945
September	0.017	16,783,477
October	0.012	41,024,367
Average	**0.027**	**17,311,881**

The average monthly price in the first ten months of 2018 was EUR 0.0264. The maximum price for the period of EUR 0.0394 was recorded on January 16, 2018, while the minimum, equal to EUR 0.0087, on October 26, 2018.

Extending the observation period until the end of October 2018, it is noted that the trading volumes are higher than the volumes traded up to 30 June 2018, settling on a daily average of approximately 17.3 million pieces.

In the week of 12 November, during which the significant events described above took place, that allow us to consider the New Business Plan 2018-2021 feasible and which guarantee business continuity, the trading volumes amounted to 178 million pieces and the price maximum was EUR 0.18.

With reference to the price trend related to Tiscali Ordinary Shares on the “STAR” segment managed by Borsa Italiana Spa, it should be noted that Tiscali’s total market capitalization at 30 June 2018 is amounted to EUR 89.9 million, compared to the parent company’s equity of EUR 43.9 million.

The difference between the market capitalization (EUR +89.9 million) and the value of the consolidated shareholders' equity (EUR -150.9 million), equal to EUR 240.8 million, is representative of the value of the license rights , as demonstrated by the values at which the sale to Fastweb took place, of the benefits for the activation of prepaid taxes connected with the valuation of tax losses that can be carried forward resulting from the tax consolidation contract, as well as from the prospects of future profitability of the Group, incorporated in the cash flows resulting from the New Business Plan 2018-2021.

5.5 Major Events occurred in the first half of 2018

The major events occurred during the 2018 first half, following the approval of 2017 Financial Statements by the Board of Directors in office at that time follow:

10 May 2018 - The Board of Directors of Tiscali SpA approves the 2017 Draft Financial Statements

The Board of Directors of Tiscali S.p.A. met on 10 May 2018, examined and approved the Draft Financial Statements for the 2017 financial year, in addition to the impairment test, to the deeds resulting from the occurrence of the circumstances as per Article No. 2446 of the Civil Code, and the conferment of powers for the issue of a convertible bond loan and the related capital increase.

Furthermore, following the positive opinion AGCOM on the renewal of the license to Tiscali on a 3.5GHz frequency until 2029, the Board approved the New 2018-2021 Business Plan. Finally, the Board of Directors gave a mandate to the CEO, Riccardo Ruggiero, for the convening of the Ordinary and Extraordinary Shareholders’ Meeting (subsequently convened for 26 June 2018).

22 May 2018 – Resignation of the CEO

On 22 May 2018 Riccardo Ruggiero resigned from his post of CEO.

22 May 2018 – Appointment of the new Director General Alex Kossuta

On 25 May 2018, the Board of Directors of Tiscali S.p.A. conferred on Alex Kossuta the position of Director General.
With the entry of the new Director General, the proxies withing the Board have been adjusted in order to facilitate the Company in the timely execution of the provisions of the 2018-2021 Business Plan approved on 10 May 2018, as well as in pursuing the already-defined objectives and work programs.

The proposal of agreement between the Company and Mr. Kossuta had been approved by the Appointments and Remuneration Committee and by the Board of Directors on 22 May. On 25 May 2018, Mr. Kossuta took over the same position as Director General also in Tiscali Italia S.p.A.

26 June 2018 – Approval of the 2017 Financial Statements and appointments of the new members of the Board of Director and the Board of Auditors

Tiscali Ordinary and Extraordinary Shareholders' Meeting approves all the items on the agenda, as follows:

1. approval of the Financial Statements for the year ended December 31, 2017;

2. appointment of the members of the Board of Directors;

3. appointment of the members of the Board of Statutory Auditors and its Chairman.

Tiscali ordinary Shareholders’ Meeting, after determining the number of members of the Board of Directors at 7, has provided for the renewal of the Board of Directors, which had arrived at the end of its mandate. The new Board then proceeded to confirm the Chairman of the Board of Directors in the person of Alexander Okunn and the appointment of the Chief Executive Officer in the person of Alex Kossuta, former Director General. The members of the new Board of Directors are: Alexander Okun, Alex Kossuta, Oleg Anikin, Anna Belova (independent member), Paola De Martini (independent member), Alina Sychova and Renato Soru.

The Shareholders’ Meeting resolved that the Directors of the Company will remain in office until the approval of the financial statements for the year which will close at 31 December 2020, and approved the remuneration to be attributed to the Directors.

On the same date, the Appointments and Remuneration Committee was also appointed, composed of Paola De Martini (Chairman), Anna Belova and Alina Sychova.

Tiscali Ordinary Shareholders’ Meeting also provided for the renewal of the Board of Statutory Auditors, which had arrived at the end of its mandate. The members of the new Board of Statutory Auditors are: Barbara Tadolini (Chairman), Emilio Abruzzese, Valeria Calabi. The Shareholders’

Meeting resolved that the appointed Board of Statutory Auditors will remain in office until the approval of the financial statements for the year which will close at 31 December 2020, and approved the remuneration to be attributed to its members.

5.6 Analysis of the economic, financial and assets situation of the Group

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

Risks related to the overall economic situation

The financial, economic and equity situation of the Group is influenced by the various factors constituting the macroeconomic framework, such as changes in GDP (Gross Domestic Product), consumers' trust in the economic system and trends concerning interest rates. The progressive weakening of the economic system, combined with a contraction of income available for households, reduced the general level of consumption.

As well as for the other operators of the sector, the activities, strategies and prospects of the Tiscali Group are influenced by the customers' propensity to spend, which is affected by the reference macroeconomic context.

Risks connected with the high degree of market competitiveness and price trend

The Tiscali Group operates in the telecommunication service market, characterized by a high level of competitiveness.

With regard to the two main markets in which Tiscali operates, it should be noted that, on the basis of the AGCOM report, Tiscali's market share at the end of June 2018 in the broadband Internet access sector, also considering the contribution of Broadband Fixed Wireless clients acquired as a result of the merger with Aria, is approximately equal to 3%, while in the virtual mobile operators (MVNO) sector, Tiscali (for the first time appeared in the AGCOM report since March) has a share of 2.8%.

Tiscali main competitors (Telecom Italia, Vodafone, Wind 3) are Internet Service Providers owned or controlled by national telecommunications operators that held the monopoly of telecommunications services before the liberalization of the sector (so called Incumbent). These competitors have a strong brand recognition in the countries they belong to, a well-established client base and high financial resources that allow competitors to make substantial investments, particularly in the research sector aimed at developing technologies and services.

Tiscali competes, in addition to telecommunication operators, which could use new access technologies, also with suppliers of other services, such as, for example, satellite television, digital cable television and mobile telephony. These entities (for example SKY and Mediaset Premium), also by virtue of the convergence among the various technologies and among telecommunication and entertainment markets, could extend their offer also to Internet and voice services, with the consequent possible increase in the concentration of the relevant market and the level of competitiveness.

In order to compete with the above competitors, Tiscali's strategy included providing quality Internet access services at competitive prices, focusing the commercial effort on UltraBroadBand solutions (Fiber and LTE) with the highest capacity.

The agreement signed with Fastweb goes in the direction of strengthening and consolidating this strategy, in particular thanks to the expansion of the addressable market of Fiber services (without incremental investments, this allows the passage from a coverage of 8 million households and businesses to a coverage of about 18 million households and businesses) and to the possibility of continuing to use the Fixed Wireless infrastructure sold to Fastweb for the supply of Tiscali LTE Fixed Wireless services in the "Extended Digital Divide" areas, also thanks to the completion of the migration from WiMax technology to LTE technology that Fastweb is committed to make at its own expense within the first half of 2019.

Any inability of the Group to compete successfully in the sectors in which it operates compared to its current or future competitors could negatively affect the market position with consequent loss of clients and negative effects on the business and and the economic and financial situation of the Company and Group companies and on the prospective data considered in the short term to assess the occurrence of the going concern assumption and in the short and long term to assess the recoverability of the concessions and the value of investments in equity investments through the impairment test. The benefits obtained by Tiscali thanks to the agreement with Fastweb concerning the expansion of the overall addressable market constitute a mitigation of the risk analyzed.

Risks related to possible system interruptions, delays or breaches in security systems

The ability of the Tiscali Group to attract and retain clients will continue to depend significantly on the operation of its network and its information systems and, in particular, its continuity and security as well as its servers, hardware and software.

The possible lack of electricity or interruptions in telecommunications, breaches in the security system and other similar unpredictable negative events (such as complete destruction of the datacenter) could cause interruptions or delays in the provision of services, with consequent negative effects on the activities and on the economic, equity and financial situation of the Group and on the prospective data.

The Group, operating in a highly complex market from a technological point of view, is exposed to a high risk inherent in IT and ICT systems. As part of the management of risks related to the damage and malfunctioning of these systems, on which the management of the business is based, the Group invests adequate resources aimed at safeguarding all the IT tools and processes. The core business systems are all highly reliable, the data-center, present in the Cagliari office, is equipped with security systems such as fire and anti-flooding protection.

The agreement with Fastweb has no material impact on the risk level concerned.

Cyber Risk

The company IT infrastructures are kept constantly updated according to the needs that arise from the rapid technological development and the need to propose new products on the market.

Considering that the good operation of IT represents a criticality for business continuity, technical and procedural solutions were prepared for the protection of the data-center.

Logical protection is entrusted to equipment specialized in intrusion protection and denial of service and the support of market leading companies coordinated by an on-site team of security professionals.

The operating methods are defined by formal procedures deriving from the implementation of the ISO-27001 management system. The Company is subjected to annual audit by the Certification Authority. Certification is renewed every three years, together with the related Business Continuity Plan. September 2020 is the next certification deadline.

About this issue, the Company constantly collaborates with various institutions such as the National Computer Emergency Response Team (CERT), operating at the Ministry of Economic Development, also carrying out activities to detect and counteract cyber attacks.

At the date of this Half-Year Financial Report, no violations by third parties of Tiscali information systems were reported.

Even though the Tiscali Group adopted strict protocols to protect the data acquired during its operations and operates in strict compliance with current legislation on data protection and privacy, it cannot be excluded that intrusions into its systems may occur in the future; in this context, it should be noted that the Group companies have in place specific insurance policies to cover the damages that their infrastructures may suffer as a result of the aforementioned events. Nevertheless, if harmful events not covered by insurance policies should occur or, even if covered, such events cause damages exceeding the insured maximum coverages, or due to violations of the company systems, the reputation damage suffered should lead to loss of clients, such circumstances could have a significant negative impact on the activity and financial, economic and assets situation of the Group and on the forecast data.

The agreement with Fastweb has no material impact on the risk level concerned.

Risks connected with technological development and commercial offer

The sector in which the Tiscali Group operates is characterized by significant and sudden technological changes, high competition and the rapid obsolescence of products and services. The Group success in the future will also depend on its ability to anticipate such technological changes and to adapt to them in a timely manner by developing products and services that are suitable for meeting client needs.

Any inability to adapt to new technologies and therefore to changes in customer needs could have negative effects on the activity and on the financial, economic and assets situation of the Companies of the Group.

The agreement with Fastweb guarantees Tiscali – without any incremental investment – the access to to a latest generation fiber infrastructure and the possibility to continue to access the latest generation of LTE Fixed Wireless access network infrastructure. Furthermore, the same agreement guarantees Tiscali it will be able to access the future 5G infrastructures that Fastweb will implement on the 3.5GHz frequency subject of the agreement, granting the company access to a key future technology for the development of new services to customers and orders of magnitude of total investment that Tiscali alone would not have been able to sustain. This agreement therefore results in a mitigation of the risk being analyzed.

Risks related to regulatory development in the sector in which the Group operates

As mentioned in the previous paragraph "4.3. - Regulatory framework", the telecommunication sector in which the Group operates is a highly regulated sector governed by extensive, stringent and articulated legislation and regulations, especially with regard to licensing, competition, frequency allocation, rate fixing, interconnection agreements and leased lines. Legislative, regulatory or political changes affecting the Group activities, as well as sanctions issued by AGCOM, could have negative effects on the activity and reputation and, consequently, on the financial, economic and assets situation of the Companies of the Issuer and on the companies of the Group.

In particular, these changes could lead to the introduction of additional burdens, both in terms of direct disbursements and additional adjustment costs, as well as new liability profiles and regulatory barriers to service supply. Any changes in the regulatory framework, as well as the adoption of measures by AGCOM, could also make it more difficult for the Group to obtain services from other operators at competitive rates or could restrict access to systems and services necessary for the performance of the Group activity.

Moreover, considering the dependence of Group companies on services of other operators, the Group could not be able to promptly implement and/or adapt to any provisions modifying the current regulatory regime and/or regulations in force, with consequent negative effects on activities and on the financial, economic and assets situation of the Companies of the Group and on the forecast data. Despite the situation of uncertainty indicated, at the moment the Group has reflected in its prospective data the impacts of the regulatory changes currently foreseeable.

The agreement with Fastweb has no material impact on the risk level concerned.

Risks associated with the Group high financial indebtedness

The development of the Group financial situation depends on various factors, in particular, the achievement of the objectives set out in the New 2018-2021 Business Plan, general economic conditions, financial markets and sector in which the Group operates. The Directors believe that this risk is mitigated as a result of the Sale Agreement with Fastweb and the related repercussions on relationships with Financial Institutions and the Leasing Pool and suppliers, as better described in the paragraph "Assessment of business continuity and foreseeable management evolution ".

Risks relating with fluctuations in interest and exchange rates

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

With regard to the exposure to the risks associated with interest rate fluctuations, in view of the Group's predominant financing method (also following the execution of the Restructuring Agreements and the Fastweb Sale Agreement) the management consider the risk of interest and exchange rate fluctuations to be insignificant for the financial and economic situation of the Group.

Risks linked to relations with employees and suppliers

The employees of the Group are protected by several laws and/or collective labor agreements, which ensure they have, through local and national delegations, the right to be consulted concerning specific matters, including the downsizing or closure of departments and a reduction of the workforce. These laws and/or collective labor agreements applicable to the Group and its suppliers could influence its flexibility when strategically redefining and/or repositioning its activities. Tiscali and its suppliers' ability to make staff cuts or take other measures, even temporary, to end the employment relationship, is subject to government authorizations and to the consent of trade unions. Union-organized protests by workers could negatively affect the company's activities.

During the first half of 2018, Tiscali Italia and Aria entered into a Solidarity Plan with the Trade Unions, which involves all the executives and employees (about 633 employees).

The contract provides for an average reduction in working hours (and RAL concerned) of 19%; it has been effective from 1 July 2018 and has a duration of six months, until 31 December 2018.

The Group expects a reduction in personnel costs deriving from the application of the solidarity contract equal to EUR 2 million in the second half of 2018.

The activity of the Tiscali Group also depends on existing contracts with its strategic suppliers, in particular TIM and Fastweb, on which the Group's ability to access its market depends.

Contracts are in place with these strategic suppliers for the supply of direct interconnection, reverse interconnection, co-location, unbundled access, single-access ADSL Bitstream flat, shared access and mobile radio services.

Given the hypothesis that: (i) these contracts should not be renewed at the due date or should be renewed on terms and conditions that are less favorable with respect to those currently existing; or (ii) the Group does not succeed in concluding with TIM the new contracts necessary for the development of its business; or (iii) in the instances specified in the preceding points, Tiscali does not succeed in concluding equivalent agreements with third party operators; or (iv) if a serious breach of contract by the Company or the suppliers themselves occurs, these circumstances could have negative effects on the business and on the economic, equity and financial situation of the Company and of the Group companies, with consequent impact on the possibility of continuing to carry out the its operational activity under business continuity conditions.

The conditions and terms of these contracts are of a regulatory nature and at present there are no elements that could suggest a non-renewal upon expiry.

With reference to the supplier TIM, it should also be noted that during the first half of 2018 the management of the overdue debt towards suppliers continued through the stipulation of further deferred payment agreements of the debt that are more in line with the capacity of cash generation reflected in the New 2018-2021 Business Plan.

With reference to the supplier Fastweb, it should be noted that, following the signing of the Transfer Agreement, the Group boasts a credit that can be used for the payment of these services equal to a nominal amount of EUR 55 million, which - on the basis of current estimates - should allow the acquisition of these services in the next 24-36 months without using the Group's financial resources.

Concerning the Group's trade payables, it should be noted that as at 30 June 2018, the net expired net trade payables (net of payment plans agreed with the suppliers, active items and disputes with the same suppliers) amounted to EUR 66.3 million.

Furthermore, there were no suspensions of supply relationships such as to jeopardize the ordinary course of business. As at October 30th 2018, payment reminders were received as part of ordinary administrative management. On that date, the main payment orders received by the Company and not paid as negotiation or opposition amounted to EUR 18.2 million, while the total orders received amounted to EUR 12.3 million.

The agreement signed with Fastweb and the related contribution of incremental financial resources will allow Tiscali to gradually reduce overdue payables and risks associated with the overall management of suppliers, as better explained in the following paragraph "Assessment of business continuity and foreseeable management evolution" .

Risks related to the dependence from licenses, authorizations and the exercise of real rights

The Tiscali Group conducts its business on the basis of licenses and authorizations – subject to periodic renewal, modification, suspension or revocation by relevant authorities – and it has rights of access, usage rights and administrative permissions for the building and maintenance of telecommunications network. In order to be able to carry out its business, the Tiscali Group must retain and maintain licenses and permissions, transfer and usage rights, as well as all other administrative authorizations.

The most important authorizations, in the absence of which the Group, even in light of the Transfer Agreement with Fastweb, might not be able to carry out its business or part of it, with the resulting repercussions on business continuity, are the following:

- General authorization for the provision of the "data transmission" service: in case of loss of this authorization – which in turn expires on December 10, 2027 – the Group would no longer be able to provide Internet access services. At present, Tiscali has all the necessary requirements for the renewal of that authorization upon expiry, which to be otbtained will need a new DIA (declaration on the commencement of the activities) to be submitted;
- General authorization (individual license) for "voice service accessible to the public on the national territory", expiring on February 28, 2028: in case of loss of such authorization, the Group would no longer be able to provide voice services which use geographical numbers; at present, Tiscali has all the necessary requirements for the automatic renewal of that authorization upon expiry, which to be otbtained will need a new DIA (declaration on the commencement of the activities) to be submitted;
- General authorization for "electronic communications networks and services", expiring on January 11, 2032: in case of loss of such authorization, the Group would no longer be able to realize network infrastructure and thus provide connectivity services on proprietary infrastructures.
- General authorization for the provision of the "Enhanced Service Provider" mobile service: in case of loss of such authorization – which is scheduled to expire on June 30, 2028 – the Group would no longer be able to provide services (both voice and data) of mobile type.

It should be noted that the right of use on the entire the national territory of 42MHz of spectrum on 3.5GHz frequency issued by the Ministry of Communications on 21 May 2008 for a total duration of 15 years (therefore until 21 May 2023), is being renewed until 2029. under conditions that are not onerous for the Tiscali Group and the licenses were sold on November 16 to Fastweb.

Risks related to the turnover of managers and other human resources with key roles

The sector in which the Tiscali Group operates is characterized by a limited availability of specialized personnel. Technological evolution and the need to meet a growing demand for increasingly sophisticated products and services require companies operating in this sector to have resources highly specialized on technologies, applications and related solutions, with a consequent increase in labor market competition and remuneration levels.

In the event that a significant number of specialized professionals or whole working groups dedicated to specific product types leave the Group, and the same could not attract qualified personnel in substitution, the ability to innovate and the growth outlook of the Tiscali Group could be affected, with possible adverse effects on the business and on the economic, financial and financial situation of the Company and the Group companies and failure to realize the expected results in the prospetic data.

The Sale Agreement with Fastweb contributes to re-establishing development expectations of the Group's activities in keeping with the retention of qualified personnel.

Going Concern Risk

In this regard, reference should be made to the note *"4.7 Evaluations regarding the business continuity and foreseeable evolution of operations - Facts and uncertainties with regard to business continuity"*.

Risk related to potential disputes and liabilities

For this purpose, please refer to paragraph *"4.9 Disputes, Contingent Liabilities and Commitments"*.

Introduction

The Group offers its products to *consumer* and *business* customers on the Italian market, mainly through five business lines:

(i) *Broadband* Access (LLU, Bitstream, Fixed Wireless, Fiber) including VOIP services;

(ii) Mobile telephony services (so-called MVNO);

(iii) "Wholesale services" to other operators;

(iv) "Services to Businesses" (so-called B2B) which include, inter alia, VPN services, Hosting, concession of domains and *Leased Lines*, which are getting an ever-decreasing importance due to the transfer of the Business Branch to Fastweb;

(v) "Media and value-added services", which include media, advertising and other services.

As a result of the Transfer Agreement, the residual assets are illustrated in the Note 9.

Consolidated Income Statement

Consolidated Income Statement	1st semester 2018	1st semester 2017	Change
(EUR mln)			
Revenue	92.4	103.6	(11.2)
Other income	1.1	1.2	(0.1)
Purchase of external materials and services	65.7	70.7	(5.0)
Personnel costs	13.4	15.9	(2.5)
Other operating expense (income)	0.0	0.0	0.0
Write-downs accounts receivable from customers	5.4	3.8	1.5
Gross Operating Result (EBITDA)	**9.0**	**14.4**	**(5.3)**
Restructuring costs	0.3	3.5	(3.3)
Depreciations & amortizations	25.9	23.7	2.2
Operating result (EBIT)	**(17.2)**	**(12.9)**	**(4.3)**
Result from the investments evaluated at equity method	0.1	0.0	0.0
Financial Income	1.0	0.0	1.0
Financial Expenses	6.6	6.4	0.2
Income (loss) before tax	**(22.8)**	**(19.2)**	**(3.6)**
Taxation	26.1	0.0	26.1
Net result from operating activities (ongoing)	**3.3**	**(19.2)**	**22.5**
Result from held for sale and discontinued operations	0.0	43.6	(43.6)
Net result for the period	3.3	24.5	(21.2)
Minority interests	0.0	0.0	0.0
Group Net Result	**3.3**	**24.5**	**(21.2)**

The revenues of the Tiscali Group in the first half of 2018 amounted to EUR 92.4 million, an decrease by 10.9% as compared to EUR 103.6 million recorded in FY 2017. The net change, amounting to EUR 11.2 milion (-10.9%) as compared to the first half of 2017, is mainly attributable to the following factors:

- reduction of approximately EUR 6.7 million (-9.7%) in revenues from Broadband Access, mainly due to the reduction in the portfolio of Fixed BroadBand customers, decreased from 453.3 thousand units to 416 thousand units as at 30 June 2018;

- growth in MVNO revenues of approximately EUR 0.4 million (+5.9%) thanks to the increase in the Mobile customer portfolio, which grew from around 201.9 thousand units in June 2017 to around 219 thousand units as at 30 June 2018.
- strong reduction in “Business and Wholesale services” revenues of approximately EUR 7.5 million (-58.6%). This reduction is mainly attributable to the changed strategy on the sale of products to low-margin business customers and to the reduction in wholesale sales revenues in the first half of 2018, already initiated in the second quarter of 2017;
- “Media & VAS” revenues increased by EUR 1.9 million (+25.4%) thanks to the positive impact of the agreement signed with SKY concerning online advertising sales.
- “Other” revenues, equal to EUR 3.3 million, grew by EUR 0.1 million.

During the first half of 2018, Internet access – which includes the Fixed Broadband Access and Fixed Wireless components – represents about 73.8% of turnover (about 71.9% in the first half of 2017).

Other income, amounting to EUR 1.1 million, decreased by EUR 0.1 million as compared to the first half of 2017.

Costs for purchases of materials and services amounted to EUR 65.7 million, decreased by EUR 5 million, as compared to the first half of 2017, due to the decreased activity volumes.

The reduction of EUR 2.5 million in personnel costs, amounting to EUR 13.4 million in the first half of 2018, is linked to the actions aimed to recover efficiency implemented in 2017 (outsourcing of IT activities to Engineering, sale of B2B branch to Fastweb and incentivized retirement plans), which led to a significant reduction in the average staff (59 full time equivalent).

The above-mentioned effects result in a Gross Operating Profit (EBITDA) of EUR 9 million, decreasing by EUR 5.3 million as compared to the first half of 2017 (EUR 14.4 million). It should be noted, however, that the total effects of non-recurring items[1] in the first half of 2018 on the gross operating result (EBITDA) amounts to EUR -1 million, compared to a positive effect of EUR 1.9 million in the first half of 2017.

Depreciation and amortization costs for the period amount to EUR 25.9 million, increased as compared to EUR 23.7 million accounted for in the first half of 2017.

Furthermore, during the first half of 2018, restructuring costs have been accounted for EUR 0.3 million, as compared to EUR 3.5 million in the first half of 2017. The restructuring costs incurred are maily related to the reorganization and downsizing of the workforce .

As result of the above mentioned items, the net operating result (EBIT), net of provisions, write-downs and restructuring costs, is negative for EUR 17.2 million, recording a deterioration by EUR 4.3 million as compared to the result for the first half of 2017, which was negative by EUR 12.9 million. The impact on the EBIT of the non recurring items [1]in the first half of 2018 is negative for EUR 1.4 million, as compared to negative EUR 1.6 million accounted in the first half of 2017.It should be noted that in the first half of 2018 a charge of EUR 1 million was recognized for a fine imposed by AGCOM for having Tiscali Italia S.p.A. adopted illegal conduct in violation of the rules of the consumer code transposing the *consumer rights* directive, in the context of the remote marketing of fixed and / or mobile telephone services.

Financial charges amount to EUR 6.6 million, as compared to EUR 6.4 million in the first half of 2017.

Financial income, amounting to EUR 1 million, includes an income of EUR 922 thousand deriving from a transaction concluded by the subsidiary Aria with Unicredit, which led to the removal of part of the financial debt.

In the period, deferred tax assets of EUR 26.1 million were allocated, mainly attributable to the benefit of deferred tax assets connected to the valuation of tax losses that can be carried forward which will allow the subsidiary Aria to reduce the IRES taxable amount relating to the income produced in 2018 , in the second half in which the capital gain deriving from the Sale Agreement will be recognized. The signing of the Sale Agreement, in fact, made it highly probable that the tax benefit would be obtained with the use of the previous losses from the tax consolidation, allowing it to be recorded in accordance with IAS 12 and IAS 34 in the balance sheet as at 30 June 2018, albeit within the limits of the taxable income forecasts for 2018.

[1] Pursuant to CONSOB Resolution no. 15519 of 27 July 2006

The result from continuing operations was positive for EUR 3.3 million, an improvement compared to the comparable figure of the first half of 2017, equal to negative EUR 19.2 million, thanks to the impact of the provision of deferred tax assets for EUR 26.1 million previously recalled.

The Result from held for sale and discontinued operations is null in the first half of 2018, as compared to a positive result of EUR 43.6 million of the first half of 2017, which included the EUR 43.8 million capital gain on the sale of the BTB business branch to Fastweb (including the SPC Contract) accounted for upon completion of the transfer contract, occurred on February 10, 2017.

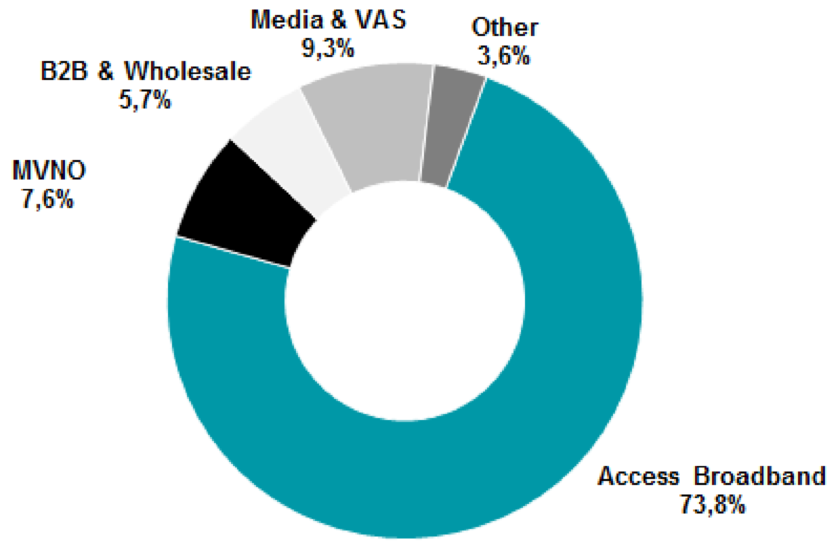
Consequently, the Group's Net Result is equal to the Profit from continuing operations, positive and equal to EUR 3.3 million, compared to a result recorded in the first half of 2017 of EUR 24.5 million, mainly due to the aforementioned positive impact of the gain on the sale of the B2B business unit).

Operational Income Statement of the Group

The Profit and Loss Statement of the Group	1st semester 2018	1st semester 2017
(EUR mln)		
Revenue	92.4	103.6
Access Broadband revenues	68.2	74.5
of which fixed Broadband	61.7	68.4
of which Broadband FWA	6.5	6.1
Revenues from MVNO	7.0	6.6
Business service revenues and Wholesale	5.3	12.6
of which business service & Wh revenues	4.9	7.6
of which revenues from reselling of products	0.3	5.0
Media and value-added service revenues	8.6	6.7
Other revenues	3.3	3.2
Gross operating margin	40.5	46.8
Indirect operating costs	27.2	29.7
Marketing and sales	4.4	6.3
Personnel costs	13.4	15.9
Other indirect costs	9.4	7.6
Other (income) / expenses	(1.1)	(1.2)
Write-down of receivables	5.4	3.8
Gross Operating Result (EBITDA)	9.0	14.4
Restructuring costs	0.3	3.5
Depreciations & amortizations	25.9	23.7
Operating result (EBIT)	(17.2)	(12.9)
Net Result pertaining to the Group	3.3	24.5

Revenue by business segment

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



Source: Tiscali

Broadband Access

The segment concerned, which includes Internet access services, generated revenue in the first half of 2018 for approximately EUR 68.2 million (EUR 61.7 million from "Fixed Access" and EUR 6.5 million from "Fixed Wireless Access"), down by 8.4% as compared to the corresponding figure for the first half of 2017 (EUR 74.5 million).

The trend of this item as compared to the first half of 2017 is mainly driven by the following:

- decrease in the income from Fixed Broadband segment by EUR 6.7 million (-9.7%), amounting to EUR 61.7 as compared to EUR 68.4 million in the first half of 2017. This reduction if directly related to the decrease in the total portfolio of Fixed Broadband customers, decreased by about 37 thousand units, from about 453 thousand units in June 2017 to 416 thousand units in June 2018. However, the number of Fiber customers (higher-value, higher-profitability customers) continued to record a strong improvement, from approximately 22 thousand units in June 2017 to over 66 thousand units in June 2018. The reduction in the portfolio is related to the slowdown in the commercial activity described above and to exceptional customer termination or deferral activities (due to the conclusion of procedures for credit recovery and related write-off of the same) or connected to processes of forced technological migration of customers (e.g. migration of Bitstream customers from ATM technology to Ethernet technology);
- increase in the income from BroadBand Fixed Wireless Access, amounting to about EUR 0.4 million (6.9%), due to the improvement in the customer mix and the growth of the weight of LTE customers with greater ARPU in a scenario of substantial stability of the total BroadBand Fixed Wireless customer portfolio (from 61.6 thousand units as at 30 June 2017 to 62.3 thousand units as at 30 June 2018).

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Evolution of the customer base (lines)

Active Customer base	30/06/2018	31/12/2017	30/06/2017
Total Broadband Fixed	416,031	451,151	453,332
o/w Fibra	66,272	47,117	22,352
Totale Broadband Wireless	62,334	66,637	61,601
o/w LTE	48,830	49,575	35,604
Mobile (6 months in-out)	219,005	230,415	201,953
Total Customers	**697,370**	**748,203**	**716,886**

It should also be noted that "Fixed Wireless" users include, as at 30 June 2018 a number of former inactive customers waiting amounting to about 7 thousand units, for which marketing and commercial activities are being performed for potential future reactivations.
As at 30 June 2017, the number of former inactive customers amounted to about 12 thousand units.

MVNO

The MVNO segment grew by 5.9%, from EUR 6.6 million in the first half of 2017 to EUR 7 million in the first half of 2018, thanks to a growth of about 17.1 thousand units recorded in the Mobile customers' portfolio (+7.8%). In June 2018, the Mobile customers' portfolio of Tiscali amounted to about 219 thousand units.

Concerning the total customer portfolio, as at 30 June 2018 the total active users amounted to 697.4 thousand units, a reduction of about 50.8 thousand units as compared to the figure as at december 31th, 2017, and a reduction of about 20 thousands units compared to the first half of 2017, due in particular to the reduction of the BroadBabd Fisso customer portfolio for the above-explained reasons.

Business and Wholesale Services

Revenues from business services (VPN, housing, hosting, domains and leased lines services) and from Wholesales revenues for sales related to network services and infrastructure (IRU, sales of Voice traffic) to other operators, excluding those concerning the access and/or Voice products targeted to the same customers base already included in the relevant Business lines, amounted in the first half of 2018 to EUR 5.3 million, down by 58% as compared to EUR 12.6 million in the first half of 2017. The decrease is mainly due to a change in the business strategy, which provided for a reduction of ths kind of sale, leading to a decrease of the concerned revenues by EUR 4.7 million (from EUR 5 million in the first half of 2017 to EUR 0.3 million in the first half of 2018).

Media and value-added services

In the first half of 2018, revenues from the Media and value-added services (mainly related to the sale of advertising space) segment amounted to about EUR 8.6 million and are up 28.1% compared to the figure for the first half of 2017 (EUR 6,7 million), thanks to the strategic agreement signed with Sky related to the business of online advertsing sales.

Other revenues

Other revenues in the first half of 2018 amounted to about EUR 3.3 million, up by EUR 0.1 million from the corresponding figure for 2017 (EUR 3.2 million).

Indirect operating costs in the first half of 2018 amounted to about EUR 27.2 million, decreasing as compared to the first half of 2017 (EUR 29.7 million). This reduction is largely due to the sharp reduction in personnel and marketing costs.

The components the indirect operating costs follow:

- marketing costs amounted to about EUR 4.4 million, decreasing as compared to the first half of 2017 (EUR 6.3 million), period in which Tiscali made investments on communication to relaunch the brand and to support the process of acquiring new customers for EUR 1.2 million.

- payroll and related costs amounted to EUR 13.4 million (14.5% of revenues), decreasing as compared to the data of the first half of 2017 (EUR 15.9 million, 15.3% of revenues), mainly due to the downsizing of the workforce happened during in 2017.
- other indirect costs amounted to EUR 9.4 million, increasing as compared to the first half of 2017 (EUR 7.6 million) due to an increase in expenses for professional services and consultancy and costs related to the fine imposed by AGCM against Tiscali Italia, which have adopted unlawful conduct in violation of the consumer code transposing the consumer rights directive, as part of the distance marketing of fixed and/or mobile telephony services. During the first half of 2018, the Lazio Regional Administrative Court, where an appeal was filed against this fine, confirmed the amount of approximately EUR 1 million.

Other income/charges

Other income/charges, positive for EUR 1.1 million, slightly reduced compared to the first half of 2017 (positive for EUR 1.2 million), mainly includes the recording of the portion of the 2018 gain realized through the Sale and Lease-Back transaction at Cagliari (Sa Illetta), for about EUR 1 million.

Provisions for doubtful accounts

The provisions for doubtful accounts amount to EUR 5.4 million in the first half of 2018 (5.8% of revenues), increased in absolute value and as a percentage of revenues as compared to the same figure of the first half of 2017, equal to EUR 3.8 million (3.7% of revenues) due to the extraordinary termination activities carried out in the first half of 2018 on defaulting customers.

The effects of the above items determine a Gross operating result (EBITDA) of EUR 9 million, with an decrease by EUR 5.3 billion as compared to the same figure of the previous first half of the year (EUR 14.4 million). It should be noted that the total of the effects of non recurring items[2] in the first half of 2018 on the gross operating result (EBITDA) is negative for EUR 1 million, as compared to a positive effect of EUR 1.9 million in the first half of 2017.

Depreciation for the first half of 2018 amounted to EUR 25.9 million, increased as compared to EUR 23.7 million recorded in the first half of 2017.

Moreover, during the first half of 2018, the company accounted restructuring costs for EUR 0.3 million, as compared to EUR 3.5 million in the first half of 2017. Restructuring costs mainly refer to restructuring costs incurred by the company in terms of reorganization and downsizing of the staff.

Considering the above mentioned itmes, the net operating result (EBIT), net of provisions, write-downs and restructuring costs, is negative for EUR 17.1 million, with a deterioration by EUR 4.3 million as compared to the first half of 2017, negative for EUR 12.9 million. The total effect for the first half of 2018 of non recurring items[3] on EBIT is negative for EUR 1.4 million, as compared to negative EUR 1.6 million in the first half of 2017.

Financial charges amounted to EUR 6.6 million, as compared to EUR 6.4 million in the first half of 2017.

Financial income, amounting to EUR 1 million, includes an income of EUR 922 thousand deriving from a transaction concluded by the subsidiary Aria with Unicredit, which led to the removal of part of the financial debt.

In the period, deferred tax assets of EUR 26.1 million were allocated, mainly attributable to the benefit of deferred tax assets connected to the valuation of tax losses that can be carried forward which will allow the subsidiary Aria to reduce the IRES taxable amount relating to the income produced in 2018, in the second half, in which the capital gain deriving from the Sale Agreement will be recognized. The signing of the Sale Agreement, in fact, made it highly probable that the tax benefit would be obtained with the use of the previous losses from the tax consolidation, allowing it to be recorded in accordance with IAS 12 and IAS 34 in the balance sheet as at 30 June 2018, albeit within the limits of the taxable income forecasts for 2018.

The result from continuing operations was positive for EUR 3.3 million, an improvement compared to the comparable figure of the first half of 2017, equal to negative EUR 19.2 million, thanks to the impact of the provision of prepaid taxes for EUR 26.1 million previously recalled.

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[2] As per CONSOB resolution No. 15519 dated 27 July 2006

The Result from held for sale and discontinued operations is null in the first half of 2018, as compared to a positive result of EUR 43.6 million of the first half of 2017, which included the EUR 43.8 million capital gain on the sale of the BTB business branch to Fastweb (including the SPC Contract) accounted for upon completion of the transfer contract, occurred on February 10, 2017.

Consequently, the Group's Net Result is equal to the Profit from continuing operations, positive and equal to EUR 3.3 million, compared to a result recorded in the first half of 2017 of EUR 24.5 million, mainly due to the aforementioned effect. positive impact of the gain on the sale of the B2B business unit).

Equity position of the Group

Consolidated Statement of Equity and Liabilities	30 June 2018	31 December 2017
(EUR mln)		
Non-current assets	241.4	230.8
Current assets	65.4	69.6
Assets directly related to held for sales	0	0
Total Assets	**306.8**	**300.4**
Net equity of the Group	(124.8)	(128.0)
Net equity attributable to minority interests	0.0	0.0
Total net equity	**(124.8)**	**(128.0)**
Non-current liabilities	30.2	39.3
Current liabilities	401.3	389.1
Payables directly related to held for sale	0	0
Total Net equity and Liabilities	**306.8**	**300.4**

Assets

Non-current assets

Non-current assets as at 30 June 208 amounted to EUR 241.4 million (EUR 230.8 million as at 31 December 2017). The increase od 10.6 milion as compared to 31 December 2017 (amounting to EUR 15.6 million), is mainly attributable.

The increase of EUR 10.6 million compared to 31 December 2017 (equal to EUR 15.6 million) is mainly due to the combined effect of i) the provision of deferred tax assets of EUR 26.1 million to following the completion of the Transfer Agreement which made it highly probable the absorption of part of the previous tax losses; ii) the reduction attributable to the depreciation of intangible and tangible fixed assets net of investments for the period.

In line with the general slowdown in operating activities recorded in the first half of 2018 described above, the investment activity of the Tiscali group was also limited to the investments in maintenance of the network and related to the activation of customers, in particular Fiber and LTE. For this reason, total investments in the first half of 2018 amounted to EUR 10.3 million, a sharp decrease from the figure of the first half of 2017 (EUR 35 million).

Current assets

Current assets as of 30 June 2018 amounted to EUR 65.4 million (EUR 69.6 million as of 31 December 2017), and mainly include receivables from customers which, as at 30 June 2018, amounted to EUR 42.8 million, as compared to EUR 46.5 million as of December 31, 2017. In addition to cash and cash equivalents, amounting to EUR 1.8 million EUR (1.5 million as at 31 December 2017), the item concerned also includes other receivables and other current assets, amounting to EUR 20.9 million (EUR 21.6 million as at 31 December 2017), represented by advances to suppliers, prepaid expense for service costs and other receivables.

Shareholder’s Equity

Consolidated shareholders 'equity was in deficit of EUR 124.8 million at 30 June 2018, an improvement of EUR 3.2 million compared to shareholders' equity at 31 December 2017, equal to EUR128 million. The change is attributable to the result for the period.

Liabilities

Non-current liabilities

Non-current liabilities as at 30 June 2018, amounted to EUR 30.2 million, reduced by EUR 9.1 million as compared to the restated 31 December 2017 figure (EUR 39.3 million).

Non-current liabilities include, in addition to the items relating to the financial position, for which reference should be made to the following, the provision for risks and charges for EUR 3 million (EUR 3.2 million as at 31 December 2017), the provision for employee severance indemnities of EUR 3.8 million (EUR 3.9 million as at 31 December 2017), the provision for deferred tax liabilities for EUR 404 thousand (EUR 448 thousand as at 31 December 2017), payables to suppliers expiring after the FY for EUR 11.2 million (EUR 16 million as at 31 December 2017), other payables for EUR 4.3 million (EUR 4.9 million as at 31 December 2017). The latter item included tax payables to be settled for EUR 1.8 million.

Current Liabilities

Current liabilities amounted to EUR 401.3 million as at 30 June 2018 (as compared to EUR 389.1 million as of December 31, 2017, restated figure) and mainly include the current portion of financial payables due within 12 months, the payables to suppliers, the accrued expenses concerning the purchase of access and rental services and the tax liabilities.

As at 30 June 2018, net expired trade payables (net of payment plans agreed with suppliers, active and contested assets against the same suppliers) amounted to EUR 66.3 million. On the same date, overdue financial payables (net of credit positions) amounted to approximately EUR 30.9 million, to which must be added a total of EUR 118.8 million relating to the senior loan positions (EUR 74.4 million, against a total debt of EUR 89.9 million) and Sa Illetta leasing (EUR 44.5 million, against a total debt of EUR 52.6 million) reclassified to short term following events of default occurred in previous years and in the current year, that led to the start of negotiations of the Debt Restructuring Agreements with the Financial Institutions and the Leasing Pool.There are also expired tax payables amounting to about EUR 12 million. There are overdue balances owed to employees for social secturity contributions amounting to EUR 1.9 million.

Nevertheless, there is no indication of suspension on supplier relationships that would affect the ordinary running of the business. As of 30 June 2018, payment claims were received under ordinary administrative management. At that date, the most relevant payment claims received by the Company and not paid as they were in negotiation or opposition, totaled EUR 12.8 million, while total received orders amounted to EUR 17.3 million.

In the context of the Fastweb transaction, the assumption of payables to suppliers for EUR 12.6 million is envisaged; upon finalization of the Debt Restructuring Agreements with the Financial Institutions and the Pool Leasing, the classification in current liabilities of this overdue debt will no longer exist with consequent reclassification in non-current liabilities in accordance with the repayment plan provided for by these agreements.

Financial situation of the Group

At 30 June 2018, the Tiscali Group can count on cash and cash equivalents totaling EUR 1.8 million compared to a net financial position on the same negative date of EUR 177 million (EUR 178.9 million at 31 December 2017).

Net Financial Position	Notes	30 June 2018	31 December 2017
(Million of Euro)			
A. Cash and Bank deposits		1.8	1.5
B. Other cash equivalents		0.0	0.0
C. Securities held for trading		0.0	0.0
D. Liquidity (A) + (B) + (C)		***1.8***	***1.5***
E. Current loan receivables		***0.0***	***0.0***
F. Non-current financial receivables	(1)	**0.5**	**0.5**
G. Current bank payables	(2)	10.9	13.3
H. Current accounting of bonds issued		0.0	0.0
I. Current accounting of non-current debts	(3)	95.7	94.6
J. Other current financial debts	(4)	65.2	62.2
K. Current financial debt (G) + (H) + (I)+(J)		***171.8***	***170.0***
L. Net current financial debt (K)-(D)-(E)-(F)		**169.5**	**168.1**
M. Non-current bank Loans		0.0	0.0
N. Bonds issued		0.0	0.0
O. Other non-current intercompany debt	(5)	7.5	10.8
P. Non-current financial debt (M)+(N)+(O)		**7.5**	**10.8**
Q. Net Financial Position *(L)+(P)*		**177.0**	**178.9**

Notes:

(1) Includes several guarantee deposits.

(2) Includes bank payables of Tiscali Italia Spa, Tiscali Spa, Veesible Srl and Aria Group.

(3) It mainly icludes the following elements i) the component falling due within the year of EUR 20.9 million relating to the payable to Senior Lenders (portions of principal and interest repayable within 12 months), ii) the component originally due beyond the exercise of the aforementioned loan, reclassified as due within one year due to the presence of certain events of default and pending standstill negotiations with Senior Lenders, amounting to EUR 69 million, iii) the short-term installments of other long-term bank loans for EUR 5.7 million.

(4) It mainly includes: i) the component falling due within the year of the "Sale & Lease Back Sa Illetta" debt for EUR 17.7 million, ii) the component originally expiring beyond the exercise of the same debt, reclassified as expiring within the year due to the presence of some default events and pending standstill negotiations with Mediocredito Italiano and Unicredit Leasing ("Pool Leasing"), for EUR 34.9 million, iii) the short-term portion of finance lease payables relating to investments for the network infrastructure of EUR 12.1 million and iv) the short-term portion of the loans provided by the Ministry for Universities and Research and the Ministry of Productive Activities for EUR 0.5 million.

(5) This item includes the long-term portion of finance lease payables related to investments for network infrastructure for EUR 7.5 million. This item shows a significant reduction, following the reclassification made (in compliance with the priovisions of IAS 1) given the status of the process of obtaining the standstill as recalled in the previous Note (2).

The table reported above includes guarantees deposits under "Other cash and cash equivalents" and under "Non-current financial receivables". For the purpose of providing complete information, the indication of the reconciliation of the financial position above with the financial position prepared in accordance with CONSOB communication No. DEM/6064293 dated July 28, 2006 and reported in the explanatory notes, follows:

(EUR mln)	30 June 2018	31 December 2017
Consolidated net financial debt	**177.0**	**178.9**
Non-current financial receivables	0.5	0.5
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293	**177.5**	**179.4**

Below is the net financial position as of 30 September 2018, communicated to the market on 31 October 2018 as part of the "Information to the market pursuant to Art. 114 paragraph 5 of Legislative Decree No. 58/98".

Net Financial Position	**30 September 2018**	**31 December 2017**
(Million of Euro)		
A. Cash and Bank deposits	1.8	1.5
B. Other cash equivalents	0.0	0.0
C. Securities held for trading	0.0	0.0
D. Liquidity (A) + (B) + (C)	***1.8***	***1.5***
E. Current loan receivables	***0.0***	***0.0***
F. Non-current financial receivables	0.5	0.5
G. Current bank payables	9.5	13.3
H. Current accounting of bonds issued	0.0	0.0
I. Current accounting of non-current debts	96.2	94.6
J. Other current financial debts	65.1	62.2
K. Current financial debt (G) + (H) + (I)+(J)	***170.8***	***170.0***
L. Net current financial debt (K)-(D)-(E)-(F)	**168.5**	**168.1**
M. Non-current bank Loans	0.0	0.0
N. Bonds issued	0.0	0.0
O. Other non-current intercompany debt	6.1	10.8
P. Non-current financial debt (M)+(N)+(O)	**6.1**	**10.8**
Q. Net Financial Position *(L)+(P)*	**174.6**	**178.9**

For the sake of completeness, the reconciliation of the above financial position with the financial position drawn up in the light of CONSOB communication no. DEM / 6064293 of 28 July 2006:

(EUR mln)	30 September 2018	31 December 2017
Consolidated net financial debt	**174.6**	**178.9**
Non-current financial receivables	0.5	0.5
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293	**175.1**	**179.4**

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

Equity, financial and economic performance of the period

The Tiscali Group closed the first half of 2018 with a profit of EUR 3.3 million, a deterioration compared to the profit of EUR 24.5 million recorded in the first half of 2017 (to which the positive effect of the capital gain had mainly contributed of the sale of the B2B business unit to Fastweb, equal to EUR 43.8 million).

The net profit for the period was influenced by the allocation of prepaid taxes for EUR 26.1 million. Net of this effect, the net result for the period would have been negative for EUR 22.8 million. The provision of deferred tax assets on previous tax losses recorded in previous years and deriving from the tax consolidation contract, was made in light of the conclusion of the Sale Agreement which made the absorption of a part of these tax losses highly probable in 2018 due to the recognition, in the second half of 2018, of the capital gain on the sale of the assets to Fastweb.

The Tiscali Group has also closed the first half of 2018 with a consolidated net equity of negative EUR 124.8 million, increased as compared to EUR 128 million at 31 December 2017. The change in shareholders' equity is mainly attributable to the result for the period.

As at 30 June 2018, the Group also recorded a gross financial debt of EUR 179.3 million, an improvement as compared to the gross financial debt recorded at 31 December 2017, which amounted to EUR 180.8 million, and current liabilities higher than (non-financial) current assets for EUR 165.9 million, even thought they also deteriorated as compared to the amount of EUR 150.9 million as at 31 December 2017. These current liabilities include net overdue trade payables (net of payment plans negotiated with suppliers, as well as assets and disputed asset to the suppliers) for EUR 66.3 million, down as compared to EUR 46.2 million as at 31 December 2017, in addition to overdue debt (net of credit positions) of approximately EUR 30.9 million (EUR 20.9 million as at 31 December 2017), overdue due tax payables of approximately EUR 12 million (EUR 11 million as at 31 December 2017), as well as overdue payables of a social security nature for employees for EUR 1.9 million (EUR 1.9 million as at 31 December 2017).

As of 30 September 2018, the Group shows gross financial debt equal to EUR 175.1 million, net overdue trade payables (net of payment plans agreed with suppliers, receivables and disputes with suppliers) equal to EUR 72.8 million and overdue financial payables (net of credit positions) equal to approximately EUR 38.5 million.

At 30 September 2018, moreover, there were overdue tax payables of approximately EUR 13.4 million and overdue social security payables to employees for EUR 1.8 million. With reference to tax payables, it should be noted that EUR 6.8 million were paid at 31 October.

Effects of the new 2018-2021 Business Plan and Transfer Agreement signed with Fastweb

As previously described, the Tiscali group was engaged, in the first half of 2018 and up to the date of this report, in a series of activities (in particular, obtaining the extension of the license relating to the 3.5GHz frequency spectrum of which owner, which took place on 12 November, and the negotiation of the strategic agreement with Fastweb, finalized on 16 November 2018) which limited its operational action and created a discontinuity with respect to the development path envisaged by the previous 2018-2021 Business Plan approved at the same time as the results for 2017, resulting in the achievement of worse than expected results. Pending this process and in the broader context of uncertainty about the future evolution of the Group, it should be noted, among other things, that the financial resources envisaged in the previous 2018-2021 Business Plan have not been made available by the Shareholders, which has exacerbated financial tensions and relations with some suppliers following the increase in past due payments.

The New Business Plan 2018-2021 of the Tiscali group, certified for the companies Tiscali Italia and Aria pursuant to Article 67 RD 267/1942, prepared considering the effects of the closure of the transaction with Fastweb on November 16, defines the new development for the Group following the sale, based on the following key strategic elements:

- **Redefinition of the operative model**: following the transfer to Fastweb, the Tiscali group will gradually change its operative model, reducing the direct management of the network and at the same time increasingly concentrating on the ability to develop new services, on Marketing and Sales activities and on excellence in customer management.
- **Strong reduction in investment commitments,** consistent with the new operating model and with the changed portfolio of assets managed by the company after the sale.
- **Confirmation of the focus on the "core business"**: the new 2018-2021 Business Plan also provides for the full focus of the Tiscali group on the "core business" of the sale of BroadBand

and UltraBroadBand services (Fixed, Fixed Wireless and Mobile) to retail Consumer, SOHO and SME customers.

- **Expansion of the addressable market:** this strategy will have the possibility to develop on a wider market as compared to the one previously held by the Tiscali group, thanks to the beneficial effects of the Wholesale Agreement signed with Fastweb which allows:
    - on the one hand, **to continue to sale the LTE Fixed Wireless services** in the "Extended Digital Divide" areas thanks to the conditions of wholesale access to the assigned Fixed Wireless network provided for by the agreement, and indeed on a much wider market thanks to Fastweb's commitment to complete the migration of the same network from WiMAX technology to LTE technology at its own expense (from about 4 million to about 6.5 million households and businesses covered by the LTE service);
    - on the other hand, to access to the Fastweb Fiber network, allowing Tiscali without further incremental investments **to expand the addressable market of Fiber services** (from about 8 million to around 18 million households and businesses).
- **Full relaunch of the Tiscali brand to support the marketing of services**, by virtue of the communication investments provided for in the new 2018-2021 Business Plan, and possible thanks to the proceeds from the agreement with Fastweb.
- **Future access to 5G services**, thanks to the possibility of using the Fastweb 5G network to market future 5G Mobile services to its customers, thus increasing the overall value proposition of its Mobile offer, also in light of the extension of the duration of the licenses to 2029;
- **Strengthening of the Group's financial and equity structure thanks to:**
    - **reduction of the overall level of indebtedness**, in particular of the payable to suppliers, essential to normalize the relationship with strategic suppliers and relaunch the operational activity of the company, and payables to the tax authorities and social security institutions;
    - **rescheduling and restructuring of the current outstanding debt** (Senior Loan and Financial Leasing relating to Sa Illetta), pursuant to the Restructuring Agreements proposed to the Banks and Financial Institutions;
    - **obtaining new resources with procedures being defined for a maximum of EUR 25 million.**

This Plan therefore represents an opportunity for a relaunch of Tiscali, which can use the resources obtained from the transfer to refocus its business in line with the company's size and investment capacity and with the changed technological and market context (Fiber, 5G).

As already anticipated - with the commitment made by the Financial Institutions and the Leasing Pool on November 14 and 15 to finalize the Debt Restructuring Agreements, to be considered now reasonably achievable due to the finalization of the sale to Fastweb on November 16 - the needs financial statements of the New 2018-2021 Business Plan are consistent with the Group's resources deriving both from its operations and from the collection of the fees provided for by the sale itself. In addition, the reference shareholders ICT and Sova Disciplined Equity Fund sent a letter on November 16, 2018 to the Board of Directors of Tiscali SpA in which they undertake to disburse two bridging loans of EUR 5 million each, aimed at putting available to the Group of additional financial resources, also in order to facilitate the approval by the decision-making bodies of the financial counterparties of the Debt Restructuring Agreements.

Despite the improved balance sheet and financial situation determined by the sale to Fastweb, the concrete and reasonable expectation of the finalization of the Debt Restructuring Agreements and the disbursement of bridging loans by the Shareholders, the management reiterates that the achievement of a situation of the Group's short and medium-long term equity, economic and financial balance is always subject to the achievement of the results envisaged in the New Business Plan 2018-2021 - which provides for the achievement of economic equilibrium in 2021 - and, therefore, to the realization of the forecasts and the assumptions contained therein relating to the evolution of the telecommunications market, to the achievement of the growth objectives set in a market context characterized by strong competitive pressure.

Final Assessment by the Board of Directors as a going concern

The Board of Directors, in this First Half Report 2018, with regards to the occurrence of the going concern and the application of accounting principles typical of an active business point out that the Group:

- slowed its growth path due to the reasons set out in the previous paragraphs, and consequently achieved a decline in its customer base on the core business in the first half of 2018 (the total customer portfolio of the Tiscali Group is equal to 697.4 thousand units in June 2018, down by about 50 thousand units as compared to December 2017);
- generated in the first six months of 2018, gross of changes in working capital (positive for EUR 5.8 million), cash and cash equivalents from operating activities equal to approximately EUR 18.7 million;
- received, following the approval in favor of granting the extension until December 2029 of the licenses relating to the 3.5GHz spectrum expressed by AGCOM with Resolution No. 503/17/CONS, a letter from the MISE containing request for positive confirmation from of the Group to the conditions for the formal granting of the aforementioned extension, including an indication of the technical and legal obligations to be respected in order to achieve this renewal;
- signed a strategic agreement with Fastweb whose structure and nature have been fully described in the previous paragraphs. This agreement was executed on November 16, 2018, collecting the first part of the price equal to EUR 50 million with the forecast by June 30, 2019 of collection of a further EUR 80 million and assumption of EUR 13 million of trade payables;
- obtained on November 16 the commitment from the reference shareholders ICT and Sova Disciplined Equity Fund to provide two bridging loans aimed at making additional financial resources available to the group for a total of EUR 10 million;
- received on November 14 and 15 the comfort letters on the Senior Debt Restructuring Agreement from Intesa SanPaolo and BancoBpm;
- received on November 14 the comfort letters on the Sa Illetta Leasing Restructuring Agreement from Pool Leasing;
- drew up the New 2018-2021 Business Plan, which in particular incorporates the impacts of the sale to Fastweb, of the debt restructuring agreements with Financial Institutions and Pool leasing, the effects of the issuing of bridging loans and consequently redefines the new development strategy of the Tiscali group. On this plan, approved on November 12, 2018 by the Board of Directors, the certification pursuant to art. art. 67 of Legislative Decree 267/1942 for the companies Tiscali Italia and Aria has been issued by dr. Giovanni Naccarato.

The Directors - highlighting how the assumption of business continuity is based on the achievement of the objectives contained in the New Business Plan 2018-2021 - acknowledge that the realization of the New Business Plan 2018-2021 is, however, subject to some residual uncertainties and, specifically, mainly to:

1. the payment of the residual portion of the price provided for by the Transfer Agreement;

2. the approval by the decision-making bodies of the Financial Institutions and the Leasing Pool of the Debt Restructuring Agreements and the signing of these agreements;

3. the market trend, characterized by strong competitive pressure;

4. the maintenance of support from suppliers presenting overdue receivables with the Group until the completion of the overdue reduction plan, concentrated in the first half of 2019 and implemented using the new financial resources generated by the sale to Fastweb, by the restructuring of debts financial and bridging loans that will allow to realign payment terms to the average ones of the reference sector, as reflected in the New Business Plan 2018-2021.

In view of this, the Directors, (i) in light of the events that took place between 12 and 16 November which confirm the intention of Fastweb, the Financial Institutions and the Leasing Pool and the Shareholders, to fulfill the obligations undertaken and (ii) the relevant liquidity injection following the collection of the first tranche of the agreement with Fastweb, they believe that the uncertainties previously highlighted will disappear and that:

• the second payment tranche (equal to EUR 80 million) will also be collected within the contractually stipulated times and the financial savings resulting from the wholesale agreement with Fastweb will occur within the terms set out in the New Business Plan 2018-2021;

• the Debt Restructuring Agreements will be definitively finalized with the credit institutions and with the Pool Leasing;

• management will be able to maintain support from suppliers, also thanks to the immediate reduction of the overdue through the use of financial resources from the collection of the first payment installment of the consideration provided for in the Sale Agreement;

• the size of the benefit to the economic, equity and financial situation deriving from the sale to Fastweb and from the reasonable finalization of the restructuring of the financial debt are so significant as to suggest that - even in the presence of the aforementioned situation of uncertainty regarding the implementation of the New Business Plan 2018 -2021 over the next twelve months, deriving from the existence of uncontrollable exogenous variables that can lead to worse results than those forecast in the forecast data - the equity and financial balance is not at risk.

This determination is, of course, the result of a subjective judgment, which compared the degree of probability of their adversity with respect to the opposite situation compared to the above-mentioned events. It must be emphasized that the prognostic judgment underlying the determination of the board is likely to be contradicted by the evolution of the facts. Being aware of the intrinsic limits of its determination, the Board of Directors will keep a constant track of the evolution of the factors considered (as well as any further circumstance that becomes relevant), so as to be able to promptly take the necessary measures.

Business Outlook

Consistent with the above and in line with the objectives of the new 2018-2021 Business Plan, the company will commit itself to fully implement that Plan, with particular care towards:

- finalization of agreements with Financial Institutions and the Leasing Pool to carry out the restructuring of the financial debt confirmed by the letters of commitment of 14 and 15 November;
- implementation of the financial strengthening operation envisaged in the New Business Plan 2018-2021 and in relation to which the relevant Shareholders have issued letters of commitment to disburse bridging loans for a total of EUR 10 million;
- the full restart of trade activities, after the slowdown suffered in the first half of 2018 and in the first few months of the second half of 2017, with a particular focus on the acquisition of new Fiber and LTE customers for a full exploitation of the wholesale agreements signed with Fastweb;
- the relaunch of the Tiscali brand to support the process of acquiring new customers;
- the path of transformation of the company’s operative model, in line with the renewed focus on all new services development activities, Marketing, Sales and customer management;
- the efficiency plan in operating costs, due also to the simplification of the infrastructures which was possible following the positive effects of the agreement signed with Fastweb;
- negotiations of the renegotiation of payment plans with the main strategic suppliers to normalize the level of overdue trade payables and to guarantee the support of suppliers for the full realization of the objectives of the New Business Plan 2018-2021.

5.8 Other events after the half-year end

Please refer to Note 5.11 “Other events after the half-year end”.

5.9 Disputes, contingent liabilities and commitments

Please refer to the Paragraph “Disputes, Contingent Liabilities and Commitments” of the Explanatory Notes.

5.10 Non-recurring transactions

Please refer to the Paragraph “Non-recurring Transactions” of the Explanatory Notes.

5.11 Atypical and/or unusual transactions

Pursuant to Consob Communication dated 28 July 2006, it is specified that, during the first half of 2018, the Group did not carry out any atypical and/or unusual transactions, as defined in the Communication itself.

5.12 Transactions with related parties

With regard to the economic and financial relations with related parties, please refer to the paragraph “Transactions with related parties” in the Explanatory Notes to the consolidated financial report as at 30 June 2018.

Cagliari, 22 November 2018

The Chief Executive Officer

Alex Kossuta

The Officer in Charge of Preparing the Company’s Accounting Documents

Daniele Renna

Consolidated Six-Month Financial Statements as at 30 June 2018

6 Consolidated financial statements and explanatory notes

6.1 Income Statement

Consolidated income Statement	1st semester 2018	1st semester 2017
(Thousands of Euros)		
Revenues	92,371	103,616
Other incomes	1,107	1,177
Purchase of materials and external services	65,726	70,750
Personnel cost	13,375	15,860
Other operating charges (incomes)	4	1
Write-downs of receivables from customers	5,352	3,820
Restructuring costs	283	3,537
Depreciations & amortizations	25,888	23,693
Operating result	**(17,151)**	**(12,867)**
Result from the investments evaluated at equity method	129	0
Financial Income	1,025	41
Financial Expenses	6,580	6,386
Income (loss) before tax	**(22,835)**	**(19,212)**
Taxation	26,116	24
Net result from operating activities (ongoing)	**3,281**	**(19,188)**
Result from held for sale and discontinued operations		43,646
Net result	**3,281**	**24,457**
To be attributed to:		
- Result pertaining the Parent Company	**3,281**	**24,457**
- Result pertaining Third Parties	-	-
Profit (loss) per share		
Profit per share from current and transferred activities:		
- Base	0.001	0.006
- Diluted	0.001	0.005
Profit per share from current activities:	0.000	0.000
- Base	0.001	(0.005)
- Diluted	0.001	(0.004)

6.2 Comprehensive Income Statement

Comprehensive Income Statement	Notes	1st semester 2018	1st semester 2017
(Thousands of Euros)			
Result for the period		**3,281**	**24,457**
Other elements for the comprehensive Income Statement:			
Other elements of the comprehensive income statement that later will be reclassified in the profit/(loss) for the fiscal year		0	0
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year		0	0
(Loss)/profit from revaluation on plans with defined benefits		*0*	*0*
Total of other elements for the comprehensive Income Statement:		**0**	**0**
Total result of the comprehensive Income Statement		**3,281**	**24,457**
To be attributed to:			
Shareholders of the Parent Company		**3,281**	**24,457**
Minority Shareholders		-	-

6.3 Statement of Assets and Liabilities

Statement of Assets and Liabilities	Notes	30 June 2018	31 December 2017
(Thousands of Euros)			
Non-current assets			
Intangible assets	*12*	91,248	99,067
Property, plants and machinery	*13*	119,568	127,303
Other financial assets	*14*	4,412	4,421
Deferred tax assets	*8*	26,127	1
		241,355	**230,793**
Current assets			0
Inventories	*15*	4	0
Trade receivables	*16*	42,769	46,540
Other receivables and other current assets	*17*	20,857	21,639
Cash and cash equivalents	*18*	1,779	1,465
		65,408	**69,644**
Assets directly related to held for sales	9	0	0
Total assets		**306,763**	**300,436**
			0
Capital and reserves			0
Share Capital		43,065	121,507
Stock option reserve		(51)	2,010
Results from previous fiscal years and other reserves		(171,096)	(252,400)
Results for the fiscal year pertaining to the Group		3,281	827
Shareholders' equity_ Group	*19*	**(124,801)**	**(128,031)**
Shareholders' equity_ third parties		0	0
Shareholders' equity_ third parties	*20*	**0**	**0**
Total Shareholders' equity		**(124,801)**	**(128,031)**
			0
Non-current liabilities			0
Bank loans and other fin. Inst.	*21*	0	(0)
Obligation under finance leases	*21*	7,523	10,809
Other non-current liabilities	*22*	15,554	20,947
Employee severance indemnities	*23*	3,784	3,897
Provisions for liabilities and charges	*24*	2,968	3,239
Provisions for deferred taxes	*25*	404	448
		30,232	**39,340**
Current Liabilities			0
Banks overdrafts and loans	*21*	107,062	108,502
Obligation under finance leases	*21*	64,718	61,529
Trade payables	*26*	164,806	154,913
Other current liabilities	*27*	64,746	64,183
		401,332	**389,127**
Payables directly related to held for sale	*9*	0	0
Total Shareholders' equity and Liabilities		**306,763**	**300,436**

6.4 Cash flow statement

(Thousands of Euro)	Notes	1st semester 2018	1st semester 2017
OPERATING ACTIVITIES		**3,281**	**(19,188)**
Adjustments for:			
Amortization of tangible assets	12-13	9,704	7,629
Amortization of intangible assets	12-13	16,183	16,064
Provision for write-downs accounts receivables from customers	5	5,352	3,820
Gain on disposal of non-current assets	2	(1,054)	(1,054)
Stock Option figurative cost	20	(51)	266
Deferred tax assets from valuation of tax losses carried forward	8	(26,172)	0
Income taxes	8	56	(24)
Release of provisions for risks	6	80	236
Write-offs and settlement agreements with suppliers and Financial Institutions	27	(1,882)	(1,650)
Other changes	6-3-7-12-13	735	85
Financial Charges / Income	7	6,626	6,345
Cash flows from operating activities before changes in working capital		***12,860***	***12,528***
Changes in receivables	16	(1,581)	(11,703)
Change in inventories	15	(4)	360
Changes in payables to suppliers	27	8,603	919
Change in payables to long-term suppliers	23	(2,429)	14,465
Change in provisions for risks and charges	25	(283)	(284)
Change in provisions for TFR	24	(171)	(1,162)
Changes in other liabilities	28-26	902	2,186
Changes in other assets	17	782	(13,873)
Changes in working capital		**5,820**	**(9,092)**
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		**18,679**	**3,436**
INVESTMENT ACTIVITY			
Change in other financial assets	14 -18	(139)	3,531
Acquisitions of Fixed Tangible Assets	12-13	(2,208)	(8,673)
Acquisitions of Intangible assets	12-13	(7,762)	(26,326)
Change in payables related to acquisitions of Assets	23 -27	(2,965)	6,118
AVAILABILITY OF CASH AND CASH EQUIVALENTS FOR INVESTMENT ACTIVITIES		**(13,074)**	**(25,351)**
FINANCIAL ASSETS			
Changes in payables to banks	22	(4,121)	(6,464)
of which:			
Repayment of capital and interest on Senior debt		0	(3,392)
Increase/Decrease in current accounts overdrafts		(4,121)	(3,072)
Changes in bond	22	0	(668)
Repayment/acceptance of financial leasing	22	(1,252)	3,328
Exchange rate effect	7	83	(47)
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		**(5,291)**	**(3,852)**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**314**	**(25,766)**
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE	9	0	26,184
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,465**	**1,346**
CASH AND CASH EQUIVALENTS AT YEAR-END		**1,779**	**1,764**

It should be noted that the changes in the items relating to transactions with related parties have not been reported in the Cash Flow Statement since their amount is not significant

6.5 Net assets variations

(Thousands of Euros)	Capital	Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority ownership	Total
Balance as of December 31, 2017	**121,507**	**24**	**2,010**	**(1,610)**	**(249,963)**	**(128,031)**	0	**(128,031)**
Share Capital reduction	(78,442)	(24)	(2,010)		80,476	-		-
Other movements			(51)			**(51)**		**(51)**
Total result of the comprehensive Income Statement					3,281	**3,281**		**3,281**
Balance as of June 30th, 2018	**43,065**	**-**	**(51)**	**(1,610)**	**(166,206)**	**(124,801)**	0	**(124,801)**

(Thousands of Euros)	Capital	Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	**Net Equity pertaining to the Group**	Minority ownership	**Total**
Balance as of December 31, 2016	**91,201**	**-**	**1,402**	**(1,939)**	**(258,283)**	**(167,620)**	0	**(167,620)**
Other movements			266			**266**		**266**
Currency transl. diff. (Streamago)					(84)	**(84)**		**(84)**
Total result of the comprehensive Income Statement					24,457	**24,457**		**24,457**
Balance as of June 30th, 2017	**91,201**	**-**	**1,668**	**(1,939)**	**(233,910)**	**(142,981)**	0	**(142,981)**

6.6 Income statement pursuant to the Consob deliberation No.15519 dated 27 July 2006

Consolidated income Statement	Notes	30 June 2018	of which related parties	30 June 2017	of which related parties
(Thousands of Euros)					
Revenues	*1*	92,371	33	103,616	33
Other incomes	*2*	1,107		1,177	
Purchase of materials and external services	*3*	65,726	973	70,750	1,150
Personnel cost	*4*	13,375	618	15,860	874
Other operating charges (incomes)	*3*	4		1	
Write-downs of receivables from customers	*5*	5,352		3,820	
Restructuring costs	*6*	283		3,537	
Depreciations & amortizations	*12-13*	25,888		23,693	
Operating result		**(17,151)**	**(1,558)**	**(12,867)**	**(1,990)**
Result from the investments evaluated at equity method		(129)			
Financial Income	*7*	1,025		41	
Financial Expenses	*7*	6,580		6,386	(208)
Income (loss) before tax		**(22,835)**	**(1,558)**	**(19,212)**	**(2,198)**
Taxation	*8*	26,116		24	
Net result from operating activities (ongoing)		**3,281**	**(1,558)**	**(19,188)**	**(2,198)**
Result from held for sale and discontinued operations	*9*			43,646	
Net result	*10*	**3,281**	**(1,558)**	**24,457**	**(2,198)**
To be attributed to:					
- Result pertaining the Parent Company		**3,281**		**24,457**	
- Result pertaining Third Parties		-		-	
Profit (loss) per share					
Profit per share from current and transferred activities:					
- Base		0.001	0.000	**0.006**	
- Diluted		0.001	0.000	**0.005**	
Profit per share from current activities:					
- Base		0.001	0.000	**(0.005)**	
- Diluted		0.001	0.000	**(0.004)**	

6.7 Balance sheet pursuant to the Consob deliberation No.15519 dated 27 July 2006

Statement of Assets and Liabilities	Notes	30 June 2018	of which related parties	31 december 2017	of which related parties
(Thousands of Euros)					
Non-current assets					
Intangible assets	*12*	91,248		99,067	
Property, plants and machinery	*13*	119,568		127,303	
Other financial assets	*14*	4,412		4,421	
Deferred tax assets	*8*	26,127		1	
		241,355		**230,793**	
Current assets					
Inventories	*15*	4			
Trade receivables	*16*	42,769	83	46,540	
Other receivables and other current assets	*17*	20,857		21,639	
Cash and cash equivalents	*18*	1,779		1,465	
		65,408	**83**	**69,644**	
Assets directly related to held for sales	*9*	(0)		**(0)**	
Total assets		**306,763**	**83**	**300,436**	
Capital and reserves					
Share Capital		43,065		121,507	
Stock option reserve		(51)	(51)	2,010	2,010
Results from previous fiscal years and other reserves		(171,096)		(252,400)	
Results for the fiscal year pertaining to the Group		3,281		827	
Shareholders' equity_ Group	*19*	**(124,801)**	**(51)**	**(128,031)**	**2,010**
Shareholders' equity_ third parties		0		0	
Shareholders' equity_ third parties	*20*	**0**		0	
Total Shareholders' equity		**(124,801)**		**(128,031)**	
Non-current liabilities					
Obligation under finance leases	*21*	7,523		10,809	
Other non-current liabilities	*22*	15,554		20,947	
Employee severance indemnities	*23*	3,784		3,897	
Provisions for liabilities and charges	*24*	2,968		3,239	
Provisions for deferred taxes	*25*	404		448	
		30,232		**39,340**	
Current Liabilities					
Banks overdrafts and loans	*21*	107,062		108,502	
Obligation under finance leases	*21*	64,718		61,529	
Trade payables	*26*	164,806	168	154,913	71
Other current liabilities	*27*	64,746	787	64,183	577
		401,332	**956**	**389,127**	**648**
Payables directly related to held for sale	*9*	0		(0)	
Total Shareholders' equity and Liabilities		**306,763**	**905**	**300,436**	**2,658**

6.8 Explanatory Notes

Tiscali S.p.A. (hereinafter referred to also as “Tiscali” or the “Company” and jointly with its subsidiaries the “Tiscali Group”) is a joint stock company founded in Italy and registered at the Business Registry of Cagliari, with registered office in Cagliari, Sa Illetta.

The Tiscali Group is one of the leading alternative telecommunications companies in Italy, and provides its clients, private individuals and companies, with a wide range of services, Internet access through fixed BroadBand and wireless fixed BroadBand, services of mobile telephony and added-value services (e-mail, web streaming, secutiry services etc.).

Thanks to its unbundling (ULL) network, its offer of innovative services and established brand, Tiscali hold a remarkably important position on the Italian telecommunication market.

These consolidated financial statements (hereafter referred to also as the "Financial Statements") are prepared using Euros as the currency since this was the currency used for the majority of the transactions performed by the Group; all values are rounded to thousands of Euros if not specified otherwise. Foreign transactions are included in the consolidated financial statements according to the principles detailed in the following explanatory notes.

In setting up this Financial Statements, the directors have assumed the existence of the principle of continuity of business, as explained in more detail in paragraph 5.9 below, and therefore have prepared the financial statements according to principles and criteria applicable to operating companies.

6.9 Assessment of the business as a going concern and business outlook

Equity, financial and economic performance of the period

The Tiscali Group closed the first half of 2018 with a profit of EUR 3.3 million, a deterioration compared to the profit of EUR 24.5 million recorded in the first half of 2017 (to which the positive effect of the capital gain had mainly contributed of the sale of the B2B business unit to Fastweb, equal to EUR 43.8 million).

The net profit for the period was influenced by the allocation of prepaid taxes for EUR 26.1 million. Net of this effect, the net result for the period would have been negative for EUR 22.8 million. The provision of deferred tax assets on previous tax losses recorded in previous years and deriving from the tax consolidation contract, was made in light of the conclusion of the Sale Agreement which made the absorption of a part of these tax losses highly probable in 2018 due to the recognition, in the second half of 2018, of the capital gain on the sale of the assets to Fastweb.

The Tiscali Group has also closed the first half of 2018 with a consolidated net equity of negative EUR 124.8 million, increased as compared to EUR 128 million at 31 December 2017. The change in shareholders' equity is mainly attributable to the result for the period.

As at 30 June 2018, the Group also recorded a gross financial debt of EUR 179.3 million, an improvement as compared to the gross financial debt recorded at 31 December 2017, which amounted to EUR 180.8 million, and current liabilities higher than (non-financial) current assets for EUR 165.9 million, even thought they also deteriorated as compared to the amount of EUR 150.9 million as at 31 December 2017. These current liabilities include net overdue trade payables (net of payment plans negotiated with suppliers, as well as assets and disputed asset to the suppliers) for EUR 66.3 million, down as compared to EUR 46.2 million as at 31 December 2017, in addition to overdue debt (net of credit positions) of approximately EUR 30.9 million (EUR 20.9 million as at 31 December 2017), overdue due tax payables of approximately EUR 12 million (EUR 11 million as at 31 December 2017), as well as overdue payables of a social security nature for employees for EUR 1.9 million (EUR 1.9 million as at 31 December 2017).

As of 30 September 2018, the Group shows gross financial debt equal to EUR 175.1 million, net overdue trade payables (net of payment plans agreed with suppliers, receivables and disputes with suppliers) equal to EUR 72.8 million and overdue financial payables (net of credit positions) equal to approximately EUR 38.5 million.

At 30 September 2018, moreover, there were overdue tax payables of approximately EUR 13.4 million and overdue social security payables to employees for EUR 1.8 million. With reference to tax payables, it should be noted that EUR 6.8 million were paid at 31 October.

Effects of the new 2018-2021 Business Plan and Transfer Agreement signed with Fastweb

As previously described, the Tiscali group was engaged, in the first half of 2018 and up to the date of this report, in a series of activities (in particular, obtaining the extension of the license relating to the 3.5GHz frequency spectrum of which owner, which took place on 12 November, and the negotiation of the strategic agreement with Fastweb, finalized on 16 November 2018) which limited its operational action and created a discontinuity with respect to the development path envisaged by the previous 2018-2021 Business Plan approved at the same time as the results for 2017, resulting in the achievement of worse than expected results. Pending this process and in the broader context of uncertainty about the future evolution of the Group, it should be noted, among other things, that the financial resources envisaged in the previous 2018-2021 Business Plan have not been made available by the Shareholders, which has exacerbated financial tensions and relations with some suppliers following the increase in past due payments.

The New Business Plan 2018-2021 of the Tiscali group, certified for the companies Tiscali Italia and Aria pursuant to Article 67 RD 267/1942, prepared considering the effects of the closure of the transaction with Fastweb on November 16, defines the new development for the Group following the sale, based on the following key strategic elements:

- **Redefinition of the operative model**: following the transfer to Fastweb, the Tiscali group will gradually change its operative model, reducing the direct management of the network and at the same time increasingly concentrating on the ability to develop new services, on Marketing and Sales activities and on excellence in customer management.
- **Strong reduction in investment commitments,** consistent with the new operating model and with the changed portfolio of assets managed by the company after the sale.
- **Confirmation of the focus on the "core business"**: the new 2018-2021 Business Plan also provides for the full focus of the Tiscali group on the "core business" of the sale of BroadBand and UltraBroadBand services (Fixed, Fixed Wireless and Mobile) to retail Consumer, SOHO and SME customers.
- **Expansion of the addressable market:** this strategy will have the possibility to develop on a wider market as compared to the one previously held by the Tiscali group, thanks to the beneficial effects of the Wholesale Agreement signed with Fastweb which allows:
    - on the one hand, **to continue to sale the LTE Fixed Wireless services** in the "Extended Digital Divide" areas thanks to the conditions of wholesale access to the assigned Fixed Wireless network provided for by the agreement, and indeed on a much wider market thanks to Fastweb's commitment to complete the migration of the same network from WiMAX technology to LTE technology at its own expense (from about 4 million to about 6.5 million households and businesses covered by the LTE service);
    - on the other hand, to access to the Fastweb Fiber network, allowing Tiscali without further incremental investments **to expand the addressable market of Fiber services** (from about 8 million to around 18 million households and businesses).
- **Full relaunch of the Tiscali brand to support the marketing of services**, by virtue of the communication investments provided for in the new 2018-2021 Business Plan, and possible thanks to the proceeds from the agreement with Fastweb.
    - **Future access to 5G services**, thanks to the possibility of using the Fastweb 5G network to market future 5G Mobile services to its customers, thus increasing the overall value proposition of its Mobile offer, also in light of the extension of the duration of the licenses to 2029.
- **Strengthening of the Group's financial and equity structure thanks to:**
    - **reduction of the overall level of indebtedness**, in particular of the payable to suppliers, essential to normalize the relationship with strategic suppliers and relaunch the operational activity of the company, and payables to the tax authorities and social security institutions;
    - **rescheduling and restructuring of the current outstanding debt** (Senior Loan and Financial Leasing relating to Sa Illetta), pursuant to the Restructuring Agreements proposed to the Banks and Financial Institutions;

- **obtaining new resources with procedures being defined for a maximum of EUR 25 million.**

This Plan therefore represents an opportunity for a relaunch of Tiscali, which can use the resources obtained from the transfer to refocus its business in line with the company's size and investment capacity and with the changed technological and market context (Fiber, 5G).

As already anticipated - with the commitment made by the Financial Institutions and the Leasing Pool on November 14 and 15 to finalize the Debt Restructuring Agreements, to be considered now reasonably achievable due to the finalization of the sale to Fastweb on November 16 - the needs financial statements of the New 2018-2021 Business Plan are consistent with the Group's resources deriving both from its operations and from the collection of the fees provided for by the sale itself. In addition, the reference shareholders ICT and Sova Disciplined Equity Fund sent a letter on November 16, 2018 to the Board of Directors of Tiscali SpA in which they undertake to disburse two bridging loans of EUR 5 million each, aimed at putting available to the Group of additional financial resources, also in order to facilitate the approval by the decision-making bodies of the financial counterparties of the Debt Restructuring Agreements.

Despite the improved balance sheet and financial situation determined by the sale to Fastweb, the concrete and reasonable expectation of the finalization of the Debt Restructuring Agreements and the disbursement of bridging loans by the Shareholders, the management reiterates that the achievement of a situation of the Group's short and medium-long term equity, economic and financial balance is always subject to the achievement of the results envisaged in the New Business Plan 2018-2021 - which provides for the achievement of economic equilibrium in 2021 - and, therefore, to the realization of the forecasts and the assumptions contained therein relating to the evolution of the telecommunications market, to the achievement of the growth objectives set in a market context characterized by strong competitive pressure.

Final Assessment by the Board of Directors as a going concern

The Board of Directors, in this First Half Report 2018, with regards to the occurrence of the going concern and the application of accounting principles typical of an active business point out that the Group:

- slowed its growth path due to the reasons set out in the previous paragraphs, and consequently achieved a decline in its customer base on the core business in the first half of 2018 (the total customer portfolio of the Tiscali Group is equal to 697.4 thousand units in June 2018, down by about 50 thousand units as compared to December 2017);
- generated in the first six months of 2018, gross of changes in working capital (positive for EUR 5.8 million), cash and cash equivalents from operating activities equal to approximately EUR 18.7 million;
- received, following the approval in favor of granting the extension until December 2029 of the licenses relating to the 3.5GHz spectrum expressed by AGCOM with Resolution No. 503/17/CONS, a letter from the MISE containing request for positive confirmation from of the Group to the conditions for the formal granting of the aforementioned extension, including an indication of the technical and legal obligations to be respected in order to achieve this renewal;
- signed a strategic agreement with Fastweb whose structure and nature have been fully described in the previous paragraphs. This agreement was executed on November 16, 2018, collecting the first part of the price equal to EUR 50 million with the forecast by June 30, 2019 of collection of a further EUR 80 million and assumption of EUR 13 million of trade payables;
- obtained on November 16 the commitment from the reference shareholders ICT and Sova Disciplined Equity Fund to provide two bridging loans aimed at making additional financial resources available to the group for a total of EUR 10 million;
- received on November 14 and 15 the comfort letters on the Senior Debt Restructuring Agreement from Intesa SanPaolo and BancoBpm;
- received on November 14 the comfort letters on the Sa Illetta Leasing Restructuring Agreement from Pool Leasing;
- drew up the New 2018-2021 Business Plan, which in particular incorporates the impacts of the sale to Fastweb, of the debt restructuring agreements with Financial Institutions and Pool leasing, the effects of the issuing of bridging loans and consequently redefines the new development strategy of the Tiscali group. On this plan, approved on November 12, 2018 by the

Board of Directors, the certification pursuant to art. art. 67 of Legislative Decree 267/1942 for the companies Tiscali Italia and Aria has been issued by dr. Giovanni Naccarato.

The Directors - highlighting how the assumption of business continuity is based on the achievement of the objectives contained in the New Business Plan 2018-2021 - acknowledge that the realization of the New Business Plan 2018-2021 is, however, subject to some residual uncertainties and, specifically ,mainly to:

1. the payment of the residual portion of the price provided for by the Transfer Agreement;

2. the approval by the decision-making bodies of the Financial Institutions and the Leasing Pool of the Debt Restructuring Agreements and the signing of these agreements;

3. the market trend, characterized by strong competitive pressure;

4. the maintenance of support from suppliers presenting overdue receivables with the Group until the completion of the overdue reduction plan, concentrated in the first half of 2019 and implemented using the new financial resources generated by the sale to Fastweb, by the restructuring of debts financial and bridging loans that will allow to realign payment terms to the average ones of the reference sector, as reflected in the New Business Plan 2018-2021

In view of this, the Directors, (i) in light of the events that took place between 12 and 16 November which confirm the intention of Fastweb, the Financial Institutions and the Leasing Pool and the Shareholders, to fulfill the obligations undertaken and (ii) the relevant liquidity injection following the collection of the first tranche of the agreement with Fastweb, they believe that the uncertainties previously highlighted will disappear and that:

• the second payment tranche (equal to EUR 80 million) will also be collected within the contractually stipulated times and the financial savings resulting from the wholesale agreement with Fastweb will occur within the terms set out in the New Business Plan 2018-2021;

• the Debt Restructuring Agreements will be definitively finalized with the credit institutions and with the Pool Leasing;

• management will be able to maintain support from suppliers, also thanks to the immediate reduction of the overdue through the use of financial resources from the collection of the first payment installment of the consideration provided for in the Sale Agreement;

• the size of the benefit to the economic, equity and financial situation deriving from the sale to Fastweb and from the reasonable finalization of the restructuring of the financial debt are so significant as to suggest that - even in the presence of the aforementioned situation of uncertainty regarding the implementation of the New Business Plan 2018 -2021 over the next twelve months, deriving from the existence of uncontrollable exogenous variables that can lead to worse results than those forecast in the forecast data - the equity and financial balance is not at risk.

This determination is, of course, the result of a subjective judgment, which compared the degree of probability of their adversity with respect to the opposite situation compared to the above-mentioned events. It must be emphasized that the prognostic judgment underlying the determination of the board is likely to be contradicted by the evolution of the facts. Being aware of the intrinsic limits of its determination, the Board of Directors will keep a constant track of the evolution of the factors considered (as well as any further circumstance that becomes relevant), so as to be able to promptly take the necessary measures.

6.10 Business Outlook

Please refer to Paragraph 4.7

6.11 Other events after the half year end

12 July 2018 - Indoona srl liquidation

On 12 July 2018, the liquidation of the company Indoona srl was finalized.

30 July 2018 – Fastweb - Tiscali agreement to strengthen the strategic partnership

On 30 July 2018 Tiscali signed a preliminary agreement with Fastweb aimed at strengthening the strategic partnership started in December 2016 with Fastweb. The Preliminary Sale Agreement was finalized on 16 November 2018 through the signing of the Sale Agreement and with the payment of the part of the first tranche of the expected price, totaling EUR 50 million, residual from advance payments previously made by Fastweb to support Tiscali's temporary liquidity needs that emerged during the trading period. This subscription took place following the occurrence of all the conditions precedent, and in particular:

1) the approval by the Ministry of Economic Development, on 12 November, of the transfer of the right of use and of the maintenance of the extension of the rights of use of the frequencies until 2029;
2) the receipt on 14 and 15 November of the comfort letters by the Financial Institutions and the Pool Leasing which undertake to approve the Debt Restructuring Agreements on terms and conditions consistent with those reflected in the New Business Plan 2018-2021 ;
3) the certification on November 15 of the New Business Plan 2018-2021 pursuant to Article 67, paragraph 3, letter d), of the Royal Decree of March 16, 1942, no. 267 for the companies Tiscali Italia and Aria.
As anticipated, the sworn statement was issued subject to the completion of the Debt Restructuring Agreements described in the paragraph "The New 2018-2021 Business Plan and its sworn statement pursuant to Article 67".
In relation to the burden to be incurred for the extension of the concession of the rights of use of the frequencies to 2029, determined by the MISE, it should be noted that the same is fully borne by Fastweb.

The consideration agreed with Fastweb for the acquisition of the frequency and fixed wireless infrastructure assets, restated in its valuation on 12 November, is equal to a nominal EUR 198 million of which:
• EUR 130 million in cash (of which EUR 50 million to be settled at the closing date and the remaining EUR 80 million to be paid by 30 June 2019);
• EUR 55 million "in-kind" vouchers to be spent on services that the Tiscali Group may acquire from Fastweb, based on the conditions contained in the Wholesale Agreement;
• the assumption by Fastweb of approximately EUR 13 million of trade payables.

10 September 2018 – Control and Risks Committee, Convertible Bond Loan and change of the event calendar

The Board of Directors of Tiscali S.p.A. (the "Company"), which met on 10 September 2018, established the Control and Risks Committee, appointing Anna Belova (Chairman), Paola De Martini and Oleg Anikin, and of the Committee for Transactions with Related Parties, appointing Paola De Martini (Chairman) and Anna Belova.

On that date, the Company also announced that negotiations had been initiated with the main shareholders of the Company (ICT and Sova Disciplined Equity Fund), for the subscription of a convertible cum-warrant bond for a maximum of EUR 15.6 million. These negotiations were interrupted in October, as announced by the Company with a press release dated 23 October.

Again on 10 September 2018, the Board of Directors resolved to postpone the approval of the half-year report as at 30 June 2018 – originally scheduled for 14 September – after September 30, given the pending negotiations with Fastweb.

9 October 2018 – Tiscali UK Holdings liquidation

On 9 October 2018, the liquidation of the Tiscali Uk Holdings company was formally finalized.

12 November 2018 - Tiscali Spa Board of Directors approved the New Business Plan 2018-2021

Following the approval by the Ministry of Economic Development, on the same date, of the transfer of the right of use and of the maintenance of the extension, not onerous for the Tiscali Group, of the rights of use of the frequencies until 2029, on 12 November 2018, the Board of Directors of Tiscali Spa proceeded with the approval of the New Business Plan 2018-2021.

14 and 15 November 2018 - Receipt of the comfort letters by the Financial institutions and the Pool Leasing

As anticipated and better detailed in paragraph 4.2, on 14 and 15 November 2018 the Company received confirmation via comfort letter of the agreements negotiated with the senior lenders and the Pool Leasing, agreements reflected in the New Business Plan 2018-2021.

15 November 2018 - Receipt of the certification by the sworn attorney

On November 15, 2018, was positively concluded the certification process pursuant to Article 67, paragraph 3, letter d), of the Royal Decree of March 16, 1942, n. 267 of the New Business Plan 2018-2021 for the companies Tiscali Italia and Aria. This positive conclusion is conditional on the definitive signing of the Agreements underlying the financial maneuver for the restructuring of the senior debt and the leasing debt relating to the property in Sa Illetta described above.

16 November 2018 - Closing of the Sale Agreement with Fastweb and letters of commitment from the reference shareholders for the provision of bridging loans

As previously illustrated, on November 16, 2018 the companies Tiscali Italia S.p.A. and Aria S.p.A. have signed the Sale Agreement with Fastweb regarding the LTE business unit and the license to use the 3.5GHz frequency. On this same date, the remaining part of the first tranche of the price for a total of EUR 50 million was collected.

Furthermore, on the same date, the reference shareholders ICT and Sova Disciplined Equity Fund sent the Board of Directors of Tiscali S.p.A. a letter in which they undertake to disburse two bridging loans of EUR 5 million each aimed at making financial resources available to the group, also in order to facilitate the approval by the decision-making bodies of the Financial Institutions and Pool Leasing of the Debt Restructuring Agreements

6.12 Preparation principles

This Condensed Six-Month Consolidated Financial Report has been prepared according to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and harmonized by the European Union. The IFRS include also all the International Accounting Standards (“IAS”) and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) previously known as Standing Interpretations Committee (“SIC”).

The form and content comply with the information provided by the International Accounting Standard No. 34 ‘Interim Financial Statements’ (IAS 34), in compliance with Art. 154-ter of Law Decree dated February 24, 1998 No. 58 (“TUF”, Consolidated Law on Finance) and subsequent amendments and additions, also taking into account other CONSOB communications and resolutions.

Notes have been drawn up in an abridged form, applying the option provided by IAS 34 and therefore they do not include all the information required for an annual financial statement prepared in accordance with IFRSs; since the following interim management report, following the logics provided for by IAS 34 is intended to provide an update of the economic position and financial position as compared to the Consolidated Financial Statements as at 31 December 2017; therefore it should be read together with the Consolidated Financial Statements as at 31 December 2017.

The Condensed Six-Month Consolidated Financial Report, as requested by the reference regulations, is prepared on a consolidated basis and it is the object of a limited audit by Deloitte & Touche S.p.A.

With the exception of what was later indicated with reference to the accounting principles applied for the first time as from 1 January 2018, accounting principles and calculation methods used for the preparation of the abridged Half-Year Report have also been homogeneously applied in the preparation of the Consolidated Financial Statements as at 31 December 2017, which should be referred to for their full detail, and in the Half-Year Report as at 30 June 2017.

The drafting of the abridged First-Half Financial Report and the concerning notes in compliance with the IFRSs requires Directors to make a few estimates and, in specific cases, adopt assumptions in applying the accounting principles.

6.13 Accounting principles

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IFRS ADOPTED FROM 1 JANUARY 2018

The following accounting standards, amendments and interpretations IFRS have been adopted by the Group as of 1 January 2018:

- Standard IFRS 15 – Revenue from Contracts with Customers (published on 28 May 2014 and intergrated with further clarifications published on 12 April 2016), which is intended to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for revenue recognition, which will apply to all contracts entered into with customers, with the exception of those that fall within the scope of application of other IAS / IFRS standards such as leases, insurance contracts and financial instruments. The fundamental steps for accounting for revenues according to the new model are:
    - The identification of the contract with the customer;
    - The identification of the performance obligations of the contract;
    - The determination of the price;
    - The allocation of the price to the performance obligations of the contract;
    - The criteria for recording the revenue when the entity satisfies each performance obligation.

  The assessment of the impacts of the introduction of IFRS 15 involved the analysis of the main contractual cases for the main types of revenue. These analyzes showed that the services offered are attributable to the same generic performance obligation as they are substantially similar, have the same transfer model to the customer and meet the customer's need to communicate, transmit and receive information.

  Specific assessments have been made regarding:

  1. Installation fee.
  2. Modem.
  3. Accessory offers.

  The analyzes carried out did not reveal any material impacts (including tax effects) due to the introduction of the new principle on revenue recognition.

- Final version of IFRS 9 – Financial Instruments (published on 24 July 2014). The document includes the results of the IASB project aimed at replacing IAS 39:
    - It introduces new criteria for the classification and measurement of financial assets and liabilities (along with the assessment of non-substantial amendments of financial liabilities);
    - Concerning impairment, the new standard requires the estimate of losses on receivables to be carried out on the basis of the expected losses model (and not on the incurred losses model used by IAS 39) using information that can be supported, available without unreasonable charges or efforts, that include historical, current and future data;
    - Finally, it introduces a new model of hedge accounting (increase in the types of transactions eligible for hedge accounting, change in the accounting method for

forward contracts and options when included in a hedge accounting report, changes to the effectiveness test).

The standard has been adopted starting from January 1, 2018

Starting from January 1, 2018, the Group changed the credit impairment model, passing from the model envisaged pursuant to IAS 39 of incurred losses (or losses incurred) to the model of expected credit losses (or expected losses) introduced by the new accounting standard and recognized at the time. initial registration of the credit on the basis of historical data or prospective elements. The assessments were carried out on all categories of receivables identified as part of the management of trade receivables and did not have any impact to be reflected in the adjustment of the assessments already carried out as of 31 December 2017.

As regards the classification of financial assets, no impacts have been identified on the valuation of most of the financial assets that are managed exclusively through a "hold to collect" business model whose valuation is at amortized cost.

With regard to the amendment introduced by IFRS 9 on hedge accounting, the Group does not have any explicit or implicit derivative instruments.

- Amendment to IFRS 2 "Classification and measurement of share-based payment transactions" (published on 20 June 2016), which contains some clarifications in relation to the accounting of the effects of vesting conditions in the presence of cash-settled share-based payments, to the classification of share-based payments with net settlement characteristics and to the accounting of changes to the terms and conditions of a share-based payment that change the classification from cash-settled to equity-settled. The changes were applied starting from January 1, 2018.

  The adoption of this amendment did not have any effects on the Group's consolidated financial statements.

- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard) which partially integrate pre-existing principles. Most of the changes were applied starting from 1 January 2018. The adoption of these amendments did not have any effects on the Group's consolidated financial statements.

- Amendments to IAS 40 “Transfers of Investment Property”(published on 8 December 2016). These amendments clarify the transfers of a property to, or from, investment property. In particular, an entity must reclassify a property in, or from, real estate investments only when there is evidence that a change in use of the property has occurred. This change must be traced back to a specific event that has happened and should not therefore be limited to a change in intentions on the part of an entity’s management. The amendments have been applied from 1 January 2018. There was no significant effect on the financial statements of the Company from the adoption of this standard.

- Interpretation IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (published on 8 December 2016). The purpose of the interpretation is to provide guidelines for transactions in foreign currency in which non-cash advances or early payment are recognized in the financial statements, prior to the recognition of the related asset, cost or revenue. This document provides indications on how an entity must determine the date of a transaction, and consequently, the spot exchange rate to be used when foreign currency transactions occur in which payment is made or received in advance. IFRIC 22 was applied starting from 1 January 2018. There was no significant effect on the financial statements of the Company from the adoption of this standard.

IFRS AND IFRIC EMPLOYMENT, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT COMPULSORY AND NOT EARLY ADOPTED BY THE GROUP AS AT 30 JUNE 2018

- IFRS 16 – Leases principle, published on 13 January 2016, intended to replace IAS 17 – Leases and IFRIC interpretations 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC- 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The new principle provides a new lease definition and introduces a criterion based on the *right of use* of an asset to distinguish leasing contracts from service contracts by identifying the following discriminating factors: the identification of the asset, the right to replace the asset, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to direct the use of the assets underlying the contract.

  The principle establishes a unique model for the recognition and evaluation of lease contracts for the lessee, which includes the subscription of the leased asset also operating in assets with a counterpart in a financial debt, also providing for the possibility of not recognizing as leasing contracts the agreements that deal with "*low-value assets*" (that is to say, leasing agreements concerning assets with a value of less than EUR 5,000) and leasing agreements with a contract duration equal to or of less than 12 months. Conversely, the Standard does not include significant changes for landlords.

  The standard applies from 1 January 2019 but early application is permitted, which the Group does not intend to carry out. The Directors expect that the application of IFRS 16 may have an impact on the amounts and related disclosures reported in the Group's consolidated financial statements starting from 1 January 2019. However, the analysis of the impacts has not been completed at the moment. in consideration of the changes to the Group's business determined by the Fastweb Sale Agreement.

- Amendment to IFRS 9 "Prepayment Features with Negative Compensation (published on 12 October 2017)". This document specifies that instruments that provide for early repayment may comply with the "SPPI" test even if "the reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender. The amendment applies from 1 January 2019, but early application is permitted. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS STILL TO BE APPROVED BY THE EUROPEAN UNION

At the reporting date of the above-mentioned abridged six-month consolidated financial report, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and the principles outlined below.

- On 7 June 2017, the IASB published the interpretative document IFRIC 23 – Uncertainty over Income Tax Treatments. The document deals with the issue of uncertainties on the tax treatment to be adopted in the field of income taxes.

  The document provides that the uncertainties in determining liabilities or assets for taxes are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document does not contain any new disclosure obligations but underlines that the entity will have to establish whether it will be necessary to provide information on the considerations made by management and related to the uncertainty inherent in the accounting of taxes, in accordance with IAS 1.

  The new interpretation applies from 1 January 2019, but early application is permitted. The Directors do not expect a significant effect on financial statements of the Company from the adoption of this interpretation.

- Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017) ". This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associated companies and joint ventures for which the equity method does not apply. The amendment applies from 1 January 2019, but early application is permitted. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

- Document "Annual Improvements to IFRSs 2015-2017 Cycle", published on 12 December 2017 (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities - Borrowing costs eligible for capitalization) which incorporates the amendments to certain standards as part of the annual improvement process. The changes apply from 1 January 2019, but early application is permitted. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

- Amendment to IAS 19 "Plant Amendment, Curtailment or Settlement" (published on 7 February 2018). The document clarifies how an entity should recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update its hypotheses and re-measure the liability or net assets deriving from the plan. The amendments clarify that after the occurrence of this event, an entity uses up-to-date assumptions to measure the current service cost and interest for the remainder of the reporting period following the event. The amendments apply from January 1, 2019, but early application is permitted. The Directors do not expect a significant effect on financial statements of the Company from the adoption of these amendments.

- Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on 11 September 2014). The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the valuation of the profit or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange of a share in the capital of the latter. At the moment the IASB has suspended the application of this amendment. However, the Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

Segment Information

With its Directive (EC) No. 1358/2007 dated November 21, 2007, the Commission of European Communities ordered the introduction, in lieu of the IAS 14 "Segment Information", of the IFRS 8 "Operating Segments", which has as its scope to information to be provided in the financial statements related to the operating segments where those who prepare the financial statements is active. The Company applies the "management approach" for the definition of the segment information in which the activity of the Group is de facto divided.

The operating segments are as follows:

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

Assets Held for sale and Discontinued Operations

Assets Held for sale and discontinued operations, as required by the IFRS 5 are classified in a specific entry of the balance sheet and they are assessed at the lowest value of their previous book value and market value, at net of sale cost up to the transfer of the assets.

The assets fall withing such entries when it is expected that their book value will be recovered through a transfer transaction rather than through carrying out of the normal activity of the company. This condition occurs only when the sale is highly likey, the asset is available for immediate sale in its "as is" status and the Board of Directors of the Parent company has committed to the sale, which is expected to occur within twelve months from the classification of such entry.

After the sale, the residual values are reclassified at the various posts in the balance sheet.

Revenues and costs related to the assets held for sale4 and/or discontinued operations are posted under the entry “Results from assets transferred/to be transferred” (“discontinued operations”), whenever the following conditions established by IFRS 5 for such assets occur:

a) They represent an important independent branch of operation or geographical areas of operation;
b) They are part of a single coordinated program of discontinuation of an important independent branch of operation or geographical area of operation;
c) The asset is the subsidiary originally acquired exclusively for its sale.

In the income statement item called 'Result of assets sold and / or intended for sale', the following components are shown in a single item and net of the related tax effects:

• the result for the period achieved by the subsidiaries held for sale, including any adjustment of their net assets to market value (fair value);

• the result relating to the 'sold' activities, including the result for the period achieved by the subsidiaries up to the date of transfer of control to third parties, together with the profits and / or losses deriving from the sale.

The analysis of the composition of the overall result deriving from the activities in question is reported in the explanatory notes.

The equity and economic effects of the disposals are shown in the note Discontinued and / or held for sale.

In cases where the sale is highly probable in a period subsequent to the date of the financial statements, but prior to the date of approval of the same, the financial statements are not modified in order to incorporate this information, which is however provided in the explanatory notes.

Please refer to the information contained in Note 9 for the application of this standard in the present case which involved the comparative data of the income statement for the first half of 2017

<u>Seasonality of revenues</u>

Tiscali is not significantly affected by seasonality of the business.

<u>Consolidation criteria</u>

The consolidation area includes the parent company Tiscali S.p.A. and the companies controlled by it, i.e. those companies over which the company has the power, directly or indirectly, to determine the financial and operating policies or those companies for which it is exposed and has the right to variable results deriving from its involvement in such entities which influences thanks to the power exercised over them. In the specific circumstances relating to Tiscali, control coincides with the majority of voting rights exercisable in the ordinary assembly of the companies falling within the consolidation area.

Please refer to the annual financial report as at 31 December 2017 for a detailed description of the consolidation criteria and the criteria for business combinations and determination of goodwill.

Non-consolidated equity investments in other unlisted companies that do not represent a Joint Venture or an associated equity investment, for which the fair value cannot be reliably determined, are measured at cost adjusted for impairment.

<u>Variations of the consolidation area</u>

Fully-consolidated companies are shown in the note *List of subsidiaries included in the scope of consolidation.*

Compared with 31 December 2017, the scope of consolidation has not changed significantly.

As at 30 June 2018, Indoona and Tiscali Uk Holding companies were in liquidation.

The liquidation of both companies was formalized after 30 June 2018 (see the paragraph “Events occurred after the half year end”).

Disclosure on the impacts of the Sale Agreement to Fastweb on the Group's equity and economic figures

As extensively commented in the management report, in the last quarter of 2017 Tiscali had mandated a financial advisor to act in favor of the Company to evaluate possible strategic options for the Group. In the context of the execution of this mandate, the advisor noted Fastweb's interest in evaluating a possible strategic agreement concerning in particular the 3.5GHz frequency owned by Tiscali and the Fixed Wireless access network infrastructure that was created for the exercise of this frequency.

On July 30, 2018, Tiscali signed a preliminary agreement with Fastweb (the "Preliminary Sale Agreement") aimed at strengthening the strategic partnership started in December 2016 with Fastweb. The structure of the agreement with the Fastweb group is based on three substantial points:

- the sale by Aria (a company of the Tiscali group holding the license) of the license for 42 Mhz in the 3.5 GHz frequency;
- the sale by Tiscali Italia of a Fixed Wireless Access (FWA) business unit, including all the FWA infrastructures (836 towers) owned by the Tiscali group at the date and 34 employees;
- a wholesale agreement (the "Wholesale Agreement") thanks to which the Tiscali group obtained full access to Fastweb's fiber access network infrastructure and to the FWA infrastructure sold to Fastweb.

The Preliminary Sale Agreement was finalized on November 16, 2018 through the signing of the definitive agreements (the "Sale Agreement") and with the payment of the residual part of the first tranche of the envisaged price, totaling EUR 50 million , compared to advances of approximately EUR 5 million paid prior to that date in the context of actions to support the Group's liquidity carried out by Fastweb during negotiations. This subscription took place following the occurrence of all the conditions precedent, and in particular:

1) the approval by the Ministry of Economic Development, on 12 November, of the transfer of the right of use and of the maintenance of the extension of the rights of use of the frequencies until 2029;

2) the receipt on 14 and 15 November of the comfort letters by the Financial Institutions and the Pool Leasing which undertake to approve the Debt Restructuring Agreements on terms and conditions consistent with those reflected in the New Business Plan 2018-2021;

3) the certification on November 15 of the New Business Plan 2018-2021 pursuant to Article 67, paragraph 3, letter d), of the Royal Decree of March 16, 1942, no. 267 of Tiscali Italia and Aria

As anticipated, the sworn statement was issued subject to the completion of the Debt Restructuring Agreements described in the previous paragraph "The New Business Plan 2018-2021 and the aforementioned sworn statement pursuant to Article 67".

In relation to the burden to be incurred for the extension of the concession of the rights of use of the frequencies to 2029, determined by the MISE, it should be noted that the same is fully borne by Fastweb.

The consideration agreed with Fastweb for the acquisition of the frequency and fixed wireless infrastructure assets, restated in its valuation on 12 November, is equal to a nominal EUR 198 million, of which:

- EUR 130 million in cash (of which EUR 50 million to be settled at the closing date and the remaining EUR 80 million to be paid by 30 June 2019);
- EUR 55 million "in-kind" vouchers to be spent on services that the Tiscali Group may acquire from Fastweb, based on the conditions contained in the Wholesale Agreement;
- the assumption by Fastweb of approximately EUR 13 million of trade payables.

The completion of the Sale Agreement to Fastweb after 30 June 2018 determines that the applicable accounting treatment for the assets and liabilities intended for sale and governed by IFRS 5 is not applicable.

For information purposes only, to allow an assessment of the impact that this Sale Agreement to Fastweb has on the Group's assets and liabilities, the following is noted:

The net book value of the Group's net assets sold at 30 June 2018 amounts to approximately EUR 47.4 million, and consists of the following elements:
• 3.5 GHz frequency license, accounted for by the Aria Group for a residual net value of EUR 24.5 million, under the item "Intangible assets".
• Capitalized IRUs (Fastweb IRUs) in the hands of Tiscali Italia for an NBV of EUR 1.3 million under the item "Intangible assets".
• Infrastructures relating to the Fixed Wireless Access branch, held by Tiscali Italia for an NBV equal to EUR 13.1 million under the item "Property, Plant and Machinery".
• Infrastructures relating to the Fixed Wireless Access branch, owned by Tiscali Italia (former Aria and Media PA assets) for an NBV equal to EUR 21.5 million under the item "Property, Plant and Machinery".
• Payables to transferred personnel (33 employees) for a book value of EUR 0.4 million (including the provision for severance indemnities accrued at the date) partly in the item "Liabilities for retirement and severance indemnities" and partly in item "Other current liabilities".
• Trade payables to suppliers of services and infrastructures relating to the branch sold, for a book value of EUR 12.6 million under the item "Trade payables".

The aforementioned balance sheet items are included in the "Access" operating segment, the total balance sheet balances of which are shown in the table included in the note "Sector information".

It should be noted that the theoretical gain on sale, determined on the basis of the net asset values as at 30 June 2018, is approximately EUR 128 million.

The capital gain on the basis of net asset values as of November 16, 2018, the final determination of which is being finalized, is instead in a range between 130 and EUR 135 million.

Foreign exchange operations

The accounting situations of foreign subsidiaries are prepared in the currency of the primary economic environment in which they operate (functional currency). In preparing the financial statements of individual entities, transactions in currencies other than the Euro are initially recognized at the exchange rates on the dates of the same. At the reference date, monetary assets and liabilities denominated in the aforementioned currencies are restated at the exchange rates current on that date. Monetary differences emerging from the regulation of monetary items and from their restatement at current exchange rates at the end of the year are charged to the income statement for the year.

For the preparation of the consolidated financial statements, the assets and liabilities of foreign subsidiaries, whose functional currencies are different from the Euro, are converted into Euro at the exchange rates current on the balance sheet date. Revenues and costs are converted at the average exchange rate for the period. The exchange differences emerging from the application of this method are recognized in the equity item Translation reserve. This reserve is recognized in the income statement as income or as an expense in the period in which the related subsidiary is sold.

Exchange differences emerging on intra-group credit / debit relationships of a financial nature are recognized in equity in the specific conversion reserve.

The main exchange rates used for the conversion into Euro of the financial statements at 30 June 2018 and 31 December 2017 of the foreign companies were the following:

	30 June 2018		**31 December 2017**		**30 June 2017**	
	average	**Final**	**average**	**final**	**average**	**final**
Pound Sterling	0.8789	0.8861	0.8789	0.8861	0.87724	0.8799

As anticipated, please refer to the annual financial report for a detailed description of the accounting principles used for the valuation of the financial statement items.

It should also be noted that certain valuation processes, in particular the more complex ones such as for example the determination of any loss in value of non-current assets, are generally carried out in full only during the preparation of the annual financial statements, when all the any necessary information, except in cases where there are indicators of impairment that require an immediate assessment of any loss in value. Reference should be made to the paragraph *"Impairment Test" (note 11)* with reference to the reasons that led the Directors to believe that the events of the first half of 2018 and the following months represent a trigger event for the purpose of repeating the impairment test for the purpose of this report.

The process of valuation of assets/liabilities connected to obligations from defined benefit plans is carried out only on a case-by-case basis, unless there are indicators that make it necessary to update the estimate during the year. As at 30 June 2018, the updating of actuarial estimates did not have any effect on equity.

6.14 Comments on Income Statements and Balance Sheet Notes

Revenues (Note 1)

Revenues	**1st semester 2018**	**1st semester 2017**
(EUR 000)		
Revenues	92,371	103,616
Total	**92,371**	**103,616**

Revenues during the first half of 2018 decrease year-over-year. For further details on the decrease in revenues and their composition please refer to the Management Report.

Other income (Note 2)

Other Income	**1st semester 2018**	**1st semester 2017**
(EUR 000)		
Other Income	1,107	1,177
Total	**1,107**	**1,177**

Other income includes mainly the issue of the portion of the half-year's profit for 2018 of the capital gain realized with the Sale and Lease-Back transaction at Cagliari (Sa Illetta), for approximately EUR 1.1 million (EUR 1.1 million in the first six months of 2017).

Purchase of materials and outsourced services (Note 3)

Purchase of materials and outsourced services, payroll and other operating costs	1st semester 2018	1st semester 2017
(EUR 000)		
Line/traffic rental and interconnection costs	37,011	37,290
Costs for use of third party assets	2,661	2,448
Portal services costs	4,364	2,472
Marketing costs	4,411	6,264
Cost of goods to be sold	334	4,995
Other services	16,945	17,280
Other operating expenses (income)	4	1
Totale	**65,730**	**70,750**

The item "Costs for use of third party assets" mainly includes costs of voice traffic and fees for fixed broadband services (ADSL).

Marketing costs decrease by around EUR 1.8 million. The marketing costs at 30 June 2017 included a one-off element, represented by the communication campaign carried out in the first half of 2017 to relaunch the brand and support the acquisition process of new customers (for EUR 1.2 million).

The item "costs for the purchase of goods for resale" includes the costs for the purchase of hardware and software intended for resale. The decrease in this cost item, in the first half of 2018, is attributable in particular to the changed strategy on the sale of products to business customers, whose revenues decreased by EUR 4.7 million (from EUR 5 million in the first half of 2017 to EUR 0.3 million in the first half of 2018).

The item "Other services" includes costs for the maintenance and operation of industrial sites and administrative offices, rentals, consultancy and professional expenses, billing costs, postal expenses, travel expenses, and other general costs. This item is substantially in line with the first half of 2017.

Staffing costs (Note 4)

Staffing cost	1st semester 2018	1st semester 2017
(EUR 000)		
Wages and salaries	8,017	9,818
Other staffing costs	5,358	6,043
Total	**13,375**	**15,860**

As anticipated in the report on operations, the decrease in personnel costs is mainly attributable to the actions aimed at the reorganization and reduction of the workforce undertaken during the FY 2017, which enabled a better reorganization of resources and a decrease in the number of units, with a reduction of 59 units as compared to 30 June 2017, as shown in the following table:

Number of employees

	31 december 2017	31 december 2016
Managers	18	19
Middle Managers	50	51
Employee	557	613
Workers	5	5
External	3	4
Totale	**633**	**692**

Write-down of receivables from Customers (Note 5)

Write-downs of receivables from customers	**1st semester 2018**	**1st semester 2017**
(EUR 000)		
Provisions for bad debts	5,352	3,820
Total	**5,352**	**3,820**

The item “Write-down of receivables from Customers” totalled EUR 5.3 million, whose incidence, as compared to revenues, equals to 5.8%, and increased as compared to the first half of 2017 (EUR 3.8 million), equal to 3.7% of the revenues.
As previously stated, the analyzes carried out by the Group in order to estimate the bad debt provision in light of the new accounting standard IFRS 9, in application from January 1, 2018, did not lead to significant changes compared to the uses of estimates made before the application of the IFRS 9 with reference to the assessment of the risk of bad debt.

Restructruring Costs and other charges (Note 6)

Restructuring costs	**1st semester 2018**	**1st semester 2017**
(EUR 000)		
Restructuring costs	283	3,537
Total	**283**	**3,537**

The item “Restructuring Costs” mainly includes provisions for group restructuring charges linked to the reduction of the workforce.

Financial income and financial charges (Note 7)

The breakdown of the items Financial income and financial charges for the year is shown below, totaling a negative balance of EUR 5.6 million.

Net financial income (charges)	1st semester 2018	1st semester 2017
(Thousands of EUR)		
Financial income		
Interest on bank deposits	0	1
Other financial income	1,025	40
Total	**1,025**	**41**
Financial charges		
Interest and other charges due to banks	2,289	2,798
Other financial charges	4,291	3,588
Total	**6,580**	**6,386**
Net financial income (charges)	**(5,555)**	**(6,345)**

The item "Financial Income" includes an income of EUR 922 thousand from a transaction concluded by the subsidiary Aria with Unicredit, which led to a reduction of about EUR 0.9 million of the financial debt.

The item "Financial Income", which amounts to about EUR 5.6 million, EUR 61 thousand, mainly includes the following elements:

- interest expense, relating to the loan to Senior Lenders of EUR 2.1 million (EUR 2.1 million in the first half of 2017);
- interest expense on bank current accounts for EUR 0.2 million attributable to Tiscali Italia Spa and the Aria Group (EUR 0.3 million in the first half of 2017);
- default interest payable for EUR 1.8 million (EUR 1.2 million in the first half of 2017);
- interest expense on financial leases and IRU for approximately EUR 1.2 million (EUR 1 million in the first half of 2017;
- bank charges for EUR 1.3 million (EUR 1.3 million in the first half of 2017);

Income taxes (Note 8)

Income taxes	1st semester 2018	1st semester 2017
EUR 000		
Current taxes	(56)	(15)
Deferred taxes	26,172	38
Total	**26,116**	**24**

The balance includes the cost for current taxes for the year represented by IRAP.

The Group's previous tax losses at 30 June 2018 amounted to EUR 291 million. The uncertainties associated with the realization of the results of the Business Plan and the realization of future taxable results, better described in the previous paragraph "Assessment of the going concern and foreseeable evolution of management" led the Directors to proceed during the period to allocate only the prepaid taxes that can be used in the financial year 2018, also in consideration of the expected negative results for subsequent years of the plan.

In this context, deferred tax assets of EUR 26.1 million were allocated in the period, mainly attributable to the benefit of deferred tax assets connected to the valuation of tax losses that can be carried forward which will allow the subsidiary Aria to reduce the IRES taxable amount relating to the income produced. in 2018, in the second half of which the capital gain deriving from the Sale Agreement will be recognized. The signing of the Transfer Agreement, in fact, made it highly probable that the tax benefit would be obtained with the use of previous losses from the tax consolidation, allowing it to be recorded in accordance with IAS 12 and IAS 34 in the balance sheet as at 30 June 2018, albeit within the limits of the taxable income forecasts for 2018.

Operating assets disposed of and/or assets held for sale (note 9)

In the period, the result of the activities sold and / or destined for sale was zero, compared to a result of EUR 43.6 million in the previous period, relating to the sale of the B2B business to Fastweb which materialized in 2017.

Earning (Loss) per share (Note 10)

Earnings per share from "continuing operations" amounted to EUR 0.001 and was calculated by dividing the net profit from continuing operations in the first half of 2018 attributable to ordinary shareholders of the Parent Company, equal to EUR 3.3 million, by the weighted average number of ordinary shares in circulation during the year, equal to 3,981,880,763.

The diluted earnings per share of "continuing operations" amounted to EUR 0.001 and was calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Parent Company, equal to EUR 3.3 million, by the weighted average number of shares potentials in circulation during the year, equal to 4,428,433,868.

To calculate the weighted number of potential shares, the number of potential shares deriving from the potential exercise of the stock option plans in circulation was considered (number of options equal to 446,553,106.

Assessment of possible reductions in the value of assets – “Impairment Test" (Note 11)

As previously indicated, during the first half of 2018 the Directors carried out some activities aimed at enhancing their activities, which culminated on November 16, 2018, with the signing of the Transfer Agreement. In this context, the Directors deemed it necessary to update the previous business plan in order to reflect the changed business strategies, as well as to reflect the current state of the agreements with the Financial Institutions and with the Leasing Pool included in the New Business Plan 2018- 2021 sworn for the companies Tiscali Italia and Aria pursuant to Article 67 of RD 267/1942.

The amended plan, and the underlying changes in business strategies, led the Directors to consider the exercise of the Impairment Test carried out as at 31 December 2017 to be no longer appropriate. The Directors also point out that this exercise, as expressly stated in the 2017 annual report, was also aimed at determining the estimated latent surplus values relating to certain assets, whose values have instead been precisely determined by the Transfer Agreement.

The Company, in compliance with IAS 36, therefore verified the presence of impairment indicators as at 30 June 2018.The assessment of any impairment of the assets was carried out by comparing the carrying value of the assets as at 30 June 2018 and their value in use, determined on the basis of the following essential elements:

(i) Definition of Cash Generating Units

The Group identified the Cash Generating Units with the segments set forth in segment disclosures. The verification of any impairment of the assets was carried out with reference to the identified Cash Generating Units. As indicated in the section on accounting policies followed by the Group, the Company has identified three operating segments subject to disclosure based on the requirements of IFRS 8. For the purposes of the impairment test, however, the “Corporate” CGU is tested together with the “Access” CGU, as it shares a significant amount of assets with it. It should also be noted that the Corporate financial sector has mainly intercompany cash flows.

(ii) Criteria for estimating the recoverable amount.

The value in use of the Cash Generating Units (CGU) was determined on the basis of the discounting of the cash flows for the years 2018-2021 deriving from the New 2018-2021 Plan of the Tiscali Group (as defined in the Note " going concern and foreseeable evolution of management - Facts and uncertainties regarding the going concern ") approved by the Board of Directors on 12 November 2018. For the purposes of the impairment test, a time span of 3 years and 6 months was therefore used (at from 1 July 2018 until 31 December 2021) and used the cash flow of 2021, adequately normalized, for the purpose of determining the terminal value.

The main assumptions used to estimate the recoverable amount are:

- 3-year-and-6-month explicit forecast period (1 July 2018 – 31 December 2021);
- EBITDA arising from market and business development assumptions;
- investments to maintain the expected development of the business and pre-established level of profitability;
- determination of the terminal value calculated as perpetuity based on the projection of the year 2021, properly normalized;
- the WACC rate determined on the basis of market valuations of the cost of money and specific risks related to the company's core business;
- long-term growth (LTG) equal to 1.5%.

The WACC has been calculated as follows:

- Risk Free Rate. For the market rate for a risk-free investment, the US risk-free rate adjusted taking into account the Italian inflation rate was considered. It amounts to 1.7%;
- Country Risk Premium. The country risk premium was calculated taking into account the default risk of 10-year US swaps, as compared to the default risk of 10-year Italian swaps. It represents the risk factor of the Italian country and amounts to 1.5%;
- Risk Free Rate. For the market rate for a risk-free investment, the US risk-free rate adjusted taking into account the Italian inflation rate was considered. It amounts to 1.7%
- Beta unlevered and Beta relevered.

  The unlevered Beta rate was calculated as the average of the unlevered Beta rates of a group of companies similar to Tiscali (in terms of size, sector and structure) and amounted to 0.57.

  The unlevered Beta rate was adjusted taking into account the following two factors, specifically linked to the Tiscali Group:

  - Tiscali's debt/equity ratio, defined as ratio 1 (50% of debt – 50% of shareholders' equity);

  - Tiscali's tax structure.

  Including the aforementioned factors, a beta relevered rate of 1.01% has been defined;
- Market Risk Premium. The risk premium attributed by the market was taken from the survey conducted by Fernandez in 2017;
- Size Premium. The Size Premium was calculated on the basis of the "Duff and Phelps" table and represents the level of risk of Tiscali as compared to the other companies included in the panel, and amounted to 2.8%;
- Company Specific Risk Premium. The corporate risk premium has been set at 2%.

Based on these parameters, the WACC used for the checks is equal to 8.9%. At the consolidated level, the test showed a positive difference between the recoverable value and the consolidated book value, therefore the Company believes that it is not necessary to write down any assets in the balance sheet.

Sensitivity analysis of the impairment test results

In consideration of the current and expected scenario, and of the results of the impairment tests performed for the period ended on 30 June 2018, an analysis was carried out on the sensitivity of the recoverable value estimated using the discounted cash flow method. It is believed that the discount rate is a key parameter in the estimate of the recoverable value. Even a significant change in this rate would not have significant effects on the level of cover.

A sensitivity analysis on the long-term growth rate was also carried out. From these analyzes it emerged that a zero growth rate (compared to a 1.5% rate used by the company) would not produce significant effects on the cover level.

(iii) Considerations concerning the presence of external impairment indicators

Taking into account the current market situation, considerations have been made regarding the existence of external indicators of loss of value, with particular reference to what is expressed by the financial market. To this end, the market capitalization of the Tiscali Group does not reveal any elements that differ from the result of the impairment procedure. In particular, as already detailed, the market capitalization amounted to EUR 89,9 as at 30 June 2018.

Intangible assets (Note 12)

Intangible assets (EUR 000)	Computers, software and development costs	Concessions and similar rights	Broadband service activation costs	Other intangible assets	Intangible assets under development and advances	Total
HISTORICAL COST						
1 January 2018	**4,661**	**199,401**	**138,754**	**32,759**	**3,060**	**378,635**
Increases		2,541	4,061	1,560	(28)	8,133
Changes in consolidation area	(2)	(7)				(9)
Reclassifications		106	90	499	(460)	235
30 June 2018	**4,659**	**202,041**	**142,904**	**34,818**	**2,571**	**386,993**
ACCUMULATED AMORTIZATION						
1 January 2018	**4,661**	**136,083**	**112,075**	**26,749**		**279,568**
Increases in amortization		6,879	8,508	797		16,183
Changes in consolidation area	(2)	(4)				(6)
30 June 2018	**4,659**	**142,958**	**120,583**	**27,545**		**295,746**
NET BOOK VALUE						
31 December 2017	**()**	**63,318**	**26,679**	**6,010**	**3,060**	**99,067**
30 June 2018	**()**	**59,082**	**22,321**	**7,273**	**2,571**	**91,248**

In order to provide a better representation, 235 thousand Euros of intangible assets have been reclassified under tangible assets.

Movements in intangible assets that occurred in the first half of 2018 are as follows:

The item *Computer software and Development Costs* includes the capitalization of development costs for personalized application software for the exclusive use of the Group.

The balance of *Concessions and Similar Rights* is equal to EUR 59.1 million, and manly includes:

- EUR 31.7 million for licenses and software, EUR 24.9 million of which related to the WiMax license and related ancillary charges incurred by the Aria Group, included in the Sale Agreement to Fastweb. The remaining part is predominantly related to LTE base station design tools, remote activation and management of customer-installed equipment, licensing licenses for the VOIP platform and billing software, customer care) and ERP systems;
- EUR 26.5 million for fees and costs associated with the purchase of transmission capacity on a multi-annual basis, in the form of concession contracts for transmission capacity (IRU - *Indefeasible Right of Use*). Relating to IRU and accounted for by the Tiscali Italia subsidiary, whose main suppliers are Telecom Italia, Interoute, Fastweb, Infracom;
- EUR 0,9 million for software licenses.

The overall increase in the first six months of 2018, amounting to EUR 2.5 million, of which EUR 2.2 million is attributable to software licenses and EUR 0.3 million to costs incurred for the purchase of multi-annual rights for the use of the fiber optic network (IRU - Indefeasible Right of Use). Amortization of the period, calculated on the basis of the criteria set out in the annual financial report, amounted to EUR 6.9 million.

Furthermore, this item includes reclassifications for EUR 0.1 million. These are reclassifications of assets from the category “Intangible assets under development and advances”, relating to assets that have been amortized over the period.

The item “Activation costs of the BroadBand service” amounted to EUR 22.3 million, EUR 22.1 million of which relating to the subsidiary Tiscali Italia S.p.A. and EUR 0.2 million relating to the Aria Group. The increase in the first half of 2018 is equal to EUR 4 million, and relates to the costs of acquisition and activation of customers for the ADSL service.

Furthermore, this item includes reclassifications for EUR 0.1 million. These are reclassifications of intangible assets from the category “Intangible assets under development and advances”, relating to assets that have been amortized over the period.

Depreciation for the period, calculated according to the criteria highlighted in the yearly financial report, amounted to EUR 8.5 million.

“Other Intangible Fixed Assets” amount to EUR 7.3 million mainly attributable to the subsidiary Tiscali Italia S.p.A. Investment costs are mainly related to the LTE core network installation services. The six-minth increase amounts to EUR 1.6 million.

This item includes reclassifications for EUR 0.5 million. These are reclassifications of assets from the category “Intangible assets under development and advances” relating to assets that have been amortized over the period for EUR 0.3 million, and to reclassifications of assets from “Tangible assets in progress” to “Other intangible assets” for EUR 0.2 million, relating to assets erroneously classified as tangible assets in progress at 31 December 2017.

“Intangible Assets in Progress and Advances” amount to EUR 2.6 million.

In the first half of 2018, the amount of EUR 0.5 million of assets was reclassified from the category in question to the “Concessions and similar rights” categories for EUR 0.1 million, to the category “Costs for activation of the BroadBand service” for EUR 0.1 million, to the category “Other Intangible Assets” for EUR 0.3 million, in relation to assets that have been amortized over the period.

Property, Plant and Machinery (note 13)

The movements occurred in the first half of 2018 are detailed in the table below:

Tangible assets *(EUR 000)*	Property	Plant and machinery	Other tangible assets	Tangible assets under construction	Total
HISTORICAL COST					
1 January 2018	**64,260**	**362,479**	**6,350**	**9,716**	**442,806**
Increases		2,128	11	70	2,208
Other Changes (disposal)				(4)	(4)
Reclassifications		2,128	5	(2,368)	(235)
30 June 2018	**64,260**	**366,735**	**6,367**	**7,413**	**444,775**
ACCUMULATED DEPRECIATION					
1 January 2018	**22,476**	**287,871**	**5,155**		**315,502**
Increases in depreciation	651	8,976	77		9,704
30 June 2018	**23,127**	**296,848**	**5,232**		**325,207**
NET BOOK VALUE					
31 December 2017	**41,784**	**74,608**	**1,196**	**9,716**	**127,303**
30 June 2018	**41,133**	**69,887**	**1,135**	**7,413**	**119,568**

In order to provide a better representation, 235 thousand Euros recognized at 31 December 2017 under the item intangible assets have been classified among tangible assets.

The item *Property*, amounting to EUR 41.1 million, mainly relates to the Cagliari office (Sa Illetta).

The decrease in the year is related to the amortization of the period for EUR 0.7 million, calculated according to the criteria outlined in the annual financial report. This item also includes the share of capital gains deriving from the accounting of the aforementioned *Sale & Lease back* transaction amounting to EUR 1.1 million.

Plant and machinery, amounting to EUR 69.9 million, includes specific network equipment such as routers, DSLAM, servers, and transmission devices installed at the LLU sites.

This item includes EUR 21.8 million relating to the Aria Group and concerning the purchase of materials and accessories for the assembly and commissioning of the various sites with Hyperlan and WiMax technology, which were necessary to the WiMax network for the concentration and management of Internet traffic in terms of utilities and service profiles.

Investments in the period include reclassifications of EUR 2.1 million of tangible assets from the category "Tangible assets in progress" to the category "Plant and machinery" relating to investments that became depreciated in the first half of 2018. Depreciation for the period, calculated according to the criteria highlighted in the annual financial report, they amounted to approximately EUR 9 million.

The balance of *Other Tangible Assets* equals EUR 1.1 million and includes furniture and furnishings, electronic and electromechanical office equipment as well as vehicles. The decrease in the half year is related to the depreciation of the period, calculated according to the criteria outlined in the annual financial report, for EUR 77 thousands.

The balance of *Tangible Assets under construction and Advances* equal to EUR 7.4 million is mainly represented by investments in the network infrastructure.

This balance is net of reclassifications of EUR 2.4 million. These are mainly reclassifications of tangible assets from the category "Tangible assets under construction and advances" for investments that were depreciated during the first half of 2018 for EUR 2.1 million, and reclassifications of investments from "Tangible assets in progress" to "Other Intangible assets ".

Other non-current financial assets (note 14)

Other non-current financial assets	**30 June 2018**	**31 December 2017**
(EUR 000)		
Guarantee deposits	553	506
Other receivables	367	295
Equity investments in other companies	3,492	3,621
Total	**4,412**	**4,421**

Guarantee deposits mainly relate to guarantee deposits paid during the business on multi-year agreements.

Other financial receivables are claimed from the consortium company Janna S.c.p.a.

Equity investments in other companies are financial assets available for sale and are mainly represented by Janna Scpa, (EUR 3.5 million) consortium company whose object is the management of a submarine fiber optic cable laid between Sardinia and the peninsula and between Sardinia and Sicily.

In the first half of 2018, Janna's share was written down for a total of EUR 129 thousand.

Inventories (note 15)

As at 30 June 2018, inventories totaled EUR 4 thousand.

Trade receivables (note 16)

Trade receivables	**30 June 2018**	**31 December 2017**
(EUR 000)		
Trade receivables	61,944	89,406
Write-down provision	(19,175)	(42,866)
Total	**42,769**	**46,540**

As at 30 June 2018, trade receivables totaled EUR 42.7 million, net of write-downs of EUR 19.2 million, were mainly generated by sales of Internet services, billing of Internet access services, inverse interconnection traffic, advertising revenues, as well as business customer and telephony services provided by the Group.

The analysis of the recoverability of receivables is carried out on a regular basis, adopting a specific policy for calculating the write-down provision by reference to experience and historical trends. Since the Group's credit exposure is spread over a very large customer base, there is no particular credit concentration risk. In particular, it should be noted that the estimate of the risk of collectability of receivables is already carried out at the time of registration of the receivables taking into account the general risk of non-collectability of unexpired receivables at the reference date, inferable from historical experience.. The provision for the half-year is equal to EUR 5.4 million.

Following the issue on 22 November 2016 of EU Regulation no. 2016/20167 which incorporated the changes introduced by IFRS9 (Financial Instruments) at EU level, the Directors assessed the effects of the introduction of the new standard on the classification, measurement, cancellation and impairment of financial assets and liabilities , as well as hedging transactions.

With regard to the credit area, the new framework provides for the transition from a loss assessment criterion based on the so-called "incurred loss" (pursuant to IAS 39), to an "expected credit loss" criterion: therefore, we move from an approach for which credit losses were recorded at the onset of a manifest loss event that determined the debtor's inability to honor his financial commitments, using a simplified approach (permitted by the standard and therefore applied) which provides for the estimate of the loss throughout the life of the credit at the time of initial registration.

The review of the write-down logics, based on historical indicators and prospective elements, applied to the different categories of receivables identified in the context of trade receivables management, did not involve substantial changes to the estimates of bad debts made by the Group on the basis of the previous criteria .

The significant uses in the half-year are connected to an incisive portfolio selection action which led to a reduction in the number of customers by eliminating those who are overdue or insolvent.

The following table details the changes in the provision for doubtful accounts during the respective financial years:

Bad debt allowance variations	**30 June 2018**	**31 December 2017**
(EUR 000)		
Bad debt allowance BoP	**(42,866)**	**(35,698)**
Provision	(5,352)	(9,745)
Utilizations	29,043	2,577
Bad debt allowance Eop	**(19,175)**	**(42,866)**

Other Receivables and other Current Assets (note 17)

Other Receivables and other Current Assets	**30 June 2018**	**31 December 2017**
EUR 000		
Other receivables	12,430	13,599
Accrued income	()	3
Prepaid expenses	8,427	8,037
Total	**20,857**	**21,639**

Other Receivables amounting approximately to EUR 12.4 million, mainly include the following:

- other receivables in the amount of EUR 9.6 million, of which EUR 8.1 million refer to the residual amount settled in services related to the sale of the B2B branch to Fastweb. With reference to this amount, it should be noted that the continuing possibility of using it was guaranteed by the signing of the Transfer Agreement which provided, inter alia, for the modification of the terms of use of this voucher in order to align them with the needs of the Group in light of the changed business in line with the New Business Plan 2018-2021;

- receivables from the tax office and other social security institutions amounting to EUR 2.3 million;
- in the amount of EUR 0.5 million, other receivables of the Aria Group, owed by another telecommunications operator for a contract relating to the use of frequency.

Prepaid expenses equal to EUR 8.4 million includes costs already incurred and pertaining to subsequent years, mainly relating to multi-year line rental contracts, hardware and software maintenance costs, insurance and advertising costs.

Cash and Cash Equivalents (note 18)

As at 30 June 2018, cash and cash equivalents amounted to EUR 1.8 million and include the Group's cash, essentially held in bank current accounts. There are no restricted deposits.

Shareholders' equity (note 19)

Shareholders' equity	**30 June 2018**	**31 December 2017**
EUR 000		
Share capital	43,065	121,507
Share Premium Reserve		24
Stock Options Reserve	(51)	2,010
Accumulated losses and other reserves	(171,096)	(252,400)
Profit/(loss) for the year	3,281	827
Total Shareholders' equity	**(124,801)**	**(128,031)**

Changes in the various shareholders' equity items are detailed in the relevant table.As at 30 June 2018, the share capital amounted to EUR 43.1 million, corresponding to 3,981,880,763 ordinary shares without nominal value.

The shareholders' meeting held on 26 June 2018 resolved to reduce the share capital in Tiscali Spa, pursuant to Art. No. 2446 of the Italian Civil Code, from EUR 121,507,322.89 to EUR 43,065,376.20, to cover previous losses. At the same time, the reserves were zeroed as at 31 December 2017 (share premium reserve, legal reserve and stock options reserve), with the exception of of the reserve for aid-dependent benefits (negative for EUR 39 thousand).

The stock options reserve is negative for EUR 51 thousand. The decrease, as compared to 31 December 2017, amounting to EUR 2,061 thousand, is attributable to the following factors:
- zeroin of the balance reserve as at 31 December 2017 for EUR 2,010 thousand (as part of the operation to reduce the capital to cover previous years' losses, approved on 26 June 2018);
- decrease in the opening value of the stock option reserve as at 1 January 2018 due to the absence of a total of No. 119,597,634 options as compared to the original plan (as described in the paragraph "Stock options"), for EUR 88.5 thousand;
- increase in the first half of 2018 due to the allocation of the cost at fair value on the remaining options for EUR 37 thousand.

Minority interests (note 20)

As at 30 June 2018, the balance of minority interests is nil (nil also as at 31 December 2017).

Current and non-current financial liabilities (note 21)

Current financial liabilities	30 June 2018	31 December 2017
(EUR 000)		
Payables to banks and other financing parties	107,062	108,502
Payables for finance leases (short term)	64,718	61,529
Total	**171,780**	**170,032**

Payables to banks and other lenders – current portion

The item "Payables to banks", amounting to approximately EUR 107.1 million, mainly accounts for the debts incurred by the Italian subsidiary Tiscali Italia S.p.A. for EUR 101.3 million, of which EUR 89.9 million related to the short-term component of the Senior loan (for details, see the continuation of this note), in addition to other debts of Tiscali Italia for EUR 10.9, in addition to debts of the Aria Group (EUR 5.7 million).

The balance of Tiscali Italia Spa also includes two financial debts related to loans allocated by the Ministry of Economic Development and the Ministry of University and Research for EUR 0.5 million.

Payables for finance leases – current portion

“Liabilities for finance leases” amount to EUR 64.7 million, referring to the short-term portion of the lease payments for leasing companies for leasing contracts belonging to Tiscali Italia SpA. For details, see paragraph in the continuation of this Note.

Non Current financial liabilities	30 June 2018	31 December 2017
(EUR 000)		
Payables for finance leases (long term)	7,523	10,809
Total	**7,523**	**10,809**

Payables for financial leases – long term

“Liabilities for finance leases” amounting to EUR 7.5 million refer to the long-term portion of the debts to leasing companies for leasing contracts belonging to Tiscali Italia Spa. The reduction for the period is attributable to the lower debt maturing after the year as compared to December 31, 2017.

Net financial position

The Group’s net financial position is shown in the following table:

Net Financial Position	**30 June 2018**	**31 December 2017**
(EUR 000)		
A. Cash and bank deposits	1,779	1,465
B. Cash equivalents	0	0
C. Securities held for trading	0	0
D. Cash and cash equivalents (A) + (B) + (C)	***1,779***	***1,465***
E. Current financial receivables		
F. Non-current financial receivables		
G. Current bank payables	10,906	13,284
H. Current portion of bonds issued	0	0
I. Current part of long-term loans	95,651	94,580
J. Other current financial payables	65,223	62,167
K. Current financial indebtedness (G) + (H) + (I)	***171,780***	***170,032***
L. Net current financial indebtedness *(K)-(D)-(E)-(F)*	**170,001**	**168,567**
M. Non-current bank loans	0	0
N. Bonds issued	0	0
O. Other non-current financial payables	7,523	10,809
P. Non-current financial indebtedness *(M)+(N)+(O)*	**7,523**	**10,809**
Q. Net financial indebtedness *(L)+(P)*	**177,524**	**179,376**

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

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

	30 June 2018	**31 December 2017**
(EUR mln)		
Consolidated net financial debt	**177.0**	**178.9**
Non-current financial receivables	0.5	0.5
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July	**177.5**	**179.4**

The gross financial debt (current and non-current), amounting to EUR 179,3 million, is mainly composed of the items shown in the following table:

<u>Breakdown of current and non-current debt</u>

Breakdown of current and non current debt	30 June 2018	Current portion	Non-current portion
(EUR 000)			
Senior debt	89,943	89,943	0
Bank payables	16,614	16,614	0
Total Senior debts and other bank payables	**106,557**	**106,557**	**0**
Payables to leasing companies			
Sale & Lease back Sa Illetta	52,617	*52,617*	*0*
Other finance leases	19,624	*12,100*	*7,523*
Total payables to leasing companies	**72,241**	**64,718**	**7,523**
Other financial payables	**505**	**505**	**0**
Total payables to leasing companies and other financial payables	**72,746**	**65,223**	**7,523**
Total indebtedness	**179,303**	**171,780**	**7,523**

The main items shown in the above table are as follows:

- senior debt pursuant to the Restructuring Agreement signed on 29 June 2016 with Intesa San Paolo and BPM for EUR 89.9 million;
- other bank payables totaling EUR 16.6 million;
- payables for finance leases, totaling EUR 72.2 million, mainly represented by the "Sale and Lease Back" agreement signed by reference to the Cagliari office (Sa Illetta) of the Company for EUR 52.6 million;
- financing received by Ministries for EUR 0.5 million in total.

The table below shows the monetary and non-monetary changes in the financial liabilities that occurred in the first half of 2018:

Cash and no cash variations of Financial liabilities	31 December 2017	Cash movements (repayments/ new debt)	Accrued Interests	30 June 2018
(EUR 000)				
Senior debt	87,812	0	2,131	**89,943**
Bonds issued				
Bank payables	20,053	(3,439)	0	**16,614**
Sale & Lease back Sa Illetta	52,230	0	388	**52,617**
Other finance leases	20,108	(1,636)	1,152	**19,624**
Other finance liabilities	638	(133)	0	**505**
Financial liabilities	**180,841**	**(5,208)**	**3,671**	**179,303**

<u>Senior Loan</u>

On June 29, 2016, the Tiscali Group signed a Restructuring Agreement with Intesa San Paolo and BPM ("Financial Institutions" or "the Lenders") for the Group's medium and long-term senior debt.

Following the realization of some default conditions, as more fully described in the management report, the Group started a negotiation which resulted in the forwarding to the Lenders of the request to obtain a review of the contractual agreements and, in particular , the acceptance by the Lenders of the Debt Restructuring Agreements proposed in the broader context of development of the New Business Plan 2018-2021.

In particular, the Company has proposed a restructuring agreement with senior Lenders (Intesa Sanpaolo and BancoBpm), according to the following terms:

- New deadline: 30 September 2024;
- Repayment plan structured as follows:
  - A prepayment of EUR 20 million, to be followed by a period of three years of pre-amortization;
  - Payment of about EUR 30 million in 6 six-monthly installments from 31 March 2022;
  - balance of the residual debt, equal to 2/3 of the total, to be paid in full on 30 September 2024.
- rate of 1.% on the portion of debt that will be amortized over the period 2022-2024 (approximately EUR 30 million);
- 1.25% rate on the portion of debt to be repaid in full on September 30th, 2024 (approximately EUR 42.5 million).

The conditions and terms of the Senior Debt Restructuring Agreement described above, finalized with the two aforementioned credit institutions at the date of this financial report, were confirmed by them with specific comfort letters received on 14 and 15 November 2018. With these letters, the two institutes undertake to bring to the approval of the competent decision-making bodies with a positive opinion, the restructuring agreements under the conditions and terms described above.

Sales and Lease back Sa Illetta

With reference to the "Sale & Lease Back Sa Illetta" payable with Mediocredito Italiano and Unicredit Leasing, following the fulfillment of certain default conditions, as more fully described in the management report, the Group forwarded the request to obtain a review of the contractual agreements and, in particular, the acceptance by the Pool Leasing of the proposed Sa Illetta Leasing Restructuring Agreement.

This proposal provides for the property to return to the possession of the leasing company at a value that will be defined following an evaluation carried out by an independent expert. If this appraisal value is less than the residual debt at the date of transfer of ownership, Tiscali will pay a total payment on 30 June 2019 equal to the difference between this appraisal value and the residual debt, for a maximum total amount of EUR 10 million to fully extinguish the residual debt.

The value of the property as at 30 June 2018 amounted to EUR 41.1 million, while the leasing debt recognized in short-term financial payables amounted to EUR 52.6 million.

The Pool Leasing has welcomed the closure of the Sale Agreement with Fastweb under the conditions and previously referred to and has forwarded a comfort letter to Tiscali on 14 November 2018 in which it undertakes to bring the aforementioned proposal to the approval of the competent decision-making bodies in short times.

The conditions and terms included in the proposed Debt Restructuring Agreements are not reflected in the financial statements at 30 June 2018 as they were finalized after that date, while they are an essential element of the financial sustainability of the New Business Plan 2018-2021 has better described in the report on management and in the considerations on the occurrence of the going concern assumption.

Covenants

The senior loan and the Leasing Contract “Sa Illetta” require the Company to comply with certain financial requisites (so-called “Covenants”) which, in case they are not respected, give the financial counterparties the possibility to accelerate.

Event of default

The loan, also in the version proposed in the Senior Debt Restructuring Agreement, provides for some "event of default" upon the occurrence of certain events, including (i) non-compliance with payment obligations; (ii) breach of contract commitments (iii) violation of financial covenants; (iv) false statements; (v) failure to execute or violate the documents relating to the guarantees; (vi) significant cross-default events; (vii) significant "warning" or "qualification" by the Independent Auditors; (viii) insolvency, liquidation and dissolution of significant Group companies; (ix) opening of insolvency proceedings; (x) implementation of significant forced procedures against the Group; (xi) loss of significant litigation (xii) termination of significant activities of the companies of the Group; (xiii) occurrence of an event that has a negative effect on the Group's business.

It should be noted that at 30 June, pending the debt restructuring process referred to in the previous paragraph, the Group did not comply with some covenants and that some default events occurred in the current half year as in previous years. The expected acceleration risk in the event of de facto default is mitigated by the state of advanced finalization of the Senior Debt Restructuring Agreement described above.

While considering low the probability that the financial counterparties will request the acceleration of these payables, also on the basis of the information received by the management of these financial counterparties during the meetings held, in accordance with IFRS9, the financial liabilities were classified in comment on short-term liabilities.

The following table summarizes the main elements of the loan, as represented in the figures as at 30 June 2018, even though they have subsequently been restructured.

Finanziamento	**Importo**	**Scadenza**	**Istituti Finanziatori**	**Contraente**	**Garanti**
First Facility	32,4 ml di Euro	mar-22	Banca Popolare di Milano S.c.a.r.l.		Tiscali S.p.A.
				Tiscali Italia S.p.A.	Tiscali International BV Tiscali Financial Services SA Veesible S.r.l. Tiscali UK Holdings Limited

Finanziamento	**Importo**	**Scadenza**	**Istituti Finanziatori**	**Contraente**	**Garanti**
Second Facility	52,9 ml di Euro	mar-22	Intesa Sanpaolo S.p.A.		Tiscali S.p.A.,
				Tiscali Italia S.p.A.	Tiscali International BV Tiscali Financial Services SA Veesible S.r.l. Tiscali UK Holdings Limited

It should be noted that Tiscali Uk Holdings, one of the guarantors, was in the process of being liquidated at the date of this Half-Year Report. The liquidation ended on 9 October 2018. The Company sent a formal communication to the Financial Institutions related to the liquidation procedure on 5 June 2018.

<u>Other loans</u>

The main information on the loans of the Aria group outstanding as at 30 June 2018 is reported below:

i) an original EUR 3 million loan with Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria), subscribed in April 2009, maturing in October 2020 (new maturity renegotiated in 2016), with a residual value at 30 June 2018 equal to EUR 2.4 million, plus interest. This loan is not subject to financial covenants.

ii) original financing of EUR 1 million with Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria), subscribed in May 2010, maturing in October 2020 (new maturity renegotiated in 2016), with a residual value at 30 June 2018 equal to EUR 0.7 million, plus interest. This loan is not subject to financial covenants.

iii) original financing of EUR 0.8 million with Gepafin, a financial investee of the Umbria Region, subscribed in June 2009, maturing in November 2018 (new maturity renegotiated in 2018) and with a residual value of 30 June 2018 equal to EUR 0.1 million. This loan is not subject to financial covenants.

In addition to the loans indicated above, it should also be noted that on 15 July 2015 Aria and the subsidiary Media PA Srl had signed a restructuring agreement with a credit institution relating to the debt towards the aforementioned credit institution, now expired, for the amount of EUR 5.8 million.
Pursuant to this agreement, the credit institution had recognized the Aria Group: (a) a liquidation from the aforementioned exposure for a total of approximately EUR 3.1 million (corresponding to 26% of the total exposure); (b) a repayment plan for a 48-month period starting August 2015, without the payment of interest. This agreement was further negotiated during the first half of 2018: the residual amount of the first agreement, totaling EUR 3.1 million, was the subject of a further write-off for EUR

0.9 million, and for the residual of a total of EUR 2.2 million was agreed a repayment plan in 11 monthly installments payable from August 2018 until June 2019.

Other non-current liabilities (Note 22)

Other non-current liabilities	30 June 2018	31 December 2017
(EUR 000)		
Trade payables	11,233	16,023
Other payables	4,320	4,925
Total	**15,554**	**20,947**

The item "payables to suppliers" relates to the long-term component of payables to suppliers (see note 26). These payables are recognized at their current value. Please note that the agreement entered into with Fastweb provides that a takeover by the same of EUR 13.5 million mainly relating to relationships with suppliers classified in this item.

The item Other payables, amounting to EUR 4.3 million, basically includes:

- EUR 2.1 million for tax debts for files to be settled in the long term;
- EUR 1.2 million of payables to Engineering relating to employee severance indemnities, deriving from the rental of the business unit to the same Engineering;
- EUR 0.3 million for guarantee deposits to clients of Tiscali Italia S.p.A.;
- EUR 0.7 million due to Janna S.c.p.a. (which is involved in the management of an underwater fiber optics cable between Sardinia and the mainland and between Sardinia and Sicily), attributable to Tiscali Italia S.p.A.

Liabilities for pension obligations and staff severance indemnities (note 23)

The table below shows the changes during the period:

(EUR 000)	31 december 2016	Accruals	Utilization	Payments to Funds (*)	OCI Reserve	31 december 2017
Severance Indemnities	3,897	718	(171)	(660)	-	3,784
Total	**3,897**	**718**	**(171)**	**(660)**	-	**3,784**

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

The severance indemnity fund, which includes bonuses mainly for employees, refers to the Parent Company and its Subsidiaries operating in Italy, and amounts to EUR 3.8 million as at 30 June 2018.

The update of the actuarial estimates at June 30, 2018 did not result in any change in the related equity reserve.

Provisions for risks and charges (note 24)

	31 December 2017	Increases in provision	Reverse to PL	Utilisations	30 June 2018
(EUR 000)	3,239	138	(58)	(352)	2,968
Total	**3,239**	**138**	**(58)**	**(352)**	**2,968**

As at 30 June 2018, the provision for risks and charges amounted to EUR 3 million and mainly includes:

- EUR 1.4 million for other provisions, of which EUR 0.8 million related to the Aria Group, EUR 0.5 million related to Tiscali Italia and EUR 0.1 million to Tiscali S.p.a.; these allocations are mainly connected to risks concerning controversies with suppliers;
- EUR 0.5 million for disputes with employees;
- EUR 0.5 million for provisions for tax fund (of which EUR 360 thousand for the TARSU);
- EUR 0.5 million for provision against a supplementary indemnity to be paid to agents.

Reference should be made to the following note "Disputes, contingent liabilities and commitments" to update the status of disputes, against which the provision for risks is deemed to represent the best estimate of the liability risk for the Group based on available knowledge.

Provision for deferred taxes (note 25)

Provision for deferred taxes	31 December 2017	Increases in provision	Utilisations	30 June 2018
(EUR 000)				
provision for deferred taxes	448		(45)	404
Total	**448**		**(45)**	**404**

The provision for deferred taxes amounted to EUR 0.4 million and refers to the tax effect of capital gains arising on the allocation of the consideration paid for the acquisition of the Aria Group.

Trade payables (note 26)

Trade payables	30 June 2018	31 December 2017
(EUR 000)		
Trade payables	164,806	154,913
Total	**164,806**	**154,913**

Trade payables refer to amounts due for the supply of telephony traffic, data traffic, supply of commercial materials, technology and services, as well as for the supply of multi-year investments (mainly LET network's infrastructures).

As at 30 June 2018, net overdue trade payables (net of the repayment plans agreed with suppliers, and of active assets and disputes with the same suppliers) amount to EUR 66.3 million.

Other current liabilities (note 27)

Other current liabilities	30 June 2018	31 December 2017
(EUR 000)		
Accrued expenses	1,469	1,409
Deferred income	28,335	30,788
Other payables	34,942	31,986
Total	**64,746**	**64,183**

Accrued expenses mainly relate to personnel costs.

Deferred income of EUR 28.3 million mainly relate to:

- the capital gain on the disposal relating to the *Sale & Lease Back* transaction on the Sa Illetta property, amounting to approximately EUR 7.6 million, which is issued on a pro-rata basis corresponding to the term of the lease agreement (EUR 8.6 million as at 31 December 2017);
- the deferral of the revenues deriving from the sale of transmission capacity (IRU) pertaining to future financial years, for approximately EUR 5.9 million (EUR 6 million as at 31 December 2017);
- the deferral of the revenues for the activation of the ADSL and VoIP services relating to other accounting periods for approximately EUR 13.9 million (EUR 15.1 million as at 31 December 2017);
- the deferral of revenues accruing in future years, pertaining to the Aria Group, for EUR 1 million (EUR 1.1 million as at 31 December 2017).

The item Other payables, amounting to EUR 34.9 million, mainly includes:

- VAT payablesto be regulated for about EUR 0.1 million;
- tax and social security payables, of which EUR 16.8 (EUR 15.9 million as at 31 December 2017);
- amounts due to personnel for EUR 2.1 million (EUR 2.4 million as at 31 December 2017);
- other payables totaling EUR 16 million (EUR 13.6 million as at 31 December 2017) mainly composed of payables to public institutions.

As of today, about EUR 6.8 million of overdue tax liabilities have been settled.

Stock Options

On February 16, 2016, the Ordinary and Extraordinary Shareholders' Meeting of Tiscali S.p.A., held in Cagliari in a single call, approved the 2015-2019 Stock Option Plan intended for Renato Soru as Chairman of the Board of Directors, and the concerned proposal of granting an authorization to the Board for the capital increase of the above-mentioned Plan. The mandate concerns the issuance of 251,622,551 ordinary shares maximum, to the maximum service of 251,622,551 options to be reserved to President Renato Soru, as the beneficiary of the 2015-2019 Stock Option Plan. As reported in the "Information Document on the 2015-2019 Tiscali S.p.A. Stock Option Plan", options granted will be exercisable in three tranches:

- The first, consisting of 157,264,095 Options, for the subscription of an equal number of Tiscali ordinary shares, and to be exercised between December 24, 2016, and December 24, 2018, at an exercise price of EUR 0.060 per share;
- The second, consisting of 47,179,228 Options, for the subscription of an equal number of Tiscali ordinary shares, and to be exercised between December 24, 2017, and December 24, 2018, at an exercise price of EUR 0.069 per share;
- The third, consisting of 47,179,228 Options, for the subscription of an equal number of Tiscali ordinary shares, and to be exercised between December 24, 2018, and June 24, 2019, at an exercise price of EUR 0.078 per share.

Successively, on May 12, 2016, the Board of Directors of Tiscali S.p.A. approved the 2016-2021 Stock Option Plan regarding ordinary shares of Tiscali S.p.A. reserved to the CEO and the Management of the Group, and the following proposal of Capital Increase, also in separate issues, through the issuance of 314,528,189 ordinary shares maximum with no nominal value, to the service of maximum 314,528,189 options valid for the subscription of ordinary shares of the Company to be reserved to the CEO and the Management of the Group as beneficiaries of the 2016-2021 Stock Option Plan, with the exclusion of option right in compliance with the Article 2441, Paragraph 5 and 6 of the Civil Code. The ensuing amendment of the Article 5 of the Articles of Associations, related and consequential resolutions, delegation of powers.
During the first half of 2017, in connection with the cessation of 4 executives originally beneficiaries of the plan, 56,385,123 options were terminated.
In the first half of 2018, two other executives have cessated, the CEO Riccardo Ruggiero, (whose term ended 26 June 2018, the date on which the Shareholders' Meeting that approved the 2017 Financial Statements was held) and an executive deceased on April 2018. These terminations have led to the elimination of further 63,212,511 options.

As at 30 June 2018, the total number of options remaining, being vested and with vesting period ended at 31 December 2017, amounts to No. 194,930,555.

The assessment of the stock option plans was carried out at the time of initial recognition, with the inclusion in the income statement of the cost portion during the vesting period with a contra-entry to the shareholders' equity reserve.

Disputes, contingent liabilities and commitments

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

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

<u>Civil and administrative proceedings</u>

Opposition to the Injunctive Decree Porzio & Partners srl

On July 5, 2017, the Porzio & Partners company notified an injunction for a total of EUR 1 million with which it requested the payment of invoices relating to professional advice given to Tiscali as part of the Consip SPC tender. The Company objected. At present it is not possible to express a prediction on the outcome of the case. The amount of the liability is accounted for under payables to service providers.

Opposition to the WIND Tre Spa injunctions

On June 6, 2016, and September 20, 2017, Wind notified two injunctions for payment issued by the Court of Cagliari for receivables due from Tiscali Italia Spa and Aria Spa, relating to the provision of OLO-OLO connectivity and interconnection services. The Company has filed an appeal in opposition to the Court of Cagliari, asking the judge to rule on the non-existence of the conditions for the provision of the provisional enforceability, as well as, following the counterclaim request, to rule on the correct quantification of the respective credit claims. The case concerning the first dispute is postponed for admission of the preliminary evidence to October 2020. At present, it is not possible to express a forecast on the outcome of the case. The amount relating to the invoices referred to in the injunctions for payment is accounted for under payables to service providers.

Opposition to Telecom Italia Sparkle injunction

On November 22, 2017, the company Telecom Italia Sparkle notified an injunction for payment, with a a corresponding court order issued by the Court of Rome for receivables due from Tiscali Italia Spa relating to the provision of wholesale voice services (so called wholesale). The Company is preparing its defense and providing for the payment of the sum related to services received and not contested, while for the sums object of the dispute an opposition judgment has been initiated. At present, it is not possible to express a forecast on the outcome of the case. The amount relating to the invoices referred to in the injunction for payment is accounted for under payables to service providers.

Summons by Crotone Calcio

In February 2018, Giovanni Vrenna and Crotone Calcio cited Tiscali Italia Spa, as editor of the news outlet tiscali.it, following the publication of a news article reported to the parties. Among the requests advanced there is a claim for damages assessed by the parties in about EUR 1 million. The Company is preparing its defense by organizing its own constitution in the proceedings. At present, it is not possible to express a forecast on the outcome of the case.

Opposition to the Abramo Customer Care Spa injunction

In September 2018, the company Abramo Customer Care Spa notified an injunction issued by the Court of Cagliari relating to customer care services granted by a tender in May 2017. The company is preparing its defenses and at the same time verifying the possibility of reaching a settlement agreement and excerpt on the petitum. At present it is not possible to express a forecast on the outcome of the case.

Proceedings of a criminal nature

In September 2013, Tiscali Spa received, pursuant to Legislative Decree No. 231/2001, a notice of conclusion of preliminary investigations into alleged conduct of false corporate communications related to the financial statements from 2008 to 2012. The subsidiary Tiscali Italia received the same notice in January 2014. The offense against the Company and some Directors refers to alleged incorrect accounting entries in respect of provisions for doubtful debts, as per Article No. 2622 of the Civil Code. In June 2016, at the end of the preliminary hearing, the two companies were sent to trial, as well as the Directors accused. The trial phase began in October 2016 and is still ongoing. At the date of this Report the trial is ongoing, with the examination of the various texts and on the basis of the most recent opinion of the lawyers representing Tiscali Italia, the evolution of the dispute and its outcome are not foreseeable.

Fair Value

In order to provide the classification of financial instruments at fair value required by IFRS 13, determined on the basis of the quality of the sources of inputs used in the valuation, the fair value measurements of the Group's financial instruments have been classified in the 3 levels envisaged by IFRS 7. In particular, the hierarchical scale of fair value consists of the following levels:

• Level 1: corresponds to prices quoted on active markets;

• Level 2: corresponds to prices calculated through elements taken from observable market data;

• Level 3: corresponds to prices calculated through other elements different from observable market data.

It should be noted that in the first half of 2018 there are no financial instruments to be measured at fair value on the basis of the parameters indicated above.

Segment information

Segment reporting is presented on the basis of the following segments:

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

The following tables are showing the economic items at at June 30th, 2018 splitted by segments:

30 June 2018 (Thousands of EUR)	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Total
Revenue				
From third parties	85,852	6,484	35	92,371
Intra-group	5,257	2,943	(8,200)	-
Total revenues	**91,108**	**9,427**	**(8,165)**	**92,371**
Operating profit	**(18,786)**	**638**	997	(17,151)
Portion of results of equity inv. carried at equity	-	-	-	**(129)**
Net Income (expenses)	-	-	-	(5,555)
Pre-tax result	-	-	-	(22,835)
Income taxes	-	-	-	26,116
Net result from operating activities (on-going)	-	-	-	3,281
Income from held for sale and discontinued operations	-	-	-	
Net operating income	-	-	-	**3,281**

30 giugno 2017 (Thousands of EUR)	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Total
Revenue				
From third parties	97,029	6,553	35	103,616
Intra-group	4,987	2,555	(7,542)	-
Total revenues	**102,016**	**9,108**	**(7,507)**	**103,616**
Operating profit	**(12,059)**	**(448)**	**(361)**	**(12,867)**
Portion of results of equity inv. carried at equity				
Net Income (expenses)				(6,345)
Pre-tax result				(19,212)
Income taxes				24
Net result from operating activities (on-going)				(19,188)
Income from held for sale and discontinued operations				43,646
Net operating income				**24,457**

Non-recurring transactions

Pursuant to CONSOB Resolution No. 15519 dated July 27, 2006 it is reported that in the first half of 2018 non-recurring transactions were recorded, with an overall positive effect on the Group's income statement of EUR 0.5 million. Transactions were considered "non-recurring" for the purpose of providing the information required by Consob Resolution No. 15519 of 27 July 2006, if they are not part of the ordinary management of the Group even when they occurred in previous years or are expected to occur in the next financial years.

In particular, the following non-recurring transactions have been recorded in the first half of 2018:

- extraordinary gain for EUR 922 thousand deriving from a transaction carried out by the subsidiary Aria with Unicredit, which led to the elimination of the financial debt concerned;
- fine imposed by AGCM as Tiscali Italia would have adopted unlawful conduct in violation of the rules of the consumption code for the implementation of the consumer rights directive, within the distance marketing of fixed and/or mobile telephony services. During the first half of

2018, the Lazio Regional Administrative Court, where an appeal was submitted against this fine, confirmed the amount of approximately EUR 1 million;

- increase in charges for personal restructuring costs due to a workforce reduction of EUR 0.3 million;
- other restructuring charges for EUR 0.1 million.

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

Non-recurring transactions	1° semester 2018	1° semester 2017	Variation
(EUR/million)			
Revenue	0.0	0.0	0.0
Other income	0.0	0.0	0.0
Purchase of external materials and services	1.0	(1.5)	2.5
Personnel costs	0.0	0.0	0.0
Other operating expense (income)	0.0	(0.4)	0.4
Write-downs accounts receivable from customers	0.0	0.0	0.0
Gross Operating Result (EBITDA)	**(1.0)**	**1.9**	**(2.9)**
Restructuring costs, provisions for risks and write-downs	**0.4**	**3.5**	**(3.2)**
Operating profit (EBIT)	**(1.4)**	**(1.6)**	**0.3**
Financial income	0.9	0.0	0.9
Financial expenses	0.0	0.0	0.0
Pre-tax profit	**(0.5)**	**(1.6)**	**1.2**
Income taxes	**0.0**	**0.0**	**0.0**
Net result from operating activities (ongoing)	**(0.5)**	**(1.6)**	**1.2**
Income from BTB sale to Fastweb	**0.0**	**43.8**	**(43.8)**
Other charges related to held for sale	**0.0**	**0.2**	**(0.2)**
Net result for the period	**(0.5)**	**42.0**	**(42.5)**

Atypical and/or unusual transactions

Pursuant to Consob Communication dated 28 July 2006, it is specified that, during the first half of 2016, the Group did not carry out any atypical and/or unusual transactions, as defined in the Communication itself.

Related-party transactions

Relations with unconsolidated Group companies

The Group does not have significant relationships with non-consolidated companies.

Relations with other related parties

During the period, the Tiscali Group maintained some relationships with related parties on terms deemed normal in the respective reference markets, taking into account the characteristics of the goods and services provided.

The table below summarizes the economic and equity values recorded in the consolidated financial statements of the Tiscali Group at 30 June 2017 and 30 June 2018 deriving from transactions with related parties.

Income Statement Values	Notes	30 June 2018	30 June 2017
(Euro 000)			
Monteverdi S.r.l.	1	(15)	(15)
Open Campus	2	33	33
Open Campus	2	(33)	(33)
Directors		(1,594)	(1,710)
Convertible Bond	3		(208)
Stock option	4	51	(266)
Total Expenses & Income		**(1,558)**	**(2,199)**

Asset Values	Notes	30 June 2018	31 December 2017
(Euro 000)			
Monteverdi S.r.l.	1	(32)	(18)
Open Campus	2		-
Open Campus	2		
Directors		(840)	(630)
Convertible Bond	3		
Total Suppliers of Materials and Services		**(873)**	**(648)**
Stock Option Reserve	4	51	(2,010)
Net assets pertaining to the Group		**51**	**(2,010)**
Total		**(822)**	**(2,658)**

(1) Monteverdi S.r.l.: company participated by the majority shareholder, Renato Soru. The relationship concerned refers to a leasing contract for a space used for the storage of business documentation.

(2) Open Campus: company owned 80% by Alice Soru, member of the Board of Directors of Tiscali Spa until 26 June 2018. On that date, in which the Tiscali Spa Shareholders' Meeting was held, which approved the 2017 Financial Statements, the members of the Board of Directors of Tiscali Spa ended their term of office. Alice Soru's mandate was not renewed. There are two ongoing contracts with Open Campus, one according to which Tiscali Italia purchases brand promotion services from Open Campus, and the other according to which Tiscali Italia rents an equipped office areas to Open Campus for the performance of its activities. The two contracts are not related one to each other. The economic values of the contracts are reported in the related parties table for the January-June 2018 period.

(3) Convertible Bond Loan: subscribed on September 7, 2016 by Rigensis Bank AS and Otkritie Capital International Limited (OCIL) and converted into capital on December 15, 2017. The economic effect shown in the table as at 30 June 2017 relates to the interest for the period accrued by the OCIL Bondholder. At 31 December 2017, once the conversion of the bond has been completed, the aforementioned related party has ceased.

(4) Stock Option: the company has some management incentive plans in the form of Stock Options (please refer to the paragraph "Stock Options").

It should be noted that on November 16, the reference shareholders signed letters of commitment for the disbursement of bridge loans of EUR 5 million each in the context of the broader agreements for the restructuring of financial and business debt through the finalization of the transaction with Fastweb subject of the Sale Agreement of 16 November.

List of subsidiaries included in the consolidation scope

The list of subsidiaries included in the consolidation scope follows:

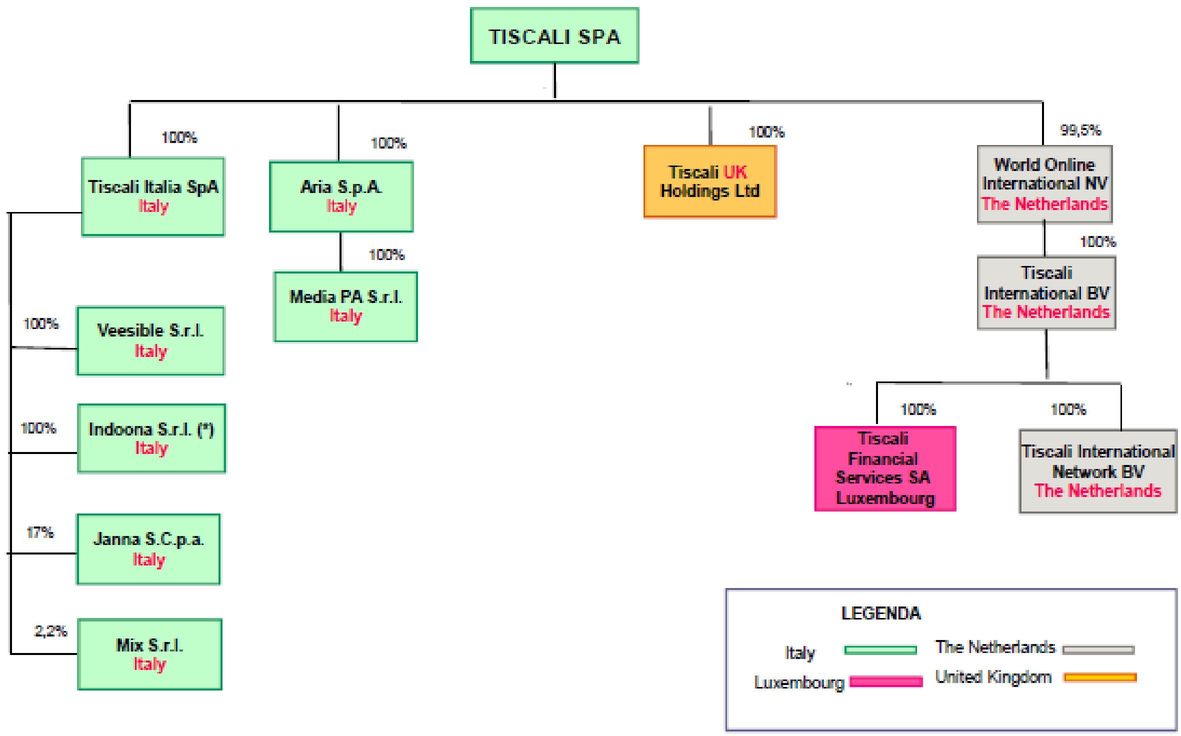
Name		HQ	% of participation
Tiscali S.p.A.		Italy	
Tiscali Italia S.p.A.		Italy	100.00%
Veesible S.r.l.		Italy	100.00%
Indoona S.r.l.	(*)	Italy	100.00%
Aria S.p.A.		Italy	100.00%
Media PA S.r.l.		Italy	100.00%
Tiscali Holdings UK Ltd	(*)	The U.K.	100.00%
World Online International NV		The Netherlands	99.50%
Tiscali International BV		The Netherlands	99.50%
Tiscali Financial Services SA		Luxembourg	99.50%
Tiscali International Network B.V.		The Netherlands	99.50%

(*) Company being liquidated as at 30 June 2018.

List of equity investments in other companies recognised under other non-current financial assets.

Name	HQ
Mix S.r.l.	Italy
Janna S.c.p.a.	Italy

Tiscali Group as at 30 June 2018



Events after the end of the six-month period.

Regarding events subsequent to the end of the six-month period, please refer to paragraph 5.11.

Cagliari, 22 November 2018

The Chief Executive Officer	**The Officer in Charge of Preparing the Company’s Accounting Documents**
Alex Kossuta	Daniele Renna

Certification of the Consolidated Financial Report as at 30 June 2018, in compliance with Article 81-ter of the CONSOB Regulation No. 11971 dated May 14, 1999 and subsequent

The undersigned, Alex Kossuta, in his capacity of Chief Executive Officer, and Daniele Renna, in his capacity of Executive appointed to draft the Corporate and Accounting Documents of Tiscali S.p.A., hereby certify, with account also being taken of the provisions of Article 154-bis, Paragraphs 3 and 4, of Italian Legislative Decree No. 58 dated February 24, 1998:

- the adequacy in relation to the Company's characteristics;
- the effective application of the administrative and accounting procedures

for the formation of the abridged financial report for the six-month period as at June 30, 2018.

Tiscali S.p.A. has adopted as reference framework for the definition and assessment of its internal control system, with particular reference to internal controls for budget formation, the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which represent a body of general principles of reference for the generally accepted internal control system at international level.

It is also hereby certified that the abridged financial report for the six-month period as at 30 June 2018:

- have been drafted were prepared in compliance with the *International Financial Reporting Standards* adopted by the European Union, as well as with the legislative and regulatory provisions in force in Italy;
- are consistent with the results of accounting books and entries;
- are suitable for providing a true and fair view of the equity, economic and financial situation of the issuer and all the companies included in the consolidation area.

Lastly, it is hereby certified that the Interim Management Report includes a reliable analysis of the references to important events which have taken place during the first six months of the year and of their effect on the consolidated financial statements, together with a description of the main risks and uncertainties for the six remaining months of the FY. The Interim Management Report includes, as well, a reliable analysis of the information on the relevant transactions with related parties.

Cagliari, 22 November 2018

The Chief Executive Officer

Alex Kossuta

The Officer in Charge of Preparing the Company's Accounting Documents

Daniele Renna

7 Glossary

Shared access	Technique for shared access to a local network in which a former monopoly operator rents part of the capacity to other operators: in that portion of the bandwidth the operator can provide Broadband services, whilst the former monopoly operator on the portion of the bandwidth not hired out, continues to provide telephony services.
ADSL	Acronym for Asymmetric Digital Subscriber Line, (the available bandwidth in reception is greater than that available for transmission) to enable internet access at high speed.
ADSL2 +	An ADSL technology that extends the ADSL base capacity by doubling the download bit flow. The bandwidth can reach 24 Mbps in download and 1.5 Mbps in upload and depends on the distance between the DSLAM and the customer's location.
Uncovered Areas	Also called "indirect access areas" to identify the geographic areas which are not directly served by the network owned by Tiscali (see also Bitstream and Wholesale).
ARPU	Average returns for fixed and mobile telephony for the user calculated over a given period for an average number of active (for other operators) or Tiscali Group customers in the same period.
Bitstream	Bitstream (or digital flow) services: service consisting of the supply by an operator of access to the fixed public telephone network of the transmission capacity between an end user workstation and the point of presence of an operator or an ISP that wants to provide broadband services to the end user.
Broadband	Data transmission system in which lots of data is sent simultaneously to increase the actual speed of transmission with a data flow equal to or greater than 1.5 Mbps.
Broadcast	Simultaneous transmission of information to all nodes on a network.
Unique browsers	Number of different browsers that, in a specific time span, can visit a site one or more times.
Access fee	This is the amount debited by national operators for each minute of use of their network by the operators of other networks. This is also called the "interconnection fee".
Capex	Acronym for Capital Expenditure. Identifies the outgoing cash flows generated by the investments in an operating structure.
Carrier	Company that physically makes a telecommunications network available.
Co-location	Dedicated spaces in the machine rooms of an incumbent operator for the installation by Tiscali of its own network devices.
CPS	Acronym for Carrier Pre Selection, a system for preselecting an operator. This enables an operator/supplier of local services to automatically route calls on the network of the carrier selected by a client who no longer has to enter special selection codes.

CS	Acronym for Carrier Selection, a system for selecting an operator. Enables a client to select, by entering a special code, a long distance national or international operator other than that with whom he/she has a network access subscription.
Business customers	SoHos, small medium and large businesses.
Consumer customers	Customers who subscribe to an offer intended for households.
Dial Up	Narrowband internet connection by means of a normal telephone call, usually charged on a time basis.
Digital	This is the way of representing a physical variable in a language that uses only the figures 0 and 1. The figures are transmitted in binary code as a series of impulses. Digital networks, which are rapidly replacing the old analogue networks, allow greater capacities and greater flexibility by using computerised technologies for the transmission and handling of calls. Digital systems offer less noise interference and can include encryption as protection from outside interference.
Double Play	Combined offer of access to the Internet and fixed telephony.
DSL Network	Acronym for Digital Subscriber Line Network, which is a network built from existing telephone lines using DSL technology instruments that, by using sophisticated modulation mechanisms, enable data packets to be sent along copper wires and thus the linking of a telephone handset to a modem at a home or in an office.
DSLAM	Acronym for Digital Subscriber Line Access Multiplexer, a device used in DLS technologies, to multiply the transmission of data at high capacities on telephone wires, where a multiplexer means a device that enables the transmission of information (voice, data, videos) in flows by means of direct and continuous connections between two different points on a network.
Fibre Optic	Thin fibres of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fibre optic cable contains various individual fibres, each capable of carrying a signal (light impulses) over a virtually limitless band length. They are usually used for long distance transmissions, for the transmission of "heavy data" so that the signal arrives protected from interference which it might encounter along its own path. A fibre optic cable's carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.
GigaEthernet	Term uses to describe the various technologies that implement the nominal speed of an Ethernet network (the standard protocol for cards and cables for high speed connections between a computer and a local network) of up to 1 gigabit per second.
Home Network	Local network made up from various kinds of terminals, devices, systems and user networks, with related applications and services including all the apparatus installed at user premises.
Hosting	Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.

Incumbent	Former monopoly operator active in the telecommunications field.
IP	Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol), created for interconnecting ungrouped networks by technology, services and handling.
IPTV	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
IRU	Acronym for Indefeasible Right of Use, long term agreements that guarantee the beneficiary the option of using for a long period the grantor's fibre optic network.
ISDN	Acronym for Integrated Service Digital Network, a telecommunications protocol in Narrowband able to carry in an integrated form various kinds of information (voice, data, texts, and images) coded in digital form on the same transmission line.
Internet Service Provider or ISP	Company that provides Internet access to single users or organisations.
Leased lines	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.
LTE-TDD	Long Term Evolution Time Division Duplex is a mobile data transmission technology that follows international standards developed for LTE and 4G networks. It is a network technology that uses a single frequency to transmit, and it does by alternating between uploading and downloading data with a ratio of dynamic adaptation based on the amount of data exchanged
MAN	Acronym for Metropolitan Area Network, a fibre optic network that extends across a metropolitan area and links a Core Network to an Access Network.
Mbps	Acronym for megabit per second, a unit of measurement that states the capacity (and thus the speed) of data transmission along a computer network.
Modem	Modulator/demodulator. It is a device that modulates digital data in order to permit its transmission along analogue circuits, usually made up of telephone lines.
MNO	Acronym for Mobile Network Operator, an operator of proprietary telecommunications on a mobile network that offers its own services wholesale to all MVNOs (Mobile Virtual Network Operator).
MPF	Acronym for Metallic Path Facility, the pair of copper wires (unscreened twisted pair) that comes from an exchange (MDF -Main Distribution Frame) in an operator's telephone room and arrives at the user's premises (individual or corporate). Connections can be Full or Shared. A Full type connection enables the use of the data service (broadband) in addition to voice traffic. A Shared kind of connection only enables the use of the data service (broadband). In a "shared access" service, the LLU operator (in ungrouped access) provides the ADSL services to the end user, whilst the incumbent operator provides the analogue telephone service using the same access line.

MSAN	Acronym for Multi-Service Access Node, a platform able to carry a combination of traditional services on an IP network and that supports a variety of access technologies such as for example a traditional telephone line (POTS), and ADSL2+ line, a symmetric SHDSL line, VDSL and VDSL2 over a copper or fibre-optic network.
MVNO	Acronym for Mobile Virtual Network Operators: A party that offers mobile telecommunications services to the public, using its own mobile network interconnection structures, its own HLR, its own mobile phone network code MNC, Mobile Network Code), its own customer handling (marketing, invoicing and support) and issuing its own SIM cards, but does not have assigned frequencies and takes advantage, for access, of agreements negotiated or regulated via one or more licensed mobile network operators.
Narrowband	System for connecting to data networks, for example the Internet, by means of a telephone call. In this kind of connection all the bandwidth used for the means of transmission is used as a single channel. One single signal occupies all the available bandwidth. The bandwidth of a communications channel identifies the maximum quantity of data that can be carried by means of transmission of the unit over time. The capacity of a communication channel is limited by the frequency interval that the equipment can sustain and by the distance to be travelled. An example of a Narrowband connection is the common modem narrowband connection at 56 kbps.
OLO	Acronym for Other Licensed Operators, operators other than the dominant one that operate in a national telecommunications services market.
Opex	Acronym for Operating Expenses which are direct and indirect costs that are recoded in the income statement.
Pay-Per-View	System by which a spectator pays to view a single programme (such as a sporting event or a film or concert) at the time it is transmitted or broadcast.
Pay TV	TV channels on payment. To receive Pay TV or Pay-Per-view, you have to connect a decoder and have an access system subject to conditions.
Platform	It is the total of the inputs, including hardware, software and equipment for running and the procedures for production (production platform) or for the management (management platform) or for a special service (service platform).
POP	Acronym for Point of Presence, a site at which telecommunications apparatus is installed and that forms a node on the network.
Portal	Website that forms a point of departure or an entry point for a major group of Internet resources or an Intranet.
Router	Hardware or in some cases software instrument that identifies the next point on the network to which a data packet is to be sent, and routes that data packet towards the end destination.
Service Provider	Party that provides end users and content providers with a range of service, including that of an owned, leased or third party service centre.

Server	Computer component that provides services to other components (typically client calls) via a network.
Set-top-box or STB	Device able to handle and route data, voice and television connections, installed at the end user's premises.
Syndication	The sale of radio and TV transmissions wholesale by a media company that owns the rights and usually the delivery platform also.
SoHo	Acronym for Small office Home office, for small offices, mostly professional offices or small firms.
SHDSL	Acronym for Single-pair High-speed Digital Subscriber Line. SHDSL is a technology for telecommunications of the xDSL family and is made by using direct LLU interconnections and enables high speed connections to be made in a balanced way in both directions (transmission and reception).
Single Play	Service including only broadband data access, not combined with other multiplay components such as voice and IPTV services. Broadband access may be provided through LLU platforms, Wholesale or Bitstream.
Single Play voice	Service including only voice access, not combined with other multiplay components such as broadband and IPTV access. Voice service can also be provided by VOPI and CPS procedures.
SMPF	Acronym for Shared Metallic Path Facilities which is synonymous with Shared Access (ungrouped access).
Triple Play	A combined offering of fixed and/or mobile telephony, Internet and/or TV made by a single operator.
Local loop unbundling or LLU	Unbundled access to a local network, in other words, the possibility that telephone operators have had, since the telecommunications market was deregulated, to use existing physical infrastructures built by another operator to offer its own services to customers, paying a rental to the operator that is the actual owner of the infrastructure.
VAS	Acronym for Value-Added Services; services with added value provide a greater level of function compared with the basic transmission services offered on a telecommunications network for the transfer of information between terminals. These include switched analogue voice communications via cable or wireless, a direct digital point to point network "unrestricted" at 9,600 bits/s; packet switching (called virtual) service; analogue and direct broadband transmission of TV signals and extra services, such as closed user groups; call waiting; reverse charging; call announcement and identification of the number called. The value added services provided over a network, from terminals or specialist centres include exchange services, messaging (MHS) (which can also be used for commercial documents in accordance with a predetermined format); electronic user directories, network and terminal addresses; e-mail; fax, teletext, videotext and videophone. Value added services may also include voice telephony value added services such as free numbers or paid telephone services.

VISP	Acronym for Virtual Internet Service provision (sometimes also called Wholesale ISP). This is selling of Internet services purchased wholesale from an Internet Service Provider (ISP) that has the network infrastructure.
VoD	Acronym for Video On Demand. It is the supply of television programs on request by a user for payment of a subscription or of a sum for each programme (a film, or a football match) purchased. Broadcast in a special way by satellite TV and for cable TV.
VoIP	Acronym for Voice over internet Protocol, a digital technology that enables the transmission of voice packets through Internet, Intranet, Extranet and VPN networks. The packets are carried according to H.323 specifications, which are the ITU (International Telecommunications Union) standard that forms the basis for data, audio, video and communications on IP networks.
VPN	Acronym for Virtual Private Network, which can be realised on Internet or Intranet. Data between workstations and the server of the private network is sent along common public Internet networks, but using protection technologies against any interception by unauthorised persons.
Virtual local loop unbundling or VLLU	Procedure for accessing a local analogue network by which, even in the absence of physical infrastructures, the conditions and terms of access under LLU terms are replicated. This is a temporary access system that is usually replaced by LLU.
xDSL	Acronym for Digital Subscriber Lines, a technology that, by means of a modem, uses the normal telephone twisted pair and transforms the traditional telephone line into a high speed digital connection for the transfer of data. ADSL, ADSL 2, and SHDSL etc. belong to this family of technologies.
WI-FI	Service for connection to the internet at high speed wirelessly.
Wi-Max	Acronym for Worldwide Interoperability for Microwave Access: it is a technology that enables wireless access to broadband telecommunications networks. It has been defined by the WiMAX forum, a world-wide consortium made up of the largest companies in the fixed and mobile telecommunications field that has the purpose of developing, promoting and testing the interoperability of systems based on IEEE standard 802.16-2004 for fixed access and IEEE.802.16e-2005 for fixed and mobile access.
Wholesale	Services that consist of the sale of access services to third parties.
WLR	Acronym for Wholesale Line Rental, selling on by an operator of the telecommunications service for lines affiliated with an Incumbent.

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