Tiscali Group
First-Half Consolidated Financial Report as at 30 June 2020

Date of Issue: 29 September 2020

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 EUR 51,655,159.37

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

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1. Highlights

Income statement	1° semester 2020	1° semester 2019
(EUR mln)		
Revenue	72,5	70,2
Adjusted Gross Operating Result (EBITDA)	7,3	14,9
Operating Result (EBIT)	(12,1)	(8,1)
Result from held for sale and discontinued operation	0,0	0,0
Ner Result	(16,4)	(3,7)

Statement of financial position	30 June 2020	31 December 2019
(EUR mln)		
Total assets	177,8	181,2
Net Financial Debt	74,2	87,0
Net Financial Debt as per Consob	75,0	87,8
Shareholders' equity	(67,2)	(56,0)
Investments	18,3	43,4

Operating figures	30 June 2020	31 December 2019
(thousands)		
Total number of Clients	677,2	668,2
Broadband Fixed	382,0	381,7
of which Fiber	198,6	163,7
Broadband Wireless	41,9	41,8
of which LTE	41,9	40,2
Mobile	253,3	244,7

2. 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.

In line with the CONSOB communications on the matter, 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)	***1st semester 2020***	***1st semester 2019***
Result before taxes	**(16.424)**	**(3.716)**
+ Financial Expenses	4.684	7.428
- Financial Income	(437)	(12.031)
+ Result on Investments at equity method	30	269
Operating income	**(12.146)**	**(8.051)**
+ Restructuring costs	49	2.181
+ Depreciation and Amortization	19.380	20.813
Gross Operating Result (EBITDA)	**7.282**	**14.943**

3. Directors and Statutory Auditors

The Board of Directors was appointed by the Shareholders' Meeting held on 27 June 2019, and shall remain in office until the approval of the financial statements as at 31 December 2021:

Chairman: Alberto Trondoli (#)

Chief Executive Officer: Renato Soru (#)

Anna Belova (*) (3)
Federica Celoria (*) (1) (2) (3)
Manilo Marocco (1)
Sara Polatti (2) (4)
Patrizia Rutigliano (*) (1) (2) (3)

(*) Independent directors
(#) The Chairman 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 27 June 2019
(1) Control and Risks Committee
(2) Appointments and Remuneration Committee
(3) Related Party Transactions Committee
(4) Director Polatti resigned with immediate effect on 29 June 2020

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

Chairman	Barbara Tadolini
Standing Statutory Auditors	Emilio Abruzzese Valeria Calabi

Executive in charge of drafting the corporate financial documents
Roberto Lai

The Executive in charge of drafting the corporate financial documents was appointed by the Board of Directors held on 27 June 2019, and shall remain in office until the approval of the financial statements as at 31 December 2021.

Auditing Company
Deloitte & Touche SpA

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

Interim Management Report

4. Management Report

The Tiscali Group has availed itself of the right to present the Parent Company's management report and the Consolidated Management Report in a single document, giving greater emphasis, where appropriate, to issues that are relevant to the Group of companies included in the consolidation.

4.1. Tiscali's market positioning

Founded 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 network, Tiscali offers a wide range of communication services on the market: Internet access in Fixed Broadband and Broadband Fixed Wireless mode, mobile services (voice and data), added-value digital services, B2B services, media activities through the Tiscali.it portal with the sale of spaces through an external dealer.

Evolution of the Fixed Broadband Market

The Fixed Network Broadband and UltraBroadband accesses, i.e., the main reference market for Tiscali, reached 17.7 million accesses in March 2020 (source: AGCOM – latest data available for the market), with a 3.8% annual increase.
The increase continues to be driven by UltraBroadband access (in FTTH, FTTC and Fixed Wireless Access technology), which in March 2020 reached 10.9 million units with a year-over-year 19.2 increase, and represent 61.4% of the total. During the same period, the traditional DSL component decreased significantly, with a loss of 1.1 million units (-14%). The trend of technological change from DSL to UltraBroadBand offerings continued.
Tiscali's market share stood at 2.5%, substantially stable on an annual basis. The market leader TIM is stable at 42.8%.
The evolution of the market by technology shows a 39.5% growth in FTTH access, 16.4% growth in FTTC, and 10.4% in Fixed Wireless Access.

In March 2020, the FTTH segment, which has the highest growth rate, Tiscali's market share stood at 5.1%, almost double (+82%) as compared to March of the previous year, recording a 2.3% increase.

The potential of the FTTH market is attracting more and more new operators pursuing a convergence strategy (in June, SKY launched its FTTH Fibre offering in 26 cities; ILIAD and Poste Mobile announced their market entry).

Mobile market

In March 2020, the mobile services market (source: AGCOM) recorded a growth in the total number of lines by 1 million units year-over-year: 103.1 million SIMs as compared to 104.1 million in March 2019, of which 24.7 million are "M2M" (Machine To Machine) SIMs, equal to 23.7% of the total, with a 2.8 million increase year-over-year, and 78.4 million are "Human" SIMs that carry out *voice only* and *voice+data* traffic and are down by 3.8 million year-over-year (and down by 1.2 million on a quarterly basis).

With reference to total SIMs, Tim, although on a decrease trend as well as with Vodafone and Wind Tre, slightly detached, confirmed its position as market leader at 29.6%.
Tiscali operates in the MVNO market, which counts about 9.3 million SIMs (equal to 9% of the total and 11.8% of the Human market).

On the mobile market, Tiscali recorded a growth in its customers' portfolio, which as at 30 June 2020 stood at approximately 253 thousand units, a 3.5% increase as compared to 31 December 2019.

Overall data traffic, recorded in March 2020, continued to grow significantly: + 61.6% year-over-year. A further increase was recorded in the second quarter of 2020, as a result of the COVID-19 emergency. SIMs with data traffic reached 71.5% of the total with a consumption of 8.5 GB/month (+ 58% year-over-year), driven by the now consolidated use of video, streaming and on-demand applications.
In order to compete in this market, Tiscali proposes 4G offers with speeds up to 150 Mbps, differentiating itself from low cost mobile operators that offer 4G “Basic” technology with speeds up to 30 Mbps.

The Tiscali mobile offer is available in 7,565 Italian municipalities (TIM network) which represent 98.2% of the national coverage, the most extensive in Italy.

Online Advertising Market

The online advertising market recorded a 15.8% drop in the first half of 2020, generated by the COVID-19 emergency and lockdown. In detail, by type of access device, the most significant drop was recorded on desktops (-18.8%), followed by smartphones (-9.9%); only Smart TV recorded a growth in investments (+10.3%), albeit with very low absolute values (268 thousand EUR in 2020, as compared to 121 thousand Euro in 2019). The FCP Observatory has been recording the first signs of a recovery in investments since July, and this suggests a recovery in the last months of the year, compatibly with the ongoing health emergency.
Mobile advertising remains one of the main future drivers of market growth, even if investments continue not to reflect the growth in time spent by users and the audience generated by smartphones as compared to traditional PCs (Audiweb, June 2020: 29 million mobile unique users on average day as compared to 10.9 million PC unique users on average day).
The trend of investments in the first few months of 2020 reflects the historical moment we are going through: in fact, if in January and February advertising investments were up as compared to the same months of 2019 (+5.7% and +4.2%, respectively), from March to June the trend was always negative as compared to 2019 (March: -20.4%; April: -31.8%; May: -32.5%; June: -9.7%). The reaction of companies in the face of the sudden global pandemic was at first a contraction in advertising investments, and only from June onwards there was a partial return to normality. In light of the uncertainties surrounding the pandemic’s evolution and its impact on the market, it is difficult to make long-term forecasts at this time, but expectations remain valid regarding expected growth in the mobile advertising segments and the entry into the market of new investors from the e-retail and start-up world. As regards advertising formats in particular, investments in video and mobile formats still have room for growth, and new investments could be generated by the development of convergence between smart TV and the internet.
As far as this year’s activities of the portal are concerned, the work – begun at the end of 2019 – to find potential publishing partners to collaborate with on the creation of thematic content to enrich the editorial offer has continued. In the first few months of the year, collaboration in the field of Engines was formalised, with the aim of expanding such collaboration over the coming months.

4.2. Main events and results achieved during the first half of 2020

As thoroughly described in the Consolidated Financial Report as at 31 December 2019, during 2019, the Company completed the financial strengthening thanks to the restructuring agreements of the Senior Loan (March 2019) and the issue and subsequent conversion of the 2019-2020 Convertible Bond.

The agreements with the main network operators allow Tiscali to be the Italian telecommunications operator with the highest UltraBroadband coverage available.

In the first half of 2020, Fibre clients grew by 21%, from 164 thousand units as at 31 December 2019 to 198 thousand units as at 30 June 2020.

With reference to the FTTH technology, the market grew by about 10% in the 2020 1Q as compared to December 2019; Tiscali grew twice as much as the market in the same period, equal to about 20%. Tiscali's market share as at 31 March 2020 in this segment amounted to 5.1%, with a 0.5% growth as compared to December 2019 (source: AGCOM, report as at 31 March 2020).

During the first half of the year, in addition to the development, marketing and sales of UltraBroadband and Mobile services, Tiscali has kept up with the implementation of a development model focused on excellence in customer management, efficiency in reducing fixed costs and improving industrial margins, and optimisation of investments through the sharing of other operators' networks, in line with the new model of a company with low fixed investment intensity adopted from the 2019 second half.

In terms of network coverage, in the first half of 2020 Tiscali expanded its UltraBroadband coverage in Sardinia, reaching a further 170 municipalities; this piles up with the progressive extension of coverage through Open Fibre in the so-called "C and D" market areas.

The Tiscali.it portal recorded significant growth in average monthly traffic in the first half of 2020, with over 210 million page views and around 16 million unique browsers, continuing the strategy of valorising the portal through new e-commerce services.

As far as market communication activities are concerned, after the rebranding process launched last year, in the first half of 2020 two advertising campaigns were carried out on Fibre services, in order to support the Brand and marketing objectives. The first campaign was carried out in February on the radio, on all the main national networks; the second in March, on the radio and the main SKY channels, a broadcaster with a high affinity with the Tiscali target; this campaign counted on a significant increase in the estimated audience due to the lockdown period. A further 3-week communication flight in May, aired on Sky, made it possible to have a constant presence on these media.

In line with this strategy, performance campaigns on the web, Google and all social channels have also continued on an ongoing basis.

To complete the actions in support of the Brand and with the aim of increasing the brand's reputation and value towards a younger and more evolved target, Marketing Influencer actions were carried out in June and July on the social channels YouTube, Facebook and Instagram.

From a financial-equity point of view, the conversion of the 2019-2020 Convertible Bond for a nominal value of EUR 5.3 million was completed.

On 27 April 2020, the Board of Directors approved the 2020-2022 Business Plan, which originates from the previous 2018-2021 Plan sworn for the companies Tiscali Italia and Aria pursuant to Article 67 of the Royal Decree 267/1942. During the first half of the year, the actions provided for in this plan were implemented and there were no significant deviations as of 30 June 2020 with respect to the forecasts for the main economic and equity items.

COVID-19 Impact

As well known, during the six-month period – i.e. from February onwards – the national and international context was characterised by the COVID-19 emergency and the consequent restrictive measures to contain it. These measures led to the suspension of non-essential production and commercial activities and important restrictions on the movement of natural persons.

These circumstances, extraordinary in nature and extent, had direct and indirect repercussions on the economic activity of the country, generating a weakening of the economic framework at national and global level, a reduction in consumer spending capacity, thus creating a context of general uncertainty.

The Telecommunications sector has taken on one of the most important roles among the country's productive activities, thanks to the greater demand for connectivity linked to remote working and in general to the lockdown, which has led to greater use of the service as compared to previous periods.

From the Company's point of view, the economic and financial impacts recorded during the first half of 2020 mainly concerned advertising revenues, traffic costs, credit risk and were carefully monitored by the Directors. Please refer to the following paragraph *"Assessment of the business as an ongoing concern"* for more details.
With reference to the management of human resources and workplaces, it should be noted that the Company took immediate action at the end of February 2020 to contain risks by adopting measures and provisions aimed at containing the possible spread of the virus and safeguarding the health of its employees, an absolute priority for the Company. In particular, remote working was adopted on a massive scale, rapidly introducing this measure for almost the entire workforce.

Research and Development

During the first half of 2020, research and development activities were carried out, which resulted in the capitalisation of personnel costs of 146.6 thousand EUR. These activities were mainly aimed at developing applications for the digitalisation of customer care activities.

4.3. Regulatory Background

The main areas subject to regulatory intervention in the first half of 2020 are summarized below.

TIM Reference Offers

In March, Tiscali participated in the three consultations related to the approval of the TIM Reference Offers for the years 2019 and 2020 (the consultation N. 193/19/CIR on Bistream copper and NGA, N. 194/19/CIR on ULL, SLU, colocation and WLR technologies, and N. 195/19/CIR on VULA).

On 19 August 2011, AGCOM (with the CIR, Infrastructure and Networks Committee) approved the above-mentioned TIM Reference Offers and, subsequently, on 1 September, published them. The criticalities of the Reference Offers mainly concerned a considerable increase in the one-off activation of access services (VULA; ULL; Bitstream) of the non-active types (LNA). The Authority, accepting the reasons also illustrated by Tiscali in the contributions sent, has clearly reduced the increases envisaged by TIM and has therefore averted the economic outlay that was expected, establishing modest increases.

Effects of the containment measures caused by the COVID-19 pandemic

On 23 February 2020, the Council of Ministers issued the Law Decree No. 6, which resulted in the total closure of Municipalities with active outbreaks and the suspension of demonstrations and events in the same Municipalities; in the following days, the President of the Council of Ministers issued a series of DPCMs – Decrees of the President of the Council of Ministers – in which the restriction measures were progressively tightened and extended to the entire national territory.

With reference to traffic volumes, since the first days of the lockdown period Tiscali has observed a considerable increase in traffic on all network segments, linked to the increase in the simultaneous use of the service, particularly with regard to video applications. Therefore, in order to guarantee the same quality standards of service, it was necessary to design an emergency response plan in several phases and according to three timeframes: immediate, short-term and medium-term.

The immediate measures consisted in accelerating all the already planned interventions on the network, and consisted in the conversion of hardware and circuits (intended for other non-critical services) for the expansion of access capacity and of the IP backbone, as well as the immediate expansion of interconnections to national NAPs and IP Transit Provider. Short-term measures involved the acquisition of new HW and new circuits, which, within a week of activation, increased network capacity in order to bring the bandwidth level and machine usage back to standard security levels. Medium-term measures, on the other hand, relate to projects for major interventions on the 5 main nodes of the network, i.e. the National POPs of Rome, Milan, Bologna, Turin and Cagliari.

Article No. 82 of the so-called “Cura Italia” (*“A cure for Italy” - Ed.*) Law Decree provided for a series of measures to which Operators providing electronic communications networks and services had to adapt, in particular: so as to meet the increased demand for services and the increase in traffic on electronic communications networks, Operators are required to upgrade their infrastructure in order to guarantee the functioning of the networks and the operation/continuity of services, guaranteeing uninterrupted access to emergency services. Furthermore, telecommunication companies are required to satisfy any reasonable request for an increase in network capacity and quality of service by users, giving priority to requests from structures and sectors considered as “priority” by the emergency unit of the Presidency of the Council of Ministers or by Regional Crisis Units.

Tiscali participated in the Technical Table opened by AGCOM by sending its contribution with an indication of the initiatives undertaken in support of clients, including: interruption of the suspension actions of defaulting clients, implementation of remote recharging and expansion and reinforcement of customer service channels.

Consultation on the Universal Service

By resolution 263/20/CIR, a Public Consultation with the objective of reviewing the analysis of the unfairness of the net cost of universal service for the 1999-2009 years was published. The focus issue is the level of fixed-mobile substitutability that the Authority had used as a prerequisite for extending the distribution of the net cost of universal service to mobile operators.

However, the Council of State, in its ruling No. 6881 dated 8 October 2019, recently declared that the criterion of fixed-mobile substitutability, as a prerequisite for the contribution of mobile operators, is definitively “fallacious”; therefore, with reference to the years 1999, 2000, 2002 and 2003, the Authority intends to review the unfairness of the net cost and to extend the review of the unfairness of the charge also with reference to the 2008-2009 years.

As a result of the above consultation, the Authority, in the light of technological and scientific developments, could arrive at a new and reasonable criterion for the distribution of the above-mentioned tax charge, i.e., another and different taxable assumption that could lead to the imposition of new charges on Tiscali.

Urgent measures to prevent misuse of wholesale data for commercial contact purposes

With Resolution No. 396/18/CONS, the Authority imposed on Telecom Italia the establishment of a precise set of urgent measures aimed at preventing the improper use of wholesale assurance data by parties who, illegally, use the data of customers who have requested the repair of faults or degradation on their line. The Authority has set up a Technical Table with Telecom Italia and the other fixed network operators in order to modify the processes. Synthetically, on the wholesale portal of TIM, the data of clients potentially functional to the performance of illegal activities that are the subject of the measure, have been made inaccessible to the plurality of profiles enabled to access by the operating personnel.

In addition to what has already been established by the above resolution, TIM has presented a number of corporate measures in the form of commitments that the Authority has submitted for consultation (market test) and on which the operators have represented their observations. Subsequently, the Technical Table met to monitor the implementation of the measures set out in Resolution 396/18/CONS. The work was completed on 9 July 2020, with the submission of a specific report to the AGCOM Board of Statutory Auditors, so that it could give its opinion on the technical solution identified and on the open points for which full agreement was not reached during the work.

Finally, in February 2020, the first meeting of the Technical Table for the sharing of guidelines on the use of call centres by electronic communications operators provided for in Resolution 420/19/CONS was held.

Free Modem

During the first half of 2020, the Authority again intervened on the “Free Modem” issue, following the ruling No. 1200/2020 of the Lazio Regional Administrative Court (TAR), which, in partial acceptance of the TIM appeal, annulled Article 4, paragraph 3, letter b) of Resolution no. 348/18/CONS in so far as it prohibits the Operator from applying the penalty for failure to return the device granted on free loan. Therefore, AGCOM, in compliance with the sentence of the Administrative Judge, published Resolution no. 34/20/CONS, which rewrites paragraph 3 of Article 4 of the aforesaid Resolution, imposing the obligation to provide for a commercial offer that does not include the modem, even if granted on free loan. Tiscali is working on the revision of the underlying processes so that connectivity services can be marketed without the device provided by Tiscali.

The Authority has also imposed the launch of a new information campaign aimed at the customer base that used the mandatory paid modem, in order to make it aware of the possibility of returning the device and equipping itself with a device of its own choice. Tiscali, on explicit indications received from AGCOM provisions, sent the communications again, despite having already done so within the initial deadline set by resolution 348/18/CONS.

Technical tables aimed at implementing the main regulatory provisions

Technical table on the implementation of the unbundling measures provided for in Resolution 348/19/CONS for VULA services:

Technical Table launched in January 2020 to define the implementation measures for the unbundling of services ancillary to wholesale access services (ULL and SLU) with regard to provisioning and assurance processes.

This is a Technical Table launched in January 2020 to define the implementation measures for the unbundling of the VULA service in relation to provisioning and assurance processes.

On 29 October 2019, TIM presented the first draft proposal for the unbundling of the VULA C to AGCOM, followed by the launch of the Technical Table which ended on 13 May 2020 with the publication of the final document.

The VULA C unbundling is complex, with inevitable *ad hoc* IT developments and significant process impacts, but allows the Operator to entrust TIM or Impresa System with provisioning activities (testing, appointment making, activities at the end customer’s home) and assurance activities (impulsive maintenance on secondary network and additional services such as intervention at the customer’s premises).

The adhesion to unbundling for VULA determines an operational advantage in terms of the quality of the service performed and an economic advantage that varies according to the volumes to be managed and the proportion of faults managed remotely compared to those that require on-field intervention and therefore unbundled. Membership is on a framework agreement basis, with TIM, published on the AGCOM portal.

Technical Table for the implementation of switching procedures for customers of fixed network operators using FTTH networks of wholesale operators other than TIM:

At the end of the public consultation, the Authority adopted Resolution No. 82/19/CIR, regulating the case of transfer of customers of fixed network operators using FTTH networks of wholesale operators other than TIM, ensuring that the migration of physical access and associated numbering takes place in a synchronised and technically efficient manner and in the shortest possible time. Resolution No. 82/19/CIR provided for the launch, in sequence, of two specific Technical Tables: a first Technical Table aimed at defining the specifications for the “3-operator case”; a second Technical Table that takes into account the outcomes of the first Table and guarantees the compatibility of the migration procedures defined and the use of the same interfaces by all the OAOs, aimed at defining the technical specifications for the implementation of the “5-operator case”. On 12 March 2020, the technical specifications shared among the participants in the Technical Table were published so that the donor operators, even if not directly involved in the FTTH access transfer, as wholesale network operators or retail operators, implement the necessary interfaces for the exchange of NP notifications with the recipient.

4.4. Tiscali’s Shares

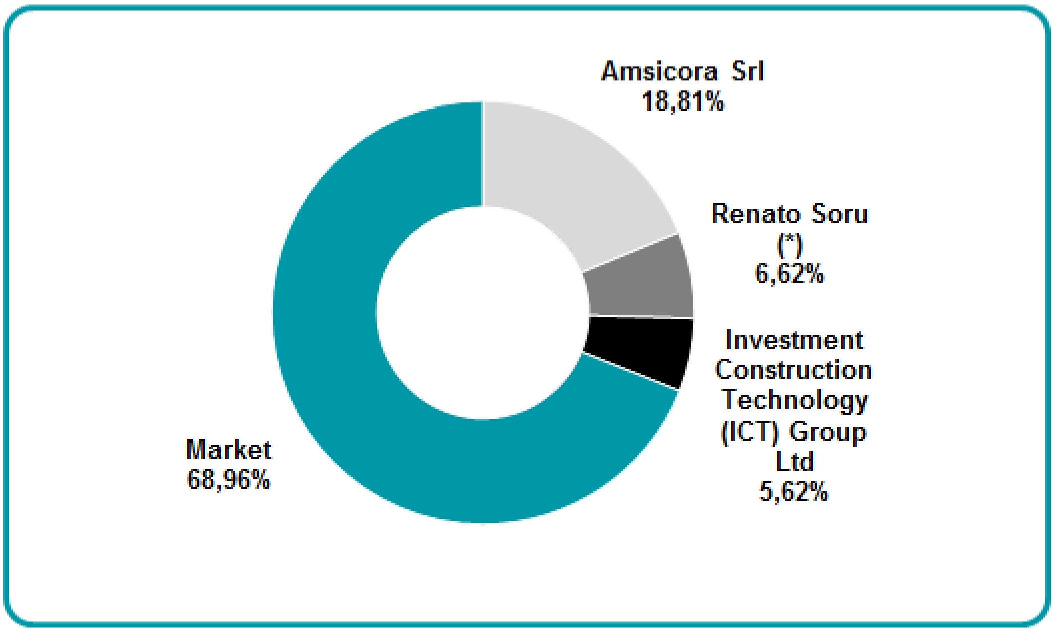
Tiscali shares have been listed on the Italian Stock Exchange (Milan: TIS) since October 1999. As at 30 June 2020, the market capitalization amounted to approximately EUR 51.1 million, calculated on the value of EUR 0.01170 per share on a total of 4.777.015.056 shares (it does not include the shares serving the full conversion of the bonds carried out on 30 June 2020 as they were issued on 15 July 2020).

At the date of approval by the Directors of this Half-Year Financial Report, the value per share stands at EUR 0.0244, with a market capitalization of EUR 123.5 million.

Shareholding Structure:

The shareholding structure as at 30 June 2020 follows.

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



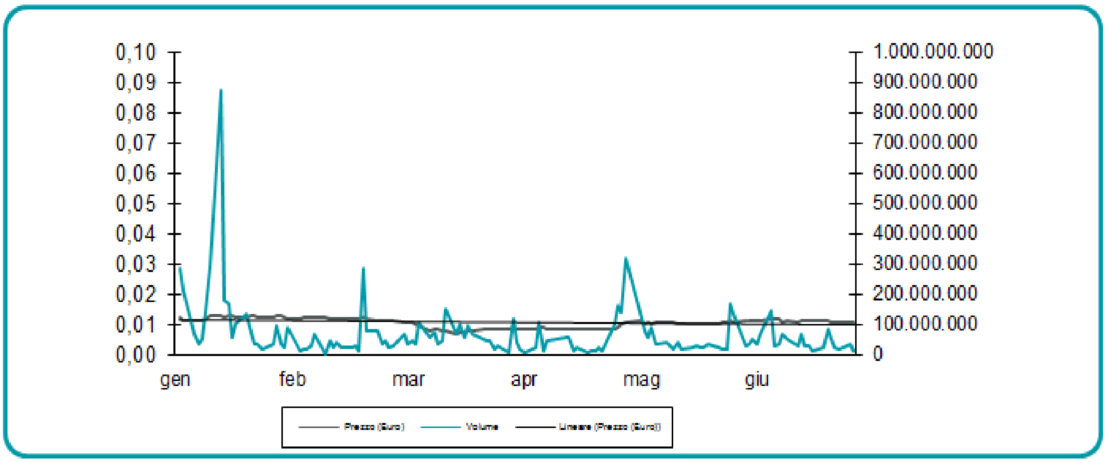
Source: Tiscali

(*) Directly for 5.55%, indirectly, through the part-owned companies Monteverdi Srl (0.37%), Cuccureddus Srl (0.69%).

Tiscali Shares Trend

The graph illustrated below shows the trend of Tiscali shares over the course of the first half of 2020, characterized by significant trading volumes, in particular in the month of January and May.

Fig. 2 – Shares trend during the first half of 2020



Source: Processing of Bloomberg data

The average monthly price in the first half of 2020 was EUR 0.0106. The maximum price in the period was of EUR 0.0131, and it was recorded on 10, 15 and 21 January, while the minimum price of EUR 0.0071 was recorded on 16 March 2020.
Trading volumes settled on a daily average of approximately 68.2 million shares for a corresponding daily average value of EUR 0.725 million.

Average trading of Tiscali shares on the Italian Stock Exchange over the first half of 2020		
	Price (Euro)	**Number of Shares**
January	0.012	139,589,070
February	0.012	47,318,609
March	0.009	63,189,275
April	0.009	61,213,363
May	0.011	52,657,313
June	0.011	45,106,206
Average	**0.011**	**68,178,972**

The total market capitalization of Tiscali, which at 30 June 2020 amounted to EUR 51.1 million, compares with the Parent Company shareholders' equity of EUR 52.2 million (and a consolidated shareholders' equity deficit of EUR 67.2 million). The difference between the market capitalization and the value of the consolidated shareholders' equity, amounting to EUR 118.3 million, is representative of the prospects of future profitability of the Group, incorporated in the perspective cash flows.

4.5. Major events occurred in the first half of 2020

The major events occurred in the first half of 2020 follow:

30 January 2020 — Extension of maturity of the Tiscali Conv 2019 - 2020 Bond Loan

On 30 January 2020, the Board of Directors and the Bondholders 'Meeting, the latter meeting held in full, resolved to change the maturity of the Tiscali Conv 2019 - 2020 convertible bond issue, extending it from 31 January 2019 to 30 June 2020.

Merger by incorporation of Aria S.r.l. and Veesible S.r.l. into Tiscali Italia Spa

On 31 January 2020, the subsidiaries Veesible S.r.l. and Aria S.r.l. were merged by incorporation into Tiscali Italia Spa.

February 2020 - ongoing — COVID-19 pandemic

Please refer to the paragraph *"Assessment of the business as an ongoing concern"* for further considerations on the matter.

27 April 2020 — Approval of the 2019 Financial Statements and the 2020-2022 Business Plan by the Board of Directors

Please refer to the concerning Press Release.

28 May 2020 — Approval of 2019 Financial Statements by the Shareholders' Meeting

Please refer to the concerning Press Release.

23 June and 30 June 2020 — Full conversion of the Tiscali Conv. 2019 -2020 Bond Loan

On 23 June 2020, a total of 26 bonds referred to in the Tiscali Conv. 2019-2020 bond issue was converted by ICT Holding Ltd and 268,317,853 shares with no par value were issued with the same characteristics as those outstanding, subscribed and paid for an amount of EUR 2,600,000.
On June 30, 2020, a total of 27 bonds referred to in the Tiscali Conv. 2019-2020 bond issue were converted by ICT Holding Ltd. On 15 July 2020, 284,210,526 unlisted shares without par value with the same characteristics as those in circulation were converted, subscribed and paid for an amount of EUR 2,700,000. These unlisted shares were subsequently admitted to listing in July and September.

4.6. Analysis of the economic, financial and assets situation of the Group

Introduction

Tiscali offers its products to consumer and business customers on the Italian market, mainly through the following lines of business:

(i) Broadband and voice access (FTTH, FTTC, ULL, Bitstream, Fixed Wireless)

(ii) Mobile phone services (so-called MVNO).

(iii) “Wholesale services” to other operators.

(iv) “Business services” (so-called B2B), which includes, among others, VPN, Hosting, domain granting and Leased Lines services

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

Economic Situation of the Group

Consolidated Income Statement	1st semester 2020	1st semester 2019
(EUR mln)		
Revenue	72,5	70,2
Other income	0,3	13,6
Purchase of external materials and services	51,7	51,0
Personnel costs	10,5	12,4
Other operating expense (income)	0,0	0,0
Write-downs accounts receivable from customers	3,4	5,5
Gross Operating Result (EBITDA)	**7,3**	**14,9**
Restructuring costs	0,0	2,2
Depreciations & amortizations	19,4	20,8
Operating result (EBIT)	**(12,1)**	**(8,1)**
Result from the investments evaluated at equity method	(0,0)	(0,3)
Financial Income	0,4	12,0
Financial Expenses	4,7	7,4
Income (loss) before tax	**(16,4)**	**(3,7)**
Taxation	0,0	0,0
Net result from operating activities (ongoing)	**(16,4)**	**(3,7)**
Result from held for sale and discontinued operations	0,0	0,0
Net result for the period	(16,4)	(3,7)
Minority interests	0,0	0,0
Group Net Result	**(16,4)**	**(3,7)**

Consolidated Income Statement of the Group

Profit and Loss Statement of the Group	1st semester 2020	1st semester 2019
(EUR mln)		
Revenue	72,5	70,2
Access Broadband revenues	57,6	57,2
of which fixed Broadband	52,6	51,2
of which Broadband FWA	5,0	6,0
Revenues from MVNO	7,4	5,8
Business service revenues and Wholesale	3,5	3,2
of which business service	2,5	2,0
of which Wholesale	1,0	1,2
Media and value-added service revenues	1,1	2,0
Other revenues	2,9	2,0
Gross operating margin	27,0	27,5
Indirect operating costs	16,6	20,7
Marketing and sales	1,5	2,5
Personnel costs	10,5	12,4
Other indirect costs	4,6	5,8
Other (income) / expenses	(0,3)	(13,6)
Write-down of receivables	3,4	5,5
Gross Operating Result (EBITDA)	7,3	14,9
Restructuring costs	0,0	2,2
Depreciations & amortizations	19,4	20,8
Operating result (EBIT)	(12,1)	(8,1)
Net Result pertaining to the Group	(16,4)	(3,7)

Income Trend for the Period

The gross operating result (EBITDA) for the half-year amounted to EUR 7.3 million as compared to EUR 14.9 million in the first half of 2019. This negative change is the result of the combined effect of:

- An improvement in profitability before non-recurring items, equal to EUR 5.2 million, marking a 256% percentage increase;
- The absence of non-recurring items[1] in the first half of 2020, as compared to a positive impact of non-recurring items on the EBITDA as at 30 June 2019 of EUR 12.9 million.

The operating result (EBIT), net of provisions, write-downs and restructuring costs, was a negative EUR 12.1 million, as compared to a negative EUR 8.1 million in the first half of 2019. The change in EBIT as compared to the comparative period was also influenced by the presence of some non-

[1] Pursuant to CONSOB Resolution No. 15519 dated 27 July 2006

recurring items[1] present in 2019. The worsening of the period, equal to EUR 4.1 million is in fact the result of the combined effect of:

- An improvement in the Operating result gross of non-recurring items of EUR 6.6 million;
- The absence of non-recurring items[2] in the first half of 2020, as compared to a positive impact of non-recurring items on EBIT as at 30 June 2019 of EUR 10.7 million.

The Group's net loss amounted to EUR 16.4 million, as compared to the figure for the first half of 2019, a negative EUR 3.7 million. The worsening of the period, equal to EUR 12.7 million, derives from the combined effect of:

- An improvement in the Net result before non-recurring items of EUR 10 million;
- The absence of non-recurring items[3] in the first half of 2020, as compared to a positive impact of non-recurring items on the net result as at 30 June 2019 of EUR 22.7 million.

With reference to the above mentioned non-recurring transactions of 2019, the details of these transactions and their impact on the economic results are reported below:

Non-recurring transactions	**1° semester 2020**	**1° semester 2019**	**variation**
Revenue	-	(0,4)	0,4
Other income	-	13,3	(13,3)
Purchase of external materials and services	-	-	-
Personnel costs	-	-	-
Other operating expense (income)	-	-	-
Write-downs accounts receivable from customers	-	-	-
Gross Operating Result (EBITDA)	-	**12,9**	**(12,9)**
Amortization & depreciation, restructuring costs, provision for risks and other devaluation	-	2,2	**(2,2)**
Operating profit (EBIT)	-	**10,7**	**(10,7)**
Financial income	-	12,0	(12,0)
Financial expenses	-	-	-
Pre-tax profit	-	**22,7**	**(22,7)**
Income taxes	-	-	-
Net result from operating activities (ongoing)	-	**22,7**	**(22,7)**
Other charges related to held for sale	-	-	-
Net result for the period	-	**22,7**	**(22,7)**

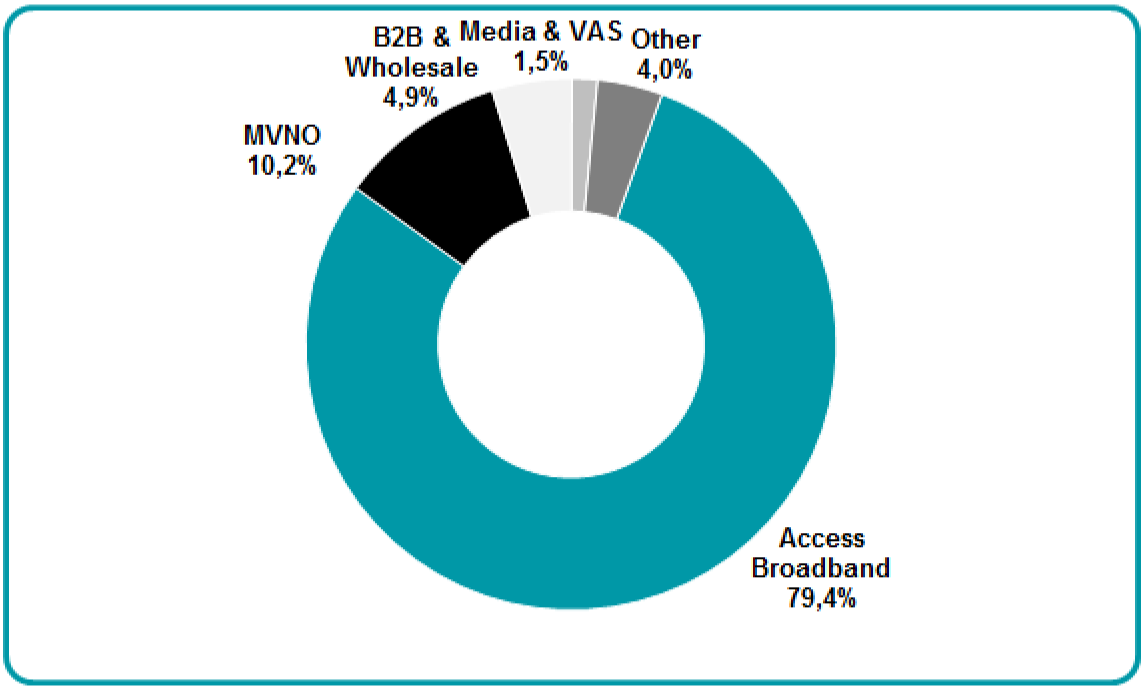
[1] Pursuant to CONSOB Resolution No. 15519 of 27 July 2006

[2] Pursuant to CONSOB Resolution No. 15519 of 27 July 2006

[3] Pursuant to CONSOB Resolution No. 15519 of 27 July 2006

Revenue per Business Segment

Breakdown of revenues by business line and access mode



Source: Tiscali

<u>Broadband Access</u>

In the first half of the year, this segment generated revenues of EUR 57.6 million (EUR 52.6 million from “Fixed Access” and EUR 5 million from “Fixed Wireless Access”), an increase by 0.8% as compared to the first half of 2019 (EUR 57.2 million).

The change is mainly determined by:

- EUR 1.4 million euros (+2.8%) Fixed BroadBand increase, attributable to an increase in average revenue per ARPU line, while the number of clients remained substantially stable (from 383 thousand in the first half of 2019 to 382 thousand in the first half of 2020).

  The trend of the customer base in the first half of 2020 is in line with the forecasts of the 2020 - 2022 Plan.

  The number of Fibre clients continued to increase significantly during the period, from around 121 thousand units as at 30 June 2019 to around 198 thousand units as at 30 June 2020, confirming the progressive shift in demand towards Fibre connections;
- A decrease in Fixed Wireless Broadband revenues of around EUR 0.9 million as compared to the first half of 2019, due to the decrease in the customer portfolio (from around 50 thousand units as at 30 June 2019 to around 42 thousand units as at 30 June 2020).

Evolution of the customer base (lines)

Active Customer Base	30/06/20	31/12/19	30/06/2019
Total Broadband Fixed	382.024	381.687	383.940
o/w Fiber	198.556	163.696	121.574
Total Broadband Wireless	41.879	41.813	50.176
o/w LTE	41.879	40.234	43.616
Mobile (6 months in-out)	253.282	244.727	220.288
Total Customer	**677.185**	**668.227**	**654.404**

MVNO

Mobile revenues, amounting to EUR 7.4 million as at 30 June 2020, showed a 27% increase as compared to the figure for the first half of 2019, i.e., EUR 5.8 million.

The client portfolio grew by 15% as compared to the first half of 2019, from about 220 thousand units as at 30 June 2019 to about 253 thousand units as at 30 June 2020. In terms of average number of clients during the period, there was a 18.9% increase in the number of clients (average clients in the first half of 2020 of about 249 thousand as compared to about 209 thousand in the first half of 2019).

Business and Wholesale services

Revenues from corporate services (VPN, housing, hosting, domain and leased lines services) and wholesale network infrastructure and services (IRU, voice traffic resale) to other operators (excluding those relating to access and/or voice products for the same customer segment already included in the respective business lines) amounted to EUR 3.5 million in the first half of 2020, a 10.4% increase as compared to EUR 3.2 million in the first half of 2019.

Media

As at 30 June 2020, revenues in the media segment (mainly related to the sale of advertising space) amounted to approximately EUR 1.1 million, down by EUR 0.9 million as compared to 2019 (EUR 2 million) due to the decline in the market for advertising sales in the traditional web segment and the revision of the contract with SKY. The segment suffered the effects of the COVID-19 emergency, which led to a reduction in advertising investments.

Other Revenues

Other revenues amounted to approximately EUR 2.9 million in the first half of 2020, an increase of EUR 0.9 million as compared to the equivalent figure for the first half of 2019 (EUR 2 million).

Indirect operating costs in the first half of 2020 amounted to EUR 16.6 million, down by EUR 4.1 million as compared to the first half of 2019 (EUR 20.7 million).

In the area of indirect operating costs:

- Marketing costs amount to approximately EUR 1.5 million, down by EUR 1 million as compared to the figure for the first half of 2019, equal to EUR 2.5 million. In fact, in the first half of 2019, this item included higher investments in TV advertising;

- Personnel costs are equal to EUR 10.5 million (14.4% of revenues), down as compared to the figure for the first half of 2019 (EUR 12.4 million), with an incidence of 17.6% of revenues, due to the reduction in the workforce (from 505 FTEs as at 30 June 2019 to 484 FTEs as at 30 June 2020) and, to a lesser extent, due to the use of partial unemployment benefit schemes for some sectors in the April-June period;
- Other indirect costs amount to approximately EUR 4.6 million and are down by EUR 1.2 million as compared to the figure for the first half of 2019.

Other (income) / charges

Other (income)/charges, amounting to a positive EUR 0.3 million, mainly include income from transactions on debt positions.

In the first half of 2019, this item amounted to EUR 13.6 million and mainly included the income from the sale of the Sa Illetta property as well as income from transactions on debt positions and other contingent assets.

Other items

The provision for bad debts amounted to EUR 3.4 million in the first half of 2020, as compared to EUR 5.5 million in the first half of 2019.

Amortisation and depreciation for the period amounted to EUR 19.4 million, down by EUR 1.4 million as compared to EUR 20.8 million recorded in the first half of 2019.

In the first half of 2020 provisions for risks and charges amounted to EUR 49 thousand, as compared to EUR 2.2 million recorded in the first half of 2019.

The operating result (EBIT), net of provisions, write-downs and restructuring costs, was negative for EUR 12.1 million, as compared to the figure for the first half of 2019, which was negative for EUR 8.1 million. The figure for the first half of 2019, as mentioned above, was affected by non-recurring items of EUR 10.7 million, while in the first half of 2020 non-recurring items were nil.

Net financial expenses amounted to EUR 4.7 million, as compared to EUR 7.4 million in the first half of 2019.

Financial income amounted to EUR 0.4 million and related to the release of the value of the put option following the conversion of the bond loan realised in 2020. In the first half of 2019, financial income, amounting to EUR 12 million, was entirely related to non-recurring items, mainly consisting of the discounting income of the new senior Loan.

Equity Position of the Group

Consolidated Statement of Equity and Liabilities	30 June 2020	31 December 2019
(EUR mln)		
Non-current assets	119,5	120,5
Current assets	58,4	60,7
Assets directly related to held for sales	0,0	0,0
Total Assets	**177,8**	**181,2**
Net equity of the Group	(67,2)	(56,0)
Net equity attributable to minority interests	0,0	0,0
Total net equity	**(67,2)**	**(56,0)**
Non-current liabilities	33,5	101,3
Current liabilities	211,5	135,9
Payables directly related to held for sale	(0,0)	(0,0)
Total Net equity and Liabilities	**177,8**	**181,2**

Assets

Non-current Assets

Non-current assets as at 30 June 2020 amounted to EUR 119.5 million (EUR 120.5 million as at 31 December 2019) and included property, plant and equipment and intangible assets, rights of use and customer acquisition costs for a total of EUR 114.8 million — a decrease by EUR 1 million as compared to 31 December 2019 — and financial assets (including equity investments valued at equity) for EUR 4.6 million, stable as compared to the figure as at 31 December 2019.

The EUR 1 million decrease in fixed assets can be broken down into the following macro factors:

- Investments of EUR 18.3 million, EUR 9.7 million of which attributable to the activation of Broadband services and EUR 8.6 million for infrastructure and network equipment;
- Depreciation for the period of EUR 19.4 million.

Current Assets

Current assets as at 30 June 2020 amounted to EUR 58.4 million (EUR 60.7 million as at 31 December 2019) and mainly include:

- Receivables from customers for EUR 13.8 million, as compared to EUR 15.2 million as at 31 December 2019;
- Cash and cash equivalents of EUR 19.7 million (EUR 11.6 million as at 31 December 2019);
- Other current receivables and sundry assets, amounting to EUR 24.4 million (EUR 33.6 million as at 31 December 2019), represented by advances to suppliers, prepaid expenses relating to service costs and sundry receivables. This item decreased by EUR 9.2 million as compared to 31 December 2019, mainly due to the reduction in receivables from Fastweb;

- Tax receivables of EUR 0.5 million.

Shareholders's Equity

Consolidated Shareholders' Equity was negative for EUR 67.2 million as at 30 June 2020, against EUR 56 million as at 31 December 2019.

The change is attributable to the loss for the period for EUR 16.4 million, and the positive effect of the conversion of the 2019-2020 Tiscali bond for EUR 5.3 million.

Liabilities

Non-current Liabilities

Non-current liabilities as at 30 June 2020 amounted to EUR 33.5 million as compared to EUR 101.3 million as at 31 December 2019. The decrease is attributable to:

- A decrease of EUR 66.7 million attributable to the items related to the financial position (for which reference should be made to the following paragraph Financial position of the Group);
- A decrease of EUR 0.6 million in other non-current liabilities;
- A reduction of EUR 0.5 million in the provision for risks and charges.

Current Liabilities

Current liabilities amounted to EUR 211.5 million as compared to EUR 135.9 million as at 31 December 2019.

The increase by EUR 75.5 million as compared to 31 December 2019 was mainly due to i) a reduction of EUR 62 million attributable to the items related to the financial position (for which reference should be made to the following paragraph *Financial position of the Group*), ii) an increase of EUR 14.7 million in trade payables and iii) a reduction of EUR 1.1 million in other current liabilities.

Other current liabilities include deferred income, tax payables and other short-term payables.

As at 30 June 2020, net trade payables overdue (net of payment plans agreed with suppliers, assets and disputed accounts with the same suppliers) amounted to EUR 26.1 million (EUR 14.3 million as at 31 December 2019). At the same date, overdue current financial payables (net of credit positions) amounted to EUR 0.2 million (nil as at 31 December 2019).

Past due tax payables amounted to approximately EUR 30.3 million (EUR 27.9 million as at 31 December 2019) and past due social security payables to employees amounted to EUR 1 million (EUR 0.1 million as at 31 December 2019).

There were no suspensions of supply relations such as to prejudice the ordinary course of business. As at 31 December 2019, payment reminders were received in the ordinary course of business. At that date, the main payment injunctions received by the Company and not paid because of negotiations or opposition amounted to EUR 3.2 million (EUR 1.1 million as at 31 December 2019), while the total injunctions received amounted to EUR 1.4 million (EUR 3.1 million as at 31 December 2019).

Financial Position of the Group

As at 30 June 2020, the Tiscali Group had cash and cash equivalents totalling EUR 19.8 million (EUR 11.7 million as at 31 December 2019), while the net financial position at the same date was negative for EUR 74.2 million (EUR 87 million as at 31 December 2019).

With reference to the accounting classification of the Senior Loan, provided by Intesa SanPaolo and Banco BPM (the "Pool of Banks"), it should be noted that, as a result of the negotiations started in May, on 28 September 2020, an Amendment Agreement was signed on the Senior Loan, which provides, *inter alia*, that the financial covenants are not subject to verification as at 30 June 2020 (hereinafter referred to as the "Amendment Agreement"). Thus, based on the provisions of IAS 1, since the Amendment Agreement was signed after the end of the six-month period, the financial liability related to the Senior Loan was classified as a current liability.

However, it is reiterated that, at the date of publication of this report, thanks to the provisions included in the Amendment Agreement, no cause of default had occurred with respect to 30 June 2020 and that, therefore, at the date of publication of this report, the Senior Loan is a non-current financial liability. Thus, as provided in the Senior Loan Agreement as supplemented by the Amendment Agreement, at the date of this report the Senior Loan shall be repaid at the due date starting in 2022 and with a deadline for full repayment in 2024.

In addition, it should be noted that an agreement was reached with the Pool of Banks to update the Tiscali Group Business Plan to reflect the changed economic environment. This new Business Plan will be subject to the analysis and in-depth assessment — also with the possible support of third parties — of the banks, also with the aim to verify its consistency with the provisions of the loan agreement.

Net Financial Position	**Note**	**30 June 2020**	**31 December 2019**
(EUR 000)			
A. Cash and bank deposits		19,8	11,7
B. Cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		***19,8***	***11,7***
E. Current financial receivables			
F. Non-current financial receivables		**0,9**	**0,9**
G. Current bank payables		0,0	0,1
H. Current portion of bonds issued	(1)	0,0	5,2
I. Current part of long-term loans	(2)	67,3	0,2
J. Other current financial payables	(3)	7,2	6,8
K. Current financial indebtedness (G) + (H) + (I) + (J)		***74,5***	***12,5***
L. Net current financial indebtedness *(K)-(D)-(E)-(F)*		**53,8**	**(0,1)**
M. Non-current bank loans	(4)	3,5	67,9
N. Bonds issued			
O. Other non-current financial payables	(5)	16,8	19,1
P. Non-current financial indebtedness *(M)+(N)+(O)*		**20,3**	**87,0**
Q. Net financial indebtedness *(L)+(P)*		**74,2**	**87,0**

Notes:

(1) *The item relating to the Convertible Bond is null and void, as the loan itself was fully converted in June 2020. The loan, whose nominal value as at 31 December 2019 amounted to EUR 5.3 million (fully owned by ICT Holding Limited) was converted as follows: i) a tranche of EUR 2.6 million was converted on 22 June 2020; ii) the remaining nominal value of EUR 2.7 million was converted on 30 June 2020;*
(2) *It includes the entire amount of the debt to Senior Lenders restructured on 28 March 2019, amounting to EUR 67.3 million for the reasons described in this paragraph;*
(3) *It includes the following elements: i) the short-term portion of financial lease payables related to network infrastructure investments and lease contracts capitalised in application of IFRS 16 for a total of EUR 7.2 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 2.1 million), ii) the short-term portion of loans granted by the Ministry of University and Research and the Ministry of Productive Activities for EUR 20.4 thousand. The notional financial debt for put options, amounting to EUR 0.4 million as at 31 May 2020 was extinguished at the same time as the repayment of the bond itself (see Note 1);*
(4) *It includes the long-term portion of other long-term bank loans for EUR 3.5 million;*
(5) *This item includes the long-term portion of financial lease payables related to network infrastructure investments and lease contracts capitalised in application of IFRS 16 for a total of EUR 16.8 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 11.7 million).*

The above table includes security deposits under *Other cash and cash equivalents* and under *Non-current financial receivables*. For the sake of completeness, a reconciliation of the above financial position with the financial position prepared in the light of CONSOB Communication No. DEM/6064293 of 28 July 2006 and reported in the notes to the financial statements, is provided below.

	30 June 2020	31 December 2019
(EUR mln)		
Consolidated net financial debt	**74,2**	**87,0**
Non-current financial receivables	0,9	0,9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	**75,0**	**87,8**

4.7. Significant events subsequent to the closing of the first half the year

27 August 2020 — Signature of a Memorandum of Understanding between Tiscali and TIM

On 27 August 2020, the Company signed a Memorandum of Understanding with TIM concerning the definition of a strategic partnership for the development of the UltraBroadband market through the commercial participation of Tiscali in the FiberCop co-investment project, a newly established vehicle, in which the transfer of TIM's secondary network, the participation of the KKR Infrastructure fund, and the existing activities in FlashFiber, the joint-venture between TIM and Fastweb are foreseen.

The project consists in rationalising Tiscali's network by creating the conditions to facilitate the migration of its customers to the FiberCop UltraBroadband network and to significantly reduce network infrastructure costs. In the medium-long term and in line with the FiberCop development plan, the agreement will allow Tiscali to activate a significant share of its accesses on the newly established network.

This new agreement will determine a decisive transformation for Tiscali, which aims to focus exclusively on Fibre services, positioning itself — the first in Italy — as Smart Telco and Digital Service Operator, focused on the provision of digital services and applications on optical and 5G technology.

For the Company, the advantages of this strategic change are extremely positive and significant:

- Strong reduction in connection and traffic management costs;
- Almost total elimination of network investments;

- Strong reduction in investments to connect new users and to migrate existing FTTC customers to Fibre technology;
- Acceleration of the Fibre migration process and consequent improvement in service quality and churn rate;
- Focus on and increased investment in customer service support and innovation, and offer of high value-added digital products and services;
- Optimisation of working capital.

In the assumption of the stipulation of binding agreements, some economic effects will take effect in the last quarter of 2020; therefore, it will be necessary to update the Business Plan to reflect the new hypotheses deriving from the above-described agreements.

<u>12 September 2020 — Partnership Agreement with Cagliari Calcio</u>

On that date, Tiscali entered into a partnership with Cagliari Calcio as Back Jersey Sponsor After having been Main Training Sponsor last season, accompanying the team on the training uniforms. Tiscali will now appear on the back of the first team's official jerseys.

<u>15 September 2020 — Partnership Agreement with AS Roma as Premium Partner</u>

Thanks to the partnership agreement with AS Roma as Premium Partner, Tiscali becomes the exclusive provider of the club’s internet services, providing Fibre connectivity to the Club’s facilities.

The partnership includes important assets in support of the brand, such as LEDs on the pitch, backdrop interviews, constant presence on the team’s social channels and digital media as well as important commercial assets such as the creation of initiatives and exclusive offers for fans. Tiscali will also be a Partner of the Football School in the area.

These initiatives are in addition to the continuation of the agreement with Dinamo Basketball, an LBA men’s team, where Tiscali is Gold Sponsor.

<u>28 September 2020 — Signature of the Amendment Agreement of the Senior Loan</u>

For further details, please refer to the Explanatory Note No. 24.

4.8. Business Outlook

Consistent with the above, and in line with the objectives of the Business Plan, in the coming months the Group’s commitment will be focused on the full implementation of the plan itself, with particular focus on:

- The growth of the customer base, with a particular focus on the acquisition of new customers in Fibre, LTE and Mobile;
- The relaunch of the Tiscali brand through sponsorship campaigns;
- The development of the portal diversification activity;
- The improvement of service margins;

- The continuation of the operating cost efficiency plan.

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

Risks related to the overall financial 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.

The COVID-19 emergency phased in within this context, and immediately led to a further weakening of the economic framework at national and global level. At the moment, it is not possible to estimate the impacts with a good approximation, despite the fact that the Telecommunications sector has become one of the most important production activities in the country.

For further detail please refer to the note *Assessment on the business as an ongoing concern*.

Risks connected with the high degree of market competitiveness

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

Tiscali's main competitors have a strong brand recognition consistently supported by significant investments in communication, a well-established client base and high financial resources that allow them 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. In this regard, SKY launched its fibre connectivity service in June 2020, bringing about convergence between the media and telecommunications markets, as initiated in the opposite direction by telco. In addition, in July 2020 Iliad announced its entry into the fixed market based on its partnership with Open Fiber.

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

The possible Group's inability to compete successfully in the sectors in which it operates with respect to its current or future competitors may adversely affect the market position with consequent loss of customers and negative effects on the company's business, assets position and financial position of the Company and on the prospective data considered in the short and long term to assess the recoverability of the assets and the value of the investments in the participations through the impairment test.

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

The ability of Tiscali 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.

Any electrical power failure or any interruption in telecommunications, security system violations and other similar unforeseeable negative events (such as the complete destruction of the data centre) could cause interruptions or delays in the supply of services, with consequent negative effects on the activity and financial, economic and assets situation of the Group and on perspective data. The Company has implemented all prevention measures aimed at minimising this remote risk.

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 centre, present in the Cagliari office, is equipped with safety systems appropriate to the risks faced.

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 centre and the systems.

In terms of service quality, managed information security and business continuity, in January 2020, the Company obtained the ISO 9001 quality service certification in accordance with the ISO 27001 standard, for which it carried out preparatory activities in 2019.

With a view to continuously improving the services provided, in January 2020 the Company also obtained the ISO 22301 (Business Continuity Management System) and ISO 20000-1 (Service Management System) certifications, for which it had carried out preparatory activities during 2019.

At the date of this Consolidated Half-Year Financial Report as at 30 June 2020, no violations by third parties of Tiscali information systems were reported.

General Data protection

Tiscali guarantees a constant monitoring of issues relating to the protection of personal data, with reference to both company’s staff and customers.

During 2018, 2019, and in the first half of 2020, activities were carried out to comply with the GDPR General Data Protection Regulation, the new EU Regulation No. 2016/679 on data protection, with the provision of constant updating, to ensure that over time the data is processed correctly and protected with adequate security measures, in compliance with the GDPR and the personal data protection code of the Law Decree No. 196/2003.

In the context of the COVID-19 emergency, the Privacy Authority has dictated provisions and clarifications regarding the processing of employees’ personal data in the workplace.
In order to comply with the provisions of the Privacy Authority, Tiscali has drawn up an *ad hoc* information notice regarding the processing of personal data collected during the real-time temperature detection addressed to employees and all those who have access to company premises, in accordance with the provisions of the DPCM dated 26 April 2020.

Although the Tiscali Group has 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 specific insurance policies in place to cover the damages that their infrastructures may suffer as a result of the aforementioned events.

Nevertheless, should damaging events not covered by insurance policies occur or, even if covered, such events should cause damage exceeding the insured limits, or should they be due to breaches of its own systems, the reputational damage suffered would result in loss of customers, such circumstances could have a significantly negative impact on the Group’s business and on the Group’s income statement, balance sheet and financial position and on the perspective figures of the New 2020-2022 Business Plan.

Furthermore, the COVID-19 emergency quickly required the organisation of IT systems to enable employees to carry out their work from home. This increased the surface area exposed to possible cyber-attacks, in order to prevent them, the Company had to adopt specific protection and behavioural procedures.

Risks connected with technological development

The sector in which the Tiscali Group operates is characterised 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.

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 and on the Business Plan.

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 to 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 perspective data. Despite the situation of uncertainty indicated, at the moment the Group has reflected in its forecast data the impacts of the regulatory changes currently foreseeable.

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 2020-2022 Business Plan, general economic conditions, financial markets and sector in which the Group operates.

The Directors believe that this risk is mitigated by the fact that the non-current financial indebtedness is mainly constituted by the Senior Loan, whose new repayment profile was redefined with the Restructuring Agreements of the Financial Debt signed with the Financial Institutions on 28 March 2019, which, also considering the obtaining of the above-described Amendment Agreement and the prospects of exceeding the covenants as at 31 December 2020, is consistent with the Group’s future financial plans.

In early 2020, the COVID-19 emergency occurred in this context. For further details on the impact of this phenomenon on the company's business, please refer to the paragraph *Assessment on the business as an ongoing concern*.

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 fact that the largest part of the financial debt is at fixed rates, the management considers the risk of fluctuations in interest rates and exchange rates to be not significant for the Group's equity and financial position.

Risks linked to relations with suppliers

The Tiscali Group's business depends on existing contracts with its strategic suppliers, which the possibility of the Group to have access to its market depends on.

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 favourable with respect to those currently existing; or (ii) the Group does not succeed in concluding the new contracts necessary for the development of its business; or (iii) if a serious contractual breach should occur on the part of the Company or of its suppliers, these circumstances could have negative effects on the activity and the economic, equity and financial situation of the Company and the Group companies, with consequent impact on the possibility to carry on its business activities under appropriate conditions of business continuity on the medium term, considering such an eventuality remote with reference to the time horizon of the next 12 months.

The terms and conditions of such contracts are regulatory and as of now there are no elements that may suggest a non-renewal at maturity.

Net trade payables past due (net of payment plans agreed with suppliers, assets and disputed items to the same suppliers), amounted to EUR 26.1 million as at 30 June 2020 (EUR 14.3 million as at 31 December 2019).

There were no suspensions of supply relations such as to prejudice the ordinary course of business. As at 30 June 2020, payment reminders were received in the ordinary course of business. At that date, the main payment orders received by the Company amounted to a total of EUR 3.2 million, EUR 1.4 million of which have not yet been paid as they are under negotiation or opposition.

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

The Tiscali Group conducts its business on the basis of licenses and authorisations – 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 authorisations.

The most important authorisations, in the absence of which the Group might not be able to carry out its business or part of it, with the resulting repercussions on business continuity, follow:

- General authorisation for the provision of the "data transmission" service: in case of loss of this authorisation – which in turn expires on 10 December 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 authorisation upon expiry, which to be obtained will need a new DIA (declaration on the commencement of the activities) to be submitted though;

- General authorisation (individual license) for "voice service accessible to the public on the national territory", expiring on 31 December 2038: in case of loss of such authorisation, 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 authorisation upon expiry, which to be obtained will need a new DIA (declaration on the commencement of the activities) to be submitted though;

- General authorisation for "electronic communications networks and services", expiring on 11 January 2032: in case of loss of such authorisation, the Group would no longer be able to realise network infrastructure and thus provide connectivity services on proprietary infrastructures.
- General authorisation for the provision of the "Enhanced Service Provider" mobile service: in case of loss of such authorisation – which is scheduled to expire on 31 December 2038 – the Group would no longer be able to provide services (both voice and data) of mobile type.

Risks concerned to the business as an ongoing concern

In this regard, reference should be made to Paragraph 5.9 of the Explanatory Notes.

Risk related to potential disputes and liabilities

For this purpose, please refer to the Paragraph *Disputes, Contingent Liabilities and Commitments*.

4.10. Non-recurring transactions

Please refer to the paragraph *Non-Recurring Transactions* in the Explanatory Notes.

4.11. Atypical and/or Unusual Transactions

As per CONSOB Communication dated 28 July 2006, it is specified that, during the first half of 2020, the Group did not carry out any atypical and/or unusual transactions, as defined in the Communication itself.

4.12. Related-Party Transactions

With regard to the economic and asset relationships held with related parties, please refer to the Paragraph Related-Party Transactions of the Explanatory Notes.

Cagliari, 29 September 2020

The CEO

Renato Soru

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

Roberto Lai

Consolidated half-yearly financial statements as at 30 June 2020

5. Consolidated Financial Statements and Explanatory Notes

5.1. Income Statement

Consolidated income Statement	Notes	1st semester 2020	1st semester 2019
(Thousands of Euros)			
Revenues	*1*	72.546	70.240
Other incomes	*2*	345	13.611
Purchase of materials and external services	*3*	51.696	51.038
Personnel cost	*4*	10.478	12.358
Other operating charges (incomes)	*3*	17	6
Write-downs of receivables from customers	*5*	3.418	5.506
Restructuring costs	*6*	49	2.181
Depreciations & amortizations	*6-12-13-14-15*	19.380	20.813
Operating result		**(12.146)**	**(8.051)**
Result from the investments evaluated at equity method		(30)	(269)
Financial Income	*7*	437	12.031
Financial Expenses	*7*	4.684	7.428
Income (loss) before tax		**(16.424)**	**(3.716)**
Taxation	*8*	0	0
Net result from operating activities (ongoing)		**(16.424)**	**(3.716)**
Result from held for sale and discontinued operations	*9*	0	0
Net result	*10*	**(16.424)**	**(3.716)**
To be attributed to:			
- Result pertaining the Parent Company		**(16.424)**	**(3.716)**
- Result pertaining Third Parties		-	-
Profit (loss) per share			
Profit per share from current and transferred activities:			**0**
- Base		(0,004)	**(0,001)**
- Diluted		(0,004)	**(0,001)**
Profit per share from current activities:			
- Base		(0,004)	**(0,001)**
- Diluted		(0,004)	**(0,001)**

5.2. Comprehensive Income Statement

Comprehensive Income Statement	1st semester 2020	1st semester 2019
(Thousands of Euros)		
Result for the period	**(16.424)**	**(3.716)**
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	
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year	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	**(16.424)**	**(3.716)**
To be attributed to:		
Shareholders of the Parent Company	**(16.424)**	**(3.716)**
Minority Shareholders	-	-
Total	**(16.424)**	**(3.716)**

5.3. Statement of Assets and Liabilities

Statement of Assets and Liabilities	Notes	30 June 2020	31 December 2019
(Thousands of Euros)			
Non-current assets			
Intangible assets	*12*	55.718	53.149
Leased contracts rights of use	*13*	18.428	21.089
Customer acquisition costs	*14*	10.031	9.777
Property, plants and machinery	*15*	30.675	31.881
Investments evaluated at equity method	*16*	3.719	3.719
Other financial assets	*17*	884	908
		119.455	**120.523**
Current assets			0
Trade receivables	*18*	13.770	15.222
Tax receivables	*19*	474	227
Other receivables and other current assets	*20*	24.371	33.607
Cash and cash equivalents	*21*	19.758	11.653
		58.373	**60.709**
Total assets		**177.828**	**181.232**
			0
Capital and reserves			0
Share Capital		48.955	46.355
Stock option reserve		96	96
Results from previous fiscal years and other reserves		(99.802)	(85.988)
Results for the fiscal year pertaining to the Group		(16.424)	(16.468)
Shareholders' equity_ Group	*22*	**(67.176)**	**(56.005)**
Shareholders' equity_ third parties		**0**	**0**
Shareholders' equity_ third parties	*23*	**0**	**0**
Total Shareholders' equity		**(67.176)**	**(56.005)**
			0
Non-current liabilities			0
Bank loans and other fin. Inst.	*24*	3.483	67.932
Obligation under finance leases	*24*	16.846	19.092
Other non-current liabilities	*25*	6.592	7.187
Employee severance indemnities	*26*	2.820	2.830
Provisions for liabilities and charges	*27*	3.766	4.257
		33.506	**101.298**
Current Liabilities			0
Convertible bond	*24*	0	5.246
Banks overdrafts and loans	*24*	67.309	845
Obligation under finance leases	*24*	7.165	6.379
Trade payables	*28*	75.344	60.650
Tax payables	*29*	5.369	5.143
Other current liabilities	*30*	56.310	57.675
		211.497	**135.939**
Total Shareholders' equity and Liabilities		**177.828**	**181.232**

(*) It should be noted that, for better accounting purposes, the opening value and the movements in the period of some assets included in the item Plant and Machinery have been reclassified to the item Rights to use from leased contracts, for an amount of EUR 0.6 million.

5.4. Cash Flow Statement

(Thousands of Euro)	Notes	2020	2019
OPERATING ACTIVITIES			
Result from continuing operations		**(16.424)**	**(3.716)**
Adjustments for:			
Amortization & depreciation	12-13-14-15	19.380	20.813
Provision for write-downs accounts receivables from customers	5	3.418	5.506
Gain on disposal of non-current assets	2	0	(527)
Gain on Sa Illetta disposal	2	0	(10.855)
Stock Option figurative cost	22	0	0
Income taxes	8	0	0
Provisions for risks variation	6	76	1.888
Write-offs and settlement agreements with suppliers/customers/ others	28	(1.476)	(4.659)
Other changes	4-6	563	873
IFRS 16 implementation impact	3	0	(1.624)
Senior loan and Bobd ancillery costs	7	0	(321)
Financial costs and income	7	4.247	(4.603)
Cash flows from operating activities before changes in working capital		***9.784***	***2.775***
Changes in receivables	18	(1.966)	301
Change in inventories		0	0
Changes in payables to suppliers	28	3.529	(17.555)
Change in payables to long-term suppliers	25	(3.350)	(1.467)
Net change in provisions for risks and charges	27	(519)	(2.982)
Net change in provisions for TFR	26	(46)	(423)
Changes in other liabilities	30	(1.683)	2.995
Changes in other assets	20	6.557	3.908
Changes in working capital		**2.522**	**(15.222)**
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		**12.305**	**(12.448)**
INVESTMENT ACTIVITY			
Change in other financial assets	17	24	(728)
Acquisitions of Fixed Tangible Assets	15	(4.542)	(5.722)
Acquisitions of Customers acquisition costs	14	(3.762)	0
Acquisitions of Intangible assets	12	(10.037)	(16.984)
o/w due to voucher utilization (no cash effect)	*12 -15*	*2.356*	*5.907*
Change in payables related to acquisitions of Assets	25	15.180	8.316
AVAILABILITY OF CASH AND CASH EQUIVALENTS FOR INVESTMENT ACTIVITIES		**(782)**	**(9.211)**
FINANCIAL ASSETS			
Changes in payables to banks	24	(1.099)	(1.586)
of which:			
Repayment of share capital and interest Senior debt	0	*(451)*	*(2)*
Increase/Decrease in current accounts overdrafts	0	*(649)*	*(1.584)*
Changes in bond	24	0	10.070
Repayment/acceptance of financial leasing	24	(2.316)	(2.988)
Exchange rate effect	7	(2)	(35)
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		**(3.418)**	**5.462**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**8.106**	**(16.197)**
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE	9	0	0
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**11.653**	**18.977**
CASH AND CASH EQUIVALENTS AT YEAR-END		**19.758**	**2.780**

It should be noted that changes in items related to related party transactions have not been reported in the Statement of Cash Flows as their amount is not significant.

5.5. Statement of Changes in Shareholders' Equity

(Thousands of Euros)	Capital	Legal reserve	Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority Interests	Total
Balance as of January 1, 2020	**46.355**	**1.929**	**-**	**96**	**(1.635)**	**(102.750)**	**(56.005)**	**-**	**(56.005)**
Bond conversion	2.600					2.700	**5.300**		**5.300**
Bond set up fees						(47)	**(47)**		**(47)**
Total result of the comprehensive Income Statement						(16.424)	**(16.424)**		**(16.424)**
Balance as of June 30th, 2020	**48.955**	**1.929**		**96**	**(1.635)**	**(116.521)**	**(67.176)**		**(67.176)**

(Thousands of Euros)	Capital	Legal reserve	Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority Interests	Total
Balance as of January 1, 2019	**43.065**	**1.253**		**(13)**	**(1.478)**	**(87.542)**	**(44.715)**	**-**	**(44.715)**
Legal Reserve Reclass		676				(676)			
Stock option Reserve Restoration	(2.010)			2.010					
Bond conversion									
Reclass Stock Option Reserve to Other Reserve				(1.906)		1.906			
Reclass Oci Reserve a Other Reserve									
Total result of the comprehensive Income Statement						(3.716)	**(3.716)**		**(3.716)**
Balance as of June 30th, 2019	**41.055**	**1.929**		**90**	**(1.478)**	**(90.028)**	**(48.432)**		**(48.432)**

(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 January 1, 2019	**43.065**	**1.253**		**(13)**	**(1.478)**	**(87.542)**	**(44.715)**	**-**	**(44.715)**
Legal Reserve Reclass		**676**				**(676)**			
Stock option Reserve Restoration	**(2.010)**			**2.010**					
Bond conversion	**5.300**						**5.300**		**5.300**
Reclass Stock Option Reserve to Other Reserve				**(1.906)**		**1.906**			
Reclass Oci Reserve a Other Reserve					**(29)**	**29**			
Total result of the comprehensive Income Statement				**5**	**(127)**	**(16.468)**	**(16.590)**		**(16.590)**
Balance as of December 31th, 2019	**46.355**	**1.929**		**96**	**(1.635)**	**(102.750)**	**(56.005)**		**(56.005)**

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

Consolidated income Statement	Notes	1st semester 2020	of which related parties	1st semester 2019	of which related parties
(Thousands of Euros)					
Revenues	*1*	72.546	21	70.240	161
Other incomes	*2*	345		13.611	
Purchase of materials and external services	*3*	51.696	451	51.038	380
Personnel cost	*4*	10.478	302	12.358	307
Other operating charges (incomes)	*3*	17		6	
Write-downs of receivables from customers	*5*	3.418		5.506	
Restructuring costs	*6*	49		2.181	
Depreciations & amortizations	*6-12-13-14-15*	19.380		20.813	
Operating result		**(12.146)**	**(733)**	**(8.051)**	**(526)**
Result from the investments evaluated at equity method		(30)		(269)	
Financial Income	*7*	437		12.031	
Financial Expenses	*7*	4.684		7.428	136
Income (loss) before tax		**(16.424)**	**(733)**	**(3.716)**	**(662)**
Taxation	*8*	0		0	
Net result from operating activities (ongoing)		**(16.424)**	**(733)**	**(3.716)**	**(662)**
Result from held for sale and discontinued operations	*9*	0		0	
Net result	*10*	**(16.424)**	**(733)**	**(3.716)**	**(662)**
To be attributed to:					
- Result pertaining the Parent Company		**(16.424)**		**(3.716)**	
- Result pertaining Third Parties		-		-	
Profit (loss) per share					
Profit per share from current and transferred activities:				**0**	
- Base		(0,004)		**(0,001)**	
- Diluted		(0,004)		**(0,001)**	
Profit per share from current activities:					
- Base		(0,004)		**(0,001)**	
- Diluted		(0,004)		**(0,001)**	

5.7. Balance Sheet in accordance with CONSOB Resolution No. 15519 dated 27 July 2006

Statement of Assets and Liabilities	Notes	30 June 2020	of which related parties	31 December 2019	of which related parties
(Thousands of Euros)					
Non-current assets					
Intangible assets	*12*	55.718		53.149	
Leased contracts rights of use	*13*	18.428		21.089	
Customer acquisition costs	*14*	10.031		9.777	
Property, plants and machinery	*15*	30.675		31.881	
Investments evaluated at equity method	*16*	3.719		3.719	
Other financial assets	*17*	884		908	
		119.455		**120.523**	
Current assets				0	
Trade receivables	*18*	13.770	505	15.222	381
Tax receivables	*19*	474		227	
Other receivables and other current assets	*20*	24.371	61	33.607	61
Cash and cash equivalents	*21*	19.758		11.653	
		58.373	**565**	**60.709**	**442**
Total assets		**177.828**	**565**	**181.232**	**442**
Capital and reserves				0	
Share Capital		48.955		46.355	
Stock option reserve		96		96	5
Results from previous fiscal years and other reserves		(99.802)		(85.988)	
Results for the fiscal year pertaining to the Group		(16.424)		(16.468)	
Shareholders' equity_ Group	*22*	**(67.176)**		**(56.005)**	**5**
Shareholders' equity_ third parties		**0**		**0**	
Shareholders' equity_ third parties	*23*	**0**		**0**	
Total Shareholders' equity		**(67.176)**		**(56.005)**	
Non-current liabilities				0	
Bank loans and other fin. Inst.	*24*	3.483		67.932	
Obligation under finance leases	*24*	16.846		19.092	
Other non-current liabilities	*25*	6.592		7.187	
Employee severance indemnities	*26*	2.820		2.830	
Provisions for liabilities and charges	*27*	3.766		4.257	
		33.506		**101.298**	
Current Liabilities				0	
Convertible bond	*24*	0		5.246	
Banks overdrafts and loans	*24*	67.309		845	
Obligation under finance leases	*24*	7.165		6.379	
Trade payables	*28*	75.344	427	60.650	363
Tax payables	*29*	5.369		5.143	
Other current liabilities	*30*	56.310		57.675	
		211.497	**427**	**135.939**	**363**
Total Shareholders' equity and Liabilities		**177.828**	**(138)**	**181.232**	**(74)**

(*) It should be noted that, for better accounting purposes, the opening value and the movements in the period of some assets included in the item Plant and Machinery have been reclassified to the item Rights to use from leased contracts, for an amount of EUR 0.6 million.

5.8. Explanatory Notes

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

Through a network based on IP technology, Tiscali offers its customers a wide range of services: Internet access in Fixed Broadband and Broadband Fixed Wireless mode, mobile services (voice and data) and value-added digital services, B2B services, media activities through the Tiscali.it portal. The data offer also includes voice services (VOIP — for the meaning of the acronyms used in this Report, please refer to the *Glossary*). Tiscali continued to market Fixed Wireless Broadband services in continuity with previous years (through its subsidiary Aria Srl) following the Wholesale Agreement signed with Fastweb following the sale of the LTE business unit to Fastweb in November 2018.

In particular, the development is focused on access in FTTH technology.

These consolidated financial statements (hereinafter referred to as the "Financial Statements") have been prepared using the Euro (EUR) as the accounting currency, as this is the currency used to conduct most of the Group's operations; all values are rounded off to thousands of Euro (EUR 000), unless otherwise stated. Foreign activities are included in the consolidated financial statements in accordance with the principles described in the following Notes.

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

5.9. Assessment of the business as a going concern and business outlook

Uncertainties connected to the COVID-19 pandemic

As part of the risk management operations carried out by the Directors, they carried out a careful assessment of the situation and, despite the uncertainty inherent in the case, they highlighted, in the current scenario, the possible repercussions related to the spread of the COVID-19 and the measures taken by governments to slow down its spread.

In particular, the impacts on the Group, which occurred during the first half of 2020 and assessed by management, although difficult to quantify in the medium to long term are:

- *Effects on the financial balance*, linked to the possible deterioration in the solvency of commercial counter-parties and/or the reduction in collections with manual payment methods (postal orders). This impact, quantifiable as a delay in receipts, amounts to about EUR 3 million on the net financial position at the end of the period;
- *Operational effects*, linked to possible restrictions on operations resulting from possible prohibition measures imposed by the authorities, as well as restrictions on national movements that could delay certain business processes (continuation of personnel-intensive activities such as call centres and service centres; installation of equipment at customers' premises; possibility of dealing with line failures and/or possibility of installing new equipment at third party sites). In particular, the increased complexity linked to access for the installation of equipment at new customers during the first half of 2020 led to delays in customer activation activities, with a consequent negative impact on customer base growth. The Directors are unable to measure the financial, economic and equity effects of this slowdown, since the impact of the COVID-19 pandemic on this slowdown cannot be reliably measured;
- *Operative costs*, represented by the growth in network costs linked to the growth in quantifiable data and voice traffic, also considering some savings on general costs and lower income from advertising sales, in about EUR 1 million in the income statement for the period;
- *Effects on the market*, linked to the contraction of the national economy and, therefore, a reduction in the spending capacity of users, whose impact on fewer new contracts or lower revenues appears to be unreliable. However, the Directors have increased the allowance for doubtful accounts to reflect this risk and the further increase compared to the provisions made in compliance with the policies is about EUR 0.5 million.

The Directors have analysed these possible effects and prepared a management and response document to these risks. Although they have prepared these plans with extreme diligence, the effects mentioned above may not be mitigated, or only partially mitigated, by the actions of the Directors as many variables considered are not under their direct control.

Final assessment of the Board of Directors on the business as an ongoing concern

The Directors, in this Half-Year Financial Report as at 30 June 2020, with regard to the recurrence of the assumption of going concern and the application of the accounting principles of a company in operation, point out that the Group:

- Presented a negative consolidated result for the year of EUR 16.4 million, which, although with a worsening in absolute terms as compared to the result of the first half of 2019, showed an improvement of EUR 10 million as compared to the result excluding non-recurring effects related to that period;
- Recorded a consolidated EBITDA of EUR 7.3 million, an improvement by EUR 5.2 million as compared to the consolidated EBITDA recorded as at 30 June 2019 adjusted for the non-recurring effects recorded in that period;
- Had a consolidated net financial position as at 30 June 2020 negative and equal to EUR 74.2 million, of which EUR 74.5 million are current and EUR 20.3 million are falling due beyond 12 months, in addition to cash and cash equivalents for EUR 19.7 million. This figure shows an improvement by EUR 12.8 million as compared to the figure as at 31 December 2019;
- At consolidated level, has current liabilities exceeding current (non-financial) assets for EUR 98.4 million, as compared to the amount as at 31 December 2019 and amounting to EUR 74.4 million;
- Showed a consolidated balance sheet deficit of EUR 67.2 million, a decrease as compared to 31 December 2019 due to the combined effect of the negative result for the period and the conversion of the remaining part of the Bond Loan;
- Showed net trade payables past due (net of payment plans agreed with suppliers, as well as assets and disputed items to the same suppliers) of EUR 26.1 million (EUR 14.3 million as at 31 December 2019), financial payables past due (net of credit positions) of EUR 0.2 million (nil as at 31 December 2019), tax and social security payables past due of EUR 31.2 million (EUR 28 million as at 31 December 2019);
- Obtained, in the first half of 2020, results substantially in line with those expected.

In this situation, the Directors reiterates that the achievement of a medium- and long-term equity, economic and financial equilibrium of the Group is in general always subject to i) the achievement of the results expected in the 2020-2022 Business Plan, which foresees the achievement of economic equilibrium in 2021 and, ii) the realisation of the forecasts and assumptions contained therein in a market context characterised by strong competitive pressure, a macroeconomic context of difficulty linked to recent events linked to the diffusion in Italy of the COVID-19 pandemic, as well as iii) the Group's ability and possibility to raise the financial and equity resources necessary to pursue the 2020-2022 Business Plan.

In the face of these uncertainties, the Directors point out that the Group:

a) Stabilised its Fixed Broadband customer base, which is substantially in line with the customer base as at 31 December 2019 (approximately 382 thousand users), showing an improvement in the mix, with a significant growth in the number of Fiber customers, which increased by 21%, from 164 thousand users as at 31 December 2019 to 198 thousand users as at 30 June 2020;
b) Continued, during the first half of 2020, to implement industrial activities consistent with the business plan, such as improving service margins and cost efficiency;

c) Generated cash flows from operating activities in the first half of 2020, before changes in working capital, of EUR 9.8 million, in addition to positive changes in working capital of EUR 2.5 million;

d) Signed the Amendment Agreement to the Senior Loan on 28 September 2020.

Furthermore, the Directors have drawn up a cash plan for a 12-month period from the date of approval of this document, which also takes into account the financial effects of obtaining extraordinary finance. On the basis of this cash flow plan, the Group, assuming compliance with the 2020-2022 Business Plan — for which the expected results are substantially in line with the current ones — and assuming that it obtains further extraordinary finance — for which there are some ongoing negotiations that are expected to be concluded by early 2021 — would be able to meet its obligations while maintaining a level of past due payment substantially in line with the current one.

The Directors, therefore, think that the actions undertaken in the first half of 2020 allow the Group and the Company to continue along the virtuous path undertaken and are such as to suggest that — even in the presence of the aforementioned situations of uncertainty about the implementation of the 2020-2022 Business Plan over the next twelve months, and about obtaining the extraordinary financial resources, linked to the existence of uncontrollable exogenous variables which may cause results to be worse than those forecast — the short-term financial and equity balance and the going concern connected with it is not at risk.

It is therefore on this basis that the Directors have a reasonable expectation that the Company will continue as a going concern over the next 12 months and that the Group will be able to use the accounting principles of a going concern in the preparation of this Report.

This determination is, of course, the result of a subjective opinion, which compared the degree of probability of their occurrence with the opposite situation to the events listed above.

It should be stressed that the prognostic judgement underlying the Board of Directors 'determination could be contradicted by further developments. Precisely because it is aware of the intrinsic limits of its determination, the Board of Directors will maintain constant monitoring of the evolution of the factors taken into consideration (as well as of any further circumstances that may acquire importance), so that it can promptly take the necessary measures.

5.10. Drafting Standards

This Condensed Consolidated Half-Year Financial Report has been prepared according to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and harmonised 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 24 February 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. This, 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 2019; therefore, it should be read together with the Consolidated Financial Statements as at 31 December 2019.

The Condensed Consolidated Half-Year 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 2020, accounting principles and calculation methods used for the preparation of the Condensed Half-Year Report have also been homogeneously applied in the preparation of the Consolidated Financial Statements as at 31 December 2019 — which should be referred to for their full detail — and in the Half-Year Report as at 30 June 2019.

The drafting of the Condensed 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.

The areas of the financial statements that, in the circumstances, require the adoption of application assumptions and those that are more characterised by the use of estimates are described in the following note *Principal decisions made in the application of accounting standards and use of estimates*.

5.11. Accounting Standards

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED SINCE 01/01/2020

The following accounting standards, amendments and interpretations IFRS have been adopted by the Group as of 1 January 2020:

- On 31 October 2018, the IASB published the document **"Definition of Material (Amendments to IAS 1 and IAS 8)"**. The document introduced an amendment to the definition of "material" contained in *IAS 1 — Presentation of Financial Statements* and *IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of "material" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the primary readers of a financial statement an effect similar to that which would have occurred if such information had been omitted or incorrect.

  There was no significant effect on the financial statements of the Group from the adoption of this interpretation.

- On 29 March 2018, the IASB published an **Amendment to the "References to the Conceptual Framework in IFRS Standards"**. The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the key concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated equally so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards.

- On 26 September 2019, the IASB published an amendment called **"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform"**. The same amendment also amended *IFRS 9 — Financial Instruments* and *IAS 39 — Financial Instruments: Recognition and Measurement* as well as *IFRS 7 — Financial Instruments: Disclosures*. In particular, the amendment modifies some of the requirements for the application of hedge accounting, providing for temporary exceptions to them, in order to mitigate the impact of the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information on their hedging relationships in their financial statements that are directly affected by the uncertainties generated by the reform and to which the above waivers apply.

There was no significant effect on the financial statements of the Group from the adoption of this interpretation.

- On 22 October 2018, the IASB published the **"Definition of a Business (Amendments to IFRS 3)"**. The document provides some clarifications on the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify in business an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, a substantial input and process that together contribute significantly to the ability to create an output. To this end, the IASB has replaced the phrase "ability to create output" with "ability to contribute to the creation of output" to make it clear that a business can exist without all the inputs and processes necessary to create an output.

  The amendment also introduced an optional test (the so-called "concentration test") to exclude the presence of a business if the price paid is substantially attributable to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.

  There was no significant effect on the financial statements of the Group from the adoption of this interpretation.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT COMPULSORILY APPLICABLE AND NOT ADOPTED BY THE GROUP AS AT 30 JUNE 2020

As at 30 June 2020, there were no IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet mandatory as at 30 June 2020.

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

At the reporting date of the above-mentioned Condensed Consolidated Half-Year 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 18 May 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts.

  The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds.

The new standard also includes presentation and disclosure requirements to improve comparability between entities in this segment.

The new standard measures an insurance contract on the basis of a General Model or a simplified version thereof, called the Premium Allocation Approach ("PAA").

The main features of the General Model follow:

- Estimates and assumptions of future cash flows are always current;
- The measurement reflects the time value of money;
- Estimates make extensive use of observable market information;
- There is a current and explicit measurement of risk;
- The expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and,
- The expected profit is recognised in the contractual hedging period taking into account adjustments arising from changes in the cash flow assumptions related to each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. Simplifications resulting from the application of the PAA approach do not apply to the measurement of liabilities for outstanding claims, which are measured by the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year of the date on which the claim occurred.

The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard applies from 1 January 2023, but early application is permitted only for entities that apply *IFRS 9 — Financial Instruments* and *IFRS 15 — Revenue from Contracts with Customers*.

The Directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of this standard.

- On 23 January 2020, the IASB published an amendment called **"Amendments to IAS 1 — Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"**. The purpose of the document is to clarify how to classify payables and other short or long term liabilities. The amendments are effective from 1 January 2022, but the IASB has issued an exposure draft to postpone their entry into force until 1 January 2023; however, early application is permitted.

  The Directors do not expect a material effect in the consolidated financial statements of the Group from the adoption of this amendment.

- On 14 May 2020, the IASB published the following named amendments:

- **Amendments to IFRS 3 — Business Combinations**: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without changing the requirements of IFRS 3.
- **Amendments to IAS 16 — Property, Plant and Equipment**: the amendments do not permit the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the testing phase of the asset. These sales revenues and related costs will therefore be recognised in the income statement.
- **Amendments to IAS 37 — Provisions, Contingent Liabilities and Contingent Assets**: the amendment clarifies that all costs directly attributable to the contract must be considered when estimating the cost of a contract. Consequently, the estimate of the possible onerousness of a contract includes not only incremental costs (such as the cost of the direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the portion of personnel costs and depreciation of machinery used to fulfil the contract).
- **2018-2020 Annual Improvements**: the amendments were made to *IFRS 1 — First-time Adoption of International Financial Reporting Standards*, *IFRS 9 — Financial Instruments*, *IAS 41 — Agriculture and the Illustrative Examples of IFRS 16 Leases*.

All amendments will enter into force on 1 January 2022.

The Directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of these amendments.

- On 28 May 2020, the IASB published an amendment called “COVID-19 Related Rent Concessions (Amendment to IFRS 16)”. The document allows lessees to account for rent reductions related to COVID-19 without having to assess, through contract analysis, whether the definition of lease amendments in IFRS 16 is met. Therefore, lessees applying this option may account for the effects of rent reductions directly in the income statement at the effective date of the reduction. This amendment, although applicable to financial statements as of 1 June 2020 except for the possibility of early application by a company to financial statements as of 1 January 2020, has not yet been endorsed by the European Union, and therefore has not been applied by the Group as at 30 June 2020.

  The Directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of this amendment.

- On 28 May 2020, the IASB published an amendment called **“Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)”**. The amendments allow the extension of the temporary exemption from applying IFRS 9 until 1 January 2023. The amendments will enter into force on January 1, 2021.

  The Directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of this amendment.

- On January 30, 2014, the IASB published *IFRS 14 — Regulatory Deferral Accounts*, which allows only those who adopt IFRS for the first time to continue to recognise amounts relating to assets subject to regulated rates (“Rate Regulation Activities”) under previous adopted accounting standards. As the Company/Group is not a first-time adopter, this standard is not applicable.

USE OF ESTIMATES

The preparation of the consolidated financial statements and the notes to the financial statements involved the use of estimates and assumptions for the determination of certain assets and liabilities and the valuation of contingent liabilities. Although the estimation process has not detected, during 2020, different issues than in the past, the results that will derive from the occurrence of expected and/or foreseeable events could differ from those assumed. The estimates and assumptions considered are therefore reviewed on an ongoing basis and the effects of any changes are recognised in the financial statements.

The use of estimates is particularly relevant for the following issues:

1. Estimates relating to financial statement items recorded in compliance with the new IFRS 16 standard;
2. Estimates relating to the assumptions underlying the valuations included in the impairment test, for which reference should be made to *Note 11 — Impairment test*;
3. Estimates of provisions for risks and charges. Although as at 30 June 2020 the company was not involved in litigation of a significant amount, the estimate of possible impacts — based on the most recent information available — is based on a complex estimation process involving the internal legal department and its legal advisors. For the Group, the estimation process is related to the presence of some contracts that could contain several performance obligations within the Group.

5.12. Commentary Notes

Revenues (Note 1)

Revenues	1st semester 2020	1st semester 2019
(EUR 000)		
Revenues	72.546	70.240
Total	**72.546**	**70.240**

Revenues for the first half of 2020 increased as compared to the same period of the previous year. For further details on the increase in revenues and their composition, reference should be made to the Report on Operations.

Other income (Note 2)

Other Income	1st semester 2020	1st semester 2019
(EUR 000)		
Other Income	345	13.611
Total	**345**	**13.611**

Other (income)/expense, amounting to a positive EUR 0.3 million, mainly include write-offs of payables to suppliers. The amount recorded in the first half of 2019 included the income from the sale of the property in Sa Illetta for EUR 11.4 million, the income from the elimination of a debt position towards a supplier of fixed assets for EUR 1.9 million and other contingent assets for EUR 0.3 million.

Purchases of materials and external services and other operating charges (income) (Note 3)

Purchase of materials and outsourced services, payroll and other operating costs (income)	1st semester 2020	1st semester 2019
(EUR 000)		
Line/traffic rental and interconnection costs	36.545	33.143
Costs for use of third party assets	3.192	3.876
Portal services costs	207	343
Marketing costs	1.509	2.528
Other services	10.244	11.148
Other operating costs (income)	17	6
Totale	**51.714**	**51.044**

(*) The economic data for the first half of 2019 have been restated following an internal audit of the cost accounting and cost allocation processes, aimed at making the economic and financial reporting system consistent with the Company's new business model. The following costs have undergone the following reclassifications: reclassification from "Costs of line rental/traffic and interconnection" to "Costs for use of third party assets" for EUR 3.5 million

The item "Rental of lines/traffic and interconnection costs" mainly includes voice traffic costs and fees for Fixed Broadband, Broadband FWA and Mobile services. The increase as compared to the first half of 2019, equal to EUR 3.4 million, is mainly related to the increase in the average cost per line as well as to the growth in average traffic volumes during the period attributable to the increased use of the network by customers during the COVID-19 emergency.

The item "Lease and rental costs" includes the cost of leases and rentals of capital goods. The reduction in this item as compared to the first half of 2019 amounts to EUR 0.7 million.

The item "Costs for portal services" slightly decreased (EUR 0.1 million) as compared to the first half of 2019.

The item "Marketing costs" decreased by EUR 1 million as compared to the first half of 2019, mainly due to the reduction in advertising communication costs. In fact, in the first half of 2019 this item included the costs of the television advertising campaign carried out in March 2019 for the relaunch of the Tiscali brand.

The item "Other services" includes costs for the maintenance and management of industrial sites, administrative offices, rents, consultancy and professional fees, billing costs, postage, travel expenses and other general costs. The reduction as compared to the first half of 2019 amounted to EUR 0.9 million.

Staffing Costs (Note 4)

Staffing cost	1st semester 2020	1st semester 2019
(EUR 000)		
Wages and salaries	6.715	7.730
Other staffing costs	3.763	4.628
Total	**10.478**	**12.358**

As mentioned in the report on operations, the decrease in personnel costs is mainly attributable to the reorganisation and reduction in the workforce that took place in 2019 and was completed in the first half of 2020. The number of FTEs decreased by 21 units as compared to 30 June 2019, as shown in the following table:

Number of Employees (FTEs):

	30 June 2020	30 June 2019
Managers	12	13
Middle Managers	35	34
Employee	436	456
Workers	1	1
External	0	1
Totale	**484**	**505**

Write-down of receivables from Customers (Note 5)

Write-downs of receivables from customers	1st semester 2020	1st semester 2019
(EUR 000)		
Provisions for bad debts	3.418	5.506
Total	**3.418**	**5.506**

The item "Write-down of receivables from Customers" amounted to EUR 3.4 million (4.7% of revenues), down from EUR 5.5 million in the first half of 2019 (7.8% of revenues).
In relation to the COVID-19 emergency and the consequent risk of lower solvency of receivables, the Company increased the allowance for doubtful accounts by EUR 0.5 million, in addition to the provisions made in compliance with the usual provision calculation policies.

Restructuring Costs (Note 6) and Depreciation (please refer to Notes 12, 13, 14 and 15 as well)

Restructuring costs	1st semester 2020	1st semester 2019
(EUR 000)		
Restructuring costs	49	2.181
Total	**49**	**2.181**

In the first half of 2019, the item "Restructuring costs" included provisions for legal disputes of EUR 1.1 million, other provisions for risks of EUR 0.8 million and assets write-offs of EUR 0.3 million. In the first half of 2020, this item was substantially zeroed, as there were no new cases.

Depreciation	1st semester 2020	1st semester 2019
(EUR 000)		
Depreciation	19.380	20.813
Total	**19.380**	**20.813**

Amortisation and depreciation amounted to EUR 19.4 million, a decrease by EUR 1.4 million as compared to the first half of 2019.

Financial Income and Financial Charges (Note 7)

The breakdown of the items "Financial income" and "Financial charges" for the year is detailed below, with a total negative balance of EUR 4.2 million.

Net financial income (charges)	1st semester 2020	1st semester 2019
(Thousands of EUR)		
Financial income		
Interest on bank deposits	0	0
Income from Senior Loan restructuring	0	11.361
Other financial income	437	670
Total	**437**	**12.031**
Financial charges		
Interest and other charges due to banks	3.097	4.084
Other financial charges	1.587	3.344
Total	**4.684**	**7.428**
Net financial income (charges)	**(4.247)**	**4.603**

The item "Financial income" includes an income of EUR 0.4 million attributable to the release of the notional financial liability arising from the put option related to the convertible bond issued on 31 January 2019 and converted on 30 June 2020.

The item "Financial Expenses", of about EUR 4.7 million, mainly includes the following items:

- Interest expense, related to the loan to Senior Lenders of EUR 3 million (EUR 3.4 million in the first half of 2019). This interest includes the amortised cost component of the debt itself;
- Default interest expense of EUR 0.2 million (EUR 1.8 million in the first half of 2019);
- Interest expense on financial leasing and IRU for about EUR 0.9 million (EUR 0.6 million in the first half of 2019);
- Bank charges of EUR 0.5 million (EUR 1 million in the first half of 2019);
- Notional interest on the Convertible Bond Loan for EUR 54 thousand;
- Interest expense on bank current accounts was nil in the first half of 2020 (EUR 0.7 million in the first half of 2019).

Income Taxes (Note 8)

Income taxes were nil in the first half of 2020, similarly to the first half of 2019.

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

Operating assets disposed of and/or assets held for sale were nil in the first half of 2020, similarly to the first half of 2019.

Earning (Loss) per share (Note 10)

The earnings per share of "operating assets" amounted to negative EUR 0.004 and was calculated by dividing the net result of current activities of the first half of 2020 attributable to the ordinary shareholders of the Parent company, amounting to EUR 16.4 million, by the weighted average number of ordinary shares in circulation during the first half of 2020, totalling 4,517,591,717.

The diluted earnings per share of "operating assets" amounted to negative EUR 0.004 and was calculated by dividing the net result of current activities of the first half of 2020 attributable to the ordinary shareholders of the Parent company, amounting to EUR 16.4 million, by the weighted average number of potential shares in circulation during the year, equal to 4,548,430,769.
The number of potential shares deriving from the potential exercise of the outstanding Stock Option plans (number of options equal to 30,839,052) was considered for the calculation of the weighted number of potential shares.

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

On 27 April 2020, the Board of Directors of the Company approved the 2020-2022 Business Plan (hereinafter referred to as "The Plan").
The Plan is an update of the previous Sworn 2018-2021 Plan, in the light of the significant events that occurred during 2019 (i.e., the change in the Company's governance, which took place in May 2019) and the COVID-19 emergency (which took place from February 2020 onwards). These events led to the need to review growth strategies. The Company has therefore updated the Sworn Plan, with the natural extension of one year, with amendments applying essentially in 2020 and the remainder in 2021.
The results of the first half of 2020 are substantially in line with the 2020-2022 Business Plan.
Considering, therefore, that the Group's performance is in line with that of the Plan, and considering the wide cover highlighted as at 31 December 2019 at consolidated level by the test carried out using this Plan, in the absence of new signs of impairment, the Directors did not proceed with the impairment test as at 30 June 2020.

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 2020	4.641	140.286	96.533	34.543	1.282	277.284
Increases		2.902	5.966	891	277	10.037
Disposal				(6)		(6)
Reclassifications		1.088	79	(142)	(1.101)	(76)
30 June 2020	4.641	144.277	102.578	35.287	458	287.241
ACCUMULATED AMORTIZATION						
1 January 2020	4.641	107.715	83.587	28.193		224.135
Increases in amortization		3.478	3.968	(58)		7.388
30 June 2020	4.641	111.192	87.555	28.134		231.523
NET BOOK VALUE						
1 January 2020	-	32.571	12.946	6.350	1.282	53.149
30 June 2020	-	33.084	15.023	7.152	458	55.718

The item "Development costs" includes the costs for the development of customised application software for the exclusive use of the Group. They are entirely amortised.

The balance of "Concessions and similar rights" amounts to EUR 33.1 million and mainly includes:

- EUR 12.2 million for licences, software and patents, including costs relating to LTE base station design tools, remote activation and management of equipment installed at customer premises, licences for the use of the VOIP platform and software for customer management (billing, customer care) and ERP systems;

- EUR 20.8 million in rights and charges related to the purchase of transmission capacity on a long-term basis, in the form of contracts for the concession of use of the same (IRU - Indefeasible right of use); these IRUs are accounted for by the subsidiary Tiscali Italia;
- EUR 1.1 million for patent and industrial property rights.

The increase in the first half of 2020 amounts to EUR 2.9 million. Amortisation and depreciation for the period, calculated according to the criteria highlighted in the annual financial report, amounted to EUR 3.5 million.

Furthermore, this item includes reclassifications for EUR 1.1 million. These are reclassifications of intangible assets from the category "Intangible assets in progress and advances" related to investments that were amortised in the period.

The item "Broadband service activation costs" amounted to EUR 15 million. The increase in the first half of 2020 amounted to EUR 6 million, related to acquisition and activation costs for Fixed and Fixed Wireless Broadband services.

Amortisation and depreciation for the period, calculated according to the criteria highlighted in the annual financial report, amounted to EUR 4 million.

"Other intangible assets" amounted to EUR 7.2 million. The increase in the period amounts to EUR 0.9 million.

"Intangible assets in progress and advances" amounted to EUR 0.5 million.

Leased contracts right of use (Note 13)

Leased contracts rights of use *(EUR 000)*	Property rights of use	Network equipment rights of use (*)	Total
HISTORICAL COST			
1 January 2020	**18.566**	**133.428**	**151.994**
Increases			
Disposal			
Reclassifications			
30 June 2020	**18.566**	**133.428**	**151.994**
ACCUMULATED AMORTIZATION			
1 January 2020	**2.045**	**128.860**	**130.905**
Increases	1.166	1.494	**2.660**
Disposal			
Reclassifications			
30 June 2020	**3.211**	***130.354***	**133.565**
NET BOOK VALUE			
1 January 2020	**16.521**	**4.568**	**21.089**
30 June 2020	**15.355**	**3.073**	**18.428**

(*) It should be noted that, for the purpose of a better accounting representation of fixed assets, the opening value and the movements during the period of some assets included in the item Plant and Machinery have been reclassified to the item Rights to use from leased contracts, for an amount of EUR 0.6 million.

In accordance with IFRS 16, the Company capitalised operating leases as of 1 January 2019.

In particular, the following categories of assets have been identified:

- "Rights to use real estate" includes the capitalisation of operating lease contracts related to industrial buildings. This item includes the capitalisation of the lease agreement for the Sa Illetta headquarters, effective from 28 March 2019. The contract, which has a 9-year duration, provides for the payment of an annual rent of EUR 2.1 million.

  Amortisation and depreciation as at 30 June 2020 amounted to EUR 1.2 million;

- "Rights to use Network Equipment" includes the capitalisation of operating lease contracts for network infrastructure and equipment. Depreciation of these categories of assets, amounting to EUR 1.5 million as at 30 June 2020, is determined in relation to the duration of the lease contracts.

Customer Acquisition Costs (Note 14)

This item includes costs relating to fees paid to dealers and commercial intermediaries for the acquisition of customers. Changes in these assets in the first half of 2020 are shown below:

Other Non Current Assets *(EUR 000)*	Customers Acquisition costs
HISTORICAL COST	
1 January 2020	62.281
Increases	3.762
Disposal	
Reclassifications	
30 June 2020	62.281
ACCUMULATED AMORTIZATION	
1 January 2020	52.249
Increases in amortization	3.508
30 June 2020	52.249
NET BOOK VALUE	
1 January 2020	9.777
30 June 2020	10.031

Property, Plant and Machinery (Note 15)

Changes in the first half of 2020 are shown in the following table:

Tangible assets (EUR 000)	Property	Plant & machinery	Other tangible assets	Tangible assets under construction	Total
HISTORICAL COST					
1 January 2020	**1.966**	**193.353**	**5.590**	**4.104**	**205.013**
Increases		**3.565**	4	974	**4.542**
Reclassifications		**2.050**		(1.974)	**76**
30 June 2020	**1.966**	***198.968***	**5.594**	**3.103**	**209.631**
ACCUMULATED DEPRECIATION					
1 January 2020	**1.966**	**166.522**	**4.644**		**173.132**
Depreciation network equipment in leasing		**5.790**	34		**5.824**
30 June 2020	**1.966**	***172.312***	**4.679**		**178.956**
NET BOOK VALUE					
1 January 2020		***26.831***	***946***	**4.104**	**31.881**
30 June 2020		***26.656***	***916***	**3.103**	**30.675**

(*) It should be noted that, for the purpose of a better accounting representation of fixed assets, the opening value and the movements during the period of some assets included in the item Plant and Machinery have been reclassified to the item Rights to use from leased contracts, for an amount of EUR 0.6 million.

Plant and Machinery includes specific network Machinery such as routers, DSLAMs, servers, transmission Machinery installed at ULL sites for EUR 26.7 million.

Investments for the period include investments of EUR 3.6 million.

There were also reclassifications of EUR 2 million from the item “Property, plant and Machinery in progress” relating to assets depreciated during the period. Other assets for EUR 76 thousand, coming from the category “Other intangible assets” were reclassified from the item “Plant and Machinery”.

Depreciation and amortisation for the period, calculated according to the criteria highlighted in the annual financial report, amounted to approximately EUR 5.8 million.

“Other tangible assets”, whose balance amounts to EUR 0.9 million, include furniture and fittings, electronic and electromechanical office machines and motor vehicles. The decrease in the period is connected to the depreciation for the period, calculated according to the criteria highlighted in the annual financial report, for EUR 34 thousand.

The item “Tangible assets in progress and advances”, whose balance amounts to EUR 3.1 million, mainly includes investments in network infrastructure.

This balance is net of reclassifications for EUR 2 million. These are reclassifications of property, plant and Machinery from the category “Tangible assets in progress” to the item “Plant and Machinery” for investments that entered into depreciation during the first half of 2020.

Investments accounted for using the equity method (Note 16)

Investments evaluated at equity method	30 June 2020	31 December 2019
(EUR 000)		
Investments evaluated at equity method	3.719	3.719
Total	**3.719**	**3.719**

This item includes the value of the subsidiary Janna S.c.p.a., (EUR 3.7 million) a consortium company whose purpose is the management of a submarine fibre optic cable laid between Sardinia and the peninsula and between Sardinia and Sicily.

Other non-current financial assets (Note 17)

Other non-current financial assets	30 June 2020	31 December 2019
(EUR 000)		
Guarantee deposits	867	900
Other receivables	17	8
Total	**884**	**908**

Security deposits are represented by deposits paid in the context of carrying out activities on contracts with a duration of several years.

Trade Receivables (Note 18)

Trade receivables	30 June 2020	31 December 2019
(EUR 000)		
Trade receivables	28.227	35.720
Write-down provision	(14.457)	(20.498)
Total	**13.770**	**15.222**

Trade receivables as at 30 June 2020, amounting to EUR 13.8 million net of write-downs for a total of EUR 14.5 million, originated from sales of Fixed Broadband, Fixed Wireless and mobile services and advertising sales.

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 estimation of the risk of collectability of receivables is already made when the receivables are recognised, taking into account the generic risk of non-collectability of receivables not past due at the reference date, which can be inferred from historical experience.

As described in the section “Assessment of the business as an ongoing concern”, the COVID-19 emergency has led to a contraction in the national economy and in the spending capacity of customers. In order to face the risk of lower credit solvency, the Company has increased the allowance for doubtful accounts to reflect this risk. The further increase, as compared to the provisions made in compliance with the usual policies for calculating the provision, amounts to EUR 0.5 million.

The provision for the half-year is equal to EUR 3.4 million.

The following table details the variations in the bad debt allowance:

Bad debt allowance variations	30 June 2020	31 December 2019
(EUR 000)		
Bad debt allowance BoP	**(20.498)**	**(22.844)**
Provision	(3.418)	(10.103)
Utilizations	9.459	12.449
Bad debt allowance Eop	**(14.457)**	**(20.498)**

Tax receivables (Note 19)

Tax receivables	30 June 2020	31 December 2019
Tax receivables	474	227
Total	**474**	**227**

Tax receivable include credits for IRES (Corporate Income Tax).

Other Receivables and other Current Assets (Note 20)

Other Receivables and other Current Assets	30 June 2020	31 December 2019
EUR 000		
Other receivables	15.519	27.172
Prepaid expenses	8.852	6.435
Total	**24.371**	**33.607**

“Other Receivables” include the following items:

- The Fastweb service voucher, whose balance amounts to EUR 13.1 million, as compared to EUR 24.7 million as at 31 December 2019. It is assumed that the voucher will be fully utilised within the next 12 months.
- Receivables from tax authorities and other social security institutions for EUR 0.4 million;
- Advances to suppliers and other receivables for EUR 2 million.

The item “Prepaid Expenses”, whose balance is EUR 8.8 million, includes costs already incurred and pertaining to subsequent years, mainly related to long-term lease contracts for lines, hardware and software maintenance costs, insurance and advertising.

Cash and Cash Equivalents (Note 21)

Cash and cash equivalents as at 30 June 2020 amounted to EUR 19.8 million and included the Tiscali Group’s liquidity, held mainly in bank current accounts. There are no secured deposits.

Shareholders’ Equity (Note 22)

Shareholders' equity	30 June 2020	31 December 2019
EUR 000		
Share capital	48.955	46.355
Legal Reserve	1.929	1.929
Stock Options Reserve	96	96
Reserve for employees benefits	(1.635)	(1.635)
Accumulated losses and other reserves	(100.097)	(86.282)
Profit/(loss) for the year	(16.424)	(16.468)
Total Shareholders' equity	**(67.176)**	**(56.005)**

Changes in Shareholders' Equity items are detailed in the relevant statement. As at 30 June 2020, the Share Capital amounted to EUR 49 million, corresponding to 4,777,015,056 shares with no nominal value.
The increase in share capital as compared to 31 December 2020, equal to EUR 2.6 million, is due to the conversion of a first tranche of the Tiscali 2019-2020 Bond held by the Sova Disciplined Equity Fund on 23 June 2020.
Other reserves increased by EUR 2.7 million following the conversion of the last tranche of the Tiscali 2019-2020 Bond held by the Sova Disciplined Equity Fund. The increase was recorded in the Reserve and not in Share Capital, as, although the conversion took place on 30 June 2020 (the date on which the loan was extinguished), the related shares were issued on 15 July 2020.
Moreover, following the extinction of the convertible bond loan, the amount of EUR 47 thousand of the issue costs of the bond loan was reversed from "Prepaid Expenses" and charged to "Other Reserves".

Minority Interest (Note 23)

As at 30 June 2020, the balance of minority interests is nil (also nil as at 31 December 2019).

Current and non-Current Financial Liabilities (Note 24)

Current financial liabilities	30 June 2020	31 December 2019
(EUR 000)		
Convertible bond		5.246
Payables to banks and other financing parties	67.309	845
Payables for finance leases (short term)	7.165	6.379
Total	**74.474**	**12.470**

<u>Convertible Bond</u>
The Convertible Bond issued on 31 January 2019, by ICT and Sova Disciplined Equity Fund for a nominal amount of EUR 10.6 million was cancelled by conversion by 30 June 2020. The loan, whose nominal value as at 31 December 2019 amounted to EUR 5.3 million, was converted as follows: i) on 23 June 2020, a tranche of EUR 2.6 million was converted; ii) on 30 June 2020, the remaining nominal value of EUR 2.7 million was converted.

<u>Payables to banks and other financing parties</u>

The item "Payables to banks", for an amount of EUR 67.3 million, includes the following:

- The entire amount of the Senior Loan for EUR 67.3 million; the long-term component of the debt was reclassified as short-term, as the Amendment Agreement, which provides, inter alia, that the financial covenants are not subject to verification as at 30 June 2020, was signed on 28 September 2020. This reclassification is of a technical nature and was made on the basis of the provisions included in IAS 1, as the Amendment Agreement was signed after the end of the six-month period. It is specified that from a contractual and substantial point of view the debt will have to be repaid at its original maturity date;

- Financing provided by the Ministry of Development and the Ministry of University and Research for EUR 20 thousand;
- Other bank debts for EUR 35 thousand.

Payables for finance leases — short term

This item amounts to EUR 7.2 million and includes the following:

- Short-term portion of payables to leasing companies for financial leasing for EUR 1.4 million;
- Short-term portion of payables for operating leases, which the Company has capitalised, as of 1 January 2019, as required by IFRS 16, for EUR 5.7 million. In particular, this amount includes the short-term portion of the capitalisation of the lease of the Sa Illetta headquarters for EUR 2.1 million and the short-term portion of the capitalisation of operating leases of network equipment for EUR 3.6 million.

Non Current financial liabilities	30 June 2020	31 December 2019
(EUR 000)		
Payables to banks and other financing parties	3.483	67.932
Payables for finance leases (long term)	16.846	19.092
Total	**20.329**	**87.024**

Payables to Banks and other financing parties

This item includes the long-term component of the Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria) loan restructured on 28 March 2019 for EUR 3.5 million.

Payables for finance leases – long-term

The item “lease payables” include the following:

- Long-term portion of payables to leasing companies for finance leases for EUR 0.1 million;
- Long-term portion of payables for operating leases, which the Company has recorded, as of 1 January 2019, as required by IFRS 16, for EUR 16.7 million. In particular, this amount includes the long-term portion representing the right to use the Sa Illetta site for EUR 11.7 million and the long-term portion representing the right to use certain network equipment for EUR 5 million.

Net Financial Position

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

Net Financial Position	30 June 2020	31 December 2019
(EUR 000)		
A. Cash and bank deposits	19.758	11.653
B. Cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	***19.758***	***11.653***
E. Current financial receivables		
F. Non-current financial receivables		
G. Current bank payables	25	149
H. Current portion of bonds issued	0	***5.246***
I. Current part of long-term loans	67.263	235
J. Other current financial payables	7.185	6.840
K. Current financial indebtedness (G) + (H) + (I)	***74.474***	***12.470***
L. Net current financial indebtedness *(K)-(D)-(E)-(F)*	**54.715**	**818**
M. Non-current bank loans	3.483	***67.932***
N. Bonds issued		
O. Other non-current financial payables	16.846	19.092
P. Non-current financial indebtedness *(M)+(N)+(O)*	**20.329**	**87.024**
Q. Net financial indebtedness *(L)+(P)*	**75.044**	**87.841**

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

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

	30 June 2020	31 December 2019
(EUR mln)		
Consolidated net financial debt	**74,2**	**87,0**
Non-current financial receivables	0,9	0,9
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	**75,0**	**87,8**

The gross financial debt (current and non-current) identified above, amounting to EUR 94.8 million, is mainly composed of the items shown in the following table:

Breakdown of current and non current debt	30 June 2020	Current portion	Non-current portion
(EUR 000)			
Senior debt	67.253	67.253	
Bonds issued			
Bank payables	3.519	36	3.483
Total Senior debts and other bank payables	**70.772**	**67.289**	**3.483**
Payables to leasing companies			
Finance leases	1.537	1.435	102
Operating lease	22.473	5.730	16.744
Total payables to leasing companies	**24.011**	**7.165**	**16.846**
Other financial payables (incl Put option bond)	**20**	**20**	
Total payables to leasing companies and other financial payables	**24.031**	**7.185**	**16.846**
Total indebtedness	**94.803**	**74.474**	**20.329**

The main items shown in the above table are the following:

- Senior debt under the refinancing agreement signed on 28 March 2019 with Intesa San Paolo and Banco BPM for EUR 67.3 million;
- Intesa Sanpaolo loan (former Cassa di Risparmio dell'Umbria) restructured on 28 March 2019, for EUR 3.5 million;
- Debts for financial leasing contracts for EUR 1.5 million;
- Payables for operating lease contracts for EUR 22.5 million, capitalised in compliance with IFRS 16. This amount includes the operating lease agreement for the Sa Illetta headquarters that expired on 28 March 2019, for EUR 13.8 million. The residual amount refers to the operating lease of the network equipment;
- Other financial payables for EUR 20 thousand, which refer to ministerial loans granted by the Ministry of Development and the Ministry of University and Research.

The table below shows the monetary and non-monetary changes in financial liabilities occurred in the first half of 2020:

Cash and no cash variations of Financial liabilities	31 December 2019	Cash movements (repayments/ new debt)	Accrued Interests	No Cash movements _Bond Put Option release	Bond Conversion to Capital Increase	Reclass	30 June 2020
(EUR 000)							
Senior debt	64.675	(451)	3.028	-	-	-	67.253
Bonds issued	5.246		54	-	(5.300)	-	
Bank payables	3.641	(133)	11	-	-	-	3.519
Leasing	25.471	(2.316)	856	-	-	-	24.011
Other finance liabilities_ ministerial loans	27	(6)	-	-	-	-	20
Other finance liabilities_Put Option Bond	434		-	(434)	-	-	-
Financial liabilities	**99.494**	**(2.906)**	**3.949**	**(434)**	**(5.300)**		**94.803**

<u>*Covenants*</u>

It should be noted that, as a result of the negotiations started in May, also in light of the extraordinary situation that characterised the first half of 2020, the Amendment Agreement to the Senior Loan was signed on 28 September 2020, and provides, *inter alia*, that the financial covenants are not subject to verification as at 30 June 2020

In the period, the long-term component of the Senior Loan, amounting to EUR 67 million, was reclassified in the short term due to the non-verification of a financial covenant as at 30 June 2020, as agreed in the Amendment Agreement. This reclassification is of a technical nature and was made on the basis of the provisions included in IAS 1, as the amendment to the agreement, which provided that the calculation of this covenant as at 30 June 2020 was not necessary, was signed after 30 June 2020.

However, it is reiterated that, at the date of publication of this report, thanks to the provisions included in the Amendment Agreement, no cause of default had occurred with respect to 30 June 2020 and that, therefore, at the date of publication of this report, the Senior Loan is a non-current financial liability. Thus, as provided in the Senior Loan Agreement as supplemented by the Amendment Agreement, at the date of this report the Senior Loan shall be repaid at the due date starting in 2022 and with a deadline for full repayment in 2024.

In addition, it should be noted that an agreement was reached with the Pool of Banks to update the Tiscali Group Business Plan to reflect the changed economic environment. This new Business Plan will be subject to the analysis and in-depth assessment — also with the possible support of third parties — of the banks, also with the aim to verify its consistency with the provisions of the loan agreement.

Event of default

The financial documentation relating to the Senior Loan provides, as is customary in structured finance contracts, for certain "events of default" when certain events occur, 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.

The following table summarises the main elements of the loan, as represented in the figures as at 30 June 2020:

Loan	Amount	Due date	Senior Lenders	Contractor	Guarantors
First facility - Tranche A	15,0	31-mar-24	Banco BPM	Tiscali Italia S.p.A.	Tiscali S.p.A
First facility - Tranche B	8,3	30-set-24	Banco BPM		Tiscali International BV
					Tiscali Financial Services SA

Loan	Amount	Due date	Senior Lenders	Contractor	Guarantors
Second facility - Tranche A	42,6	31-mar-24	Intesa San Paolo S.p.A.	Tiscali Italia S.p.A.	Tiscali S.p.A
Second facility - Tranche B	42,6	30-set-24	Intesa San Paolo S.p.A.		Tiscali International BV
					Tiscali Financial Services SA

Other non-current Liabilities (Note 25)

Other non-current liabilities	30 June 2020	31 December 2019
(EUR 000)		
Trade payables	2.880	3.530
Other payables	3.712	3.658
Total	**6.592**	**7.187**

The item "Trade Payables" refers to the long-term component of trade payables. These payables are recorded at amortised cost.

The item “Other Payables”, amounting to EUR 3.7 million, mainly includes the following:

- EUR 1.8 million for tax payables for files to be settled in the long term;
- EUR 1.1 million in payables to Engineering related to the employee severance indemnity fund, deriving from the lease of the company branch to Engineering itself;
- EUR 0.3 million for guarantee deposits with customers;
- EUR 0.5 million to Janna S.c.p.a. (which has as its object the management of a submarine fibre optic cable between Sardinia and the peninsula and between Sardinia and Sicily).

Liabilities for pension obligations and staff severance indemnities (Note 26)
The following table shows the movements during the period:

(EUR/000)	31 December 2019	Accruals	Utilization	Payments to Funds (*)	Reclass from OCI Reserve to Other reserve	30 June 2020
	2.830	533	(46)	(497)		2.820
Totale	**2.830**	**533**	**(46)**	**(497)**	-	**2.820**

(*) 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 2.8 million as at 30 June 2020.

Given the insignificance of the adjustment to actuarial estimates of the provision for employee severance indemnities, the process of valuing assets and liabilities associated with defined-benefit plan obligations is only carried out punctually at the end of the year, unless there are indications that an update of the estimate is already necessary during the year.

Provisions for Risks and Charges (Note 27)

	31 December 2019	Increases in provision	Utilisations	Utilisations - Cash out	Utilisations - Release to PL	Other variations (Reclass)	30 June 2020
(EUR 000)							
Tax Fund	150					(44)	106
Provision for restructuring	930		(463)	(463)			467
Customers Supplementa	467	11	(6)	(6)			472
Employee disputes risk fu	1.506	93	(100)	(43)	(58)		1.498
Other provisions for risks	1.204	34	(11)	(7)	(4)	(3)	1.223
Total	**4.257**	**138**	**(582)**	**(519)**	**(62)**	**(47)**	**3.766**

As at 30 June 2020, the provision for risks and charges amounted to EUR 3.8 million and mainly includes:

- EUR 0.1 million for provisions for tax fund (TARSU);
- EUR 0.5 million in provisions for restructuring charges. This is the residual allocation made in 2018 and 2019 for reorganisation and staff reduction operations;
- EUR 1.5 million relating to provisions for legal disputes,
- EUR 0.5 million for provisions for agents’ termination indemnities.
- EUR 1.2 million for other provisions for risks and charges.

Monetary utilisations in the period, amounting to EUR 0.5 million, are attributable to payments made as part of the restructuring and reorganisation plans implemented in 2019.

In addition, in the first half of 2020, EUR 62 thousand were released to the income statement due to provisions for legal expenses on 2018 injunctions.

Reference should be made to the following note “Disputes, contingent liabilities and commitments” for the update of the status of the disputes against which it is believed that the provision for risks accrued represents the best estimate of the risk of liabilities for the Group based on available knowledge.

Trade Payables (Note 28)

Trade payables	**30 June 2020**	**31 December 2019**
(EUR 000)		
Trade payables	75.344	60.650
Total	**75.344**	**60.650**

Trade payables refer to trade payables for the supply of telephone traffic, data traffic, the supply of materials and technologies and services, as well as the supply of long-term investments (mainly LTE network infrastructure).

As at 30 June 2020, net trade payables due (net of payment plans agreed with suppliers, assets and disputed items to the same suppliers) amounted to EUR 26.2 million.

Tax Payables (Note 29)

Tax payables	**30 June 2020**	**31 December 2019**
EUR 000		
Tax payables	5.369	5.143
Total	**5.369**	**5.143**

This item includes the IRAP — Italian Regional Tax on Production Activities — payable (net of any receivables) recorded in the financial statements of Group companies.

Other Current Liabilities (Note 30)

Other current liabilities	**30 June 2020**	**31 December 2019**
(EUR 000)		
Accrued expenses	1.530	639
Deferred income	17.137	15.025
Other payables	37.644	42.010
Total	**56.310**	**57.675**

“Accrued Expenses” mainly refer to personnel expenses.

“Deferred Income” of EUR 17.1 million mainly refers to personnel expenses:

- The deferment of revenues from the sale of transmission capacity (IRU), pertaining to future years, for about EUR 4.2 million (EUR 3.4 million as at 31 December 2019);
- The deferment of revenues for the activation of fixed and fixed wireless and voice broadband services, for the non-accrual part, for about EUR 12 million (EUR 11.6 million as at 31 December 2019).

The item “Other Payables”, amounting to EUR 37.6 million, mainly includes the following:

- VAT payables for EUR 12.5 million (EUR 18.1 million as at 31 December 2019);
- Payables to tax authorities and social security institutions for about EUR 7.3 million (EUR 10.7 million as at 31 December 2019);
- Payables to personnel for EUR 1.2 million (EUR 1.2 million as at 31 December 2019);
- Other payables for EUR 16.6 million (EUR 11.9 million as at 31 December 2019) mainly composed of payables to other public entities.

Stock Options

As at 30 June 2020, the stock option reserve recorded in the Shareholders’ Equity amounted to EUR 96 thousand. No new stock option plans were paid out during the period. For information related to existing plans, please refer to the consolidated financial statements as at 31 December 2019.

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 Qualta injunction

On 7 February 2019, Qualta S.p.A. notified Tiscali Italia S.p.A. of an order to pay for the maintenance of IT systems. The Company filed an appeal before the Court of Rome asking the judge to rule on the non-existence of the conditions for the granting of provisional enforceability. Furthermore, Tiscali Italia S.p.A. considers that the payment order is inadmissible and illegitimate, as well as unfounded in fact and in law, depending on the breaches committed by Qualta, which will have to be ascertained and quantified during the course of the proceedings. The amount relating to the invoices referred to in the order for payment is booked under payables to service providers.

Appeal Council of State against TAR rulings transfer of Fastweb right of use of 3.5GHz licences

The main national telecommunication operators (TIM, Vodafone, Wind3 and Iliad) appealed to the Lazio Regional Administrative Court against the Ministry of Economic Development against the permit to transfer the licenses from Aria to Fastweb, and further appealed, also to the Lazio Regional Administrative Court and against the Ministry of Economic Development, against the decision to grant Aria S.p.A. (and the other operators assigned the 3.4-3.6 GHz frequencies, excluding TIM) an extension of the right to use for valuable consideration for a further 6 years, until 31 December 2029.
On 26 November 2019, the third Section of the Lazio TAR, with three different sentences (no. 13558, 13561 and 13570) partially accepting the appeals filed by Vodafone, TIM and Iliad, respectively, and the appeals for additional grounds filed by Vodafone Italia S.p.A., annulled the proceedings relating to the extension granted to Aria (which was replaced by Fastweb pending the proceedings) limited to the determination of the contribution to be paid for the extension.

Tiscali, through the Law Firm Villata, Degli Esposti e Associati, appealed to the Council of State on two grounds: the first reason is the lack of jurisdiction of the administrative judge; the second reason concerns the illogicality and contradictory nature of the reasoning in the part in which the Lazio TAR

found the criterion decided by MiSE and AGCOM to set the amount of the contribution to be paid by Fastweb for the extension of the rights of use on the 3400-3600 MHz band at the "reserve price" (auction basis) of the tender for the award of the lots on the 3600-3800 MHz band ("5G" tender) to be incongruous.
On 28 August 2020, the Council of State, considering that at present the fees have not yet been recalculated and the obligation to pay has not arisen for the operators, rejected the precautionary request made by AGCOM, MiSE and MEF with which the suspension of the sentence had been requested.
The hearing is scheduled — unless postponed — for 11 March 2021. It should be noted that, even in the event of an unfavourable outcome of the appeal, or should a subsequent or new proceeding by AGCOM/MiSE define a higher value of the extension than that already determined, Tiscali would be protected by the provisions of the sale and purchase agreement signed with Fastweb governing events subsequent to the transfer of rights.

National Tax Authority — Provincial Directorate of Cagliari

In December 2019 and in February 2020, the National Tax Authority notified tax payment bills containing registration certificates issued by the Cagliari 1 territorial office, both deriving from the automated control pursuant to Articles 36-*bis* of Decree of the President of the Republic No. 600/73 and 54-*bis* of Decree of the President of the Republic No. 633/72, and related to the first one to the VAT models for 2010 and 2012 and the second (February 2020) to the VAT model for 2011. The tax bills refer exclusively to penalties, interest and collection charges for a total of EUR 4,259 thousand. The Company appealed against the two tax payment bills to the competent Tax Commission, contesting both the illegality and erroneousness of the registration and the criteria for the determination of penalties, and the illegality of the claim made with the registration as contrary, among other things, to the principles set out in the Bylaws on the Rights of the taxpayer.
As at 31 December 2019, the management, considering this risk as not probable, did not allocate a provision for risks on this position. As at 30 June 2020, there were no further changes with respect to the status described as at 31 December 2019 regarding the risk assessment.

Fair Value

It should be noted that in the first half of 2020 there are no financial instruments to be measured at fair value.

Segment Information

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

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

30 June 2020 *(Thousands of EUR)*	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Total
Revenue				
From third parties	71.411	1.121	14	72.546
Intra-group	288	-	(288)	-
Total revenues	**71.699**	**1.121**	**(275)**	**72.546**
Operating profit	**(13.704)**	**930**	**627**	**(12.146)**
Result on Investments at equity method				(30)
Financial Income				437
Financial Expenses				4.684
Pre-tax result				**(16.424)**
Income taxes				
Net result from operating activities (on-going)				**(16.424)**
Income from held for sale and discontinued operations				-
Net operating income				**(16.424)**

(*) The Operating Result of the Media & Advertising segment includes only direct Media costs. It does not include personnel costs and other operating expenses, which are recognised in Tiscali Italia (Access segment).

Non-recurring Transactions

Pursuant to CONSOB Resolution No. 15519 dated 27 July 2006, it is reported that in the first half of 2018 no non-recurring transaction was recorded.

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.

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

Non-recurring transactions	1° semester 2020	1° semester 2019	variation
Revenue	-	(0,4)	0,4
Other income	-	13,3	(13,3)
Purchase of external materials and services	-	-	-
Personnel costs	-	-	-
Other operating expense (income)	-	-	-
Write-downs accounts receivable from customers	-	-	-
Gross Operating Result (EBITDA)	-	**12,9**	**(12,9)**
Amortization & depreciation, restructuring costs, provision for risks and other devaluation	-	2,2	**(2,2)**
Operating profit (EBIT)	-	**10,7**	**(10,7)**
Financial income	-	12,0	(12,0)
Financial expenses	-	-	-
Pre-tax profit	-	**22,7**	**(22,7)**
Income taxes	-	-	-
Net result from operating activities (ongoing)	-	**22,7**	**(22,7)**
Other charges related to held for sale	-	-	-
Net result for the period	-	**22,7**	**(22,7)**

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.

Transaction with Related Parties

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 summarises the income statement and balance sheet values entered in the consolidated financial statements of the Tiscali Group as at 30 June 2020, with the most significant values of the Consolidated Financial Statements as at 30 June 2019 and as at 30 December 2019 as reference, deriving from transactions with related parties.

Income Statement Values	Notes	1st semester 2020	1st semester 2019
(Euro 000)			
Monteverdi S.r.l.	1	(15)	(15)
Istella	2	21	161
Directors		(739)	(673)
Convertible Bond	3		(136)
Stock option	4		
Total Suppliers of Materials and Services		**(733)**	(662)
Total Expenses & Income		**(733)**	**(662)**

Asset Values	Notes	30 June 2020	31 December 2019
(Euro 000)			
Monteverdi S.r.l.	1	(38)	(41)
Istella	2	505	381
Directors		(389)	(322)
Convertible Bond	3		
Receivables from Istella sale	5	61	61
Total Suppliers of Materials and Services		**138**	**79**
Stock Option Reserve	4		(5)
Net assets pertaining to the Group			**(5)**
Total		**138**	**74**

(1) *Monteverdi S.r.l.: company owned by the Managing Director and main shareholder of the Company, Mr. Renato Soru. The relationship in question refers to a contract for the rental of a space used for the storage of company documentation.*

(2) *Istella: company partly owned by the Managing Director and reference shareholder of the Company, Mr. Renato Soru. The report in question refers to the supply by Tiscali of IT services (hosting of network equipment), as from October 2018. Moreover, as of December 2019, Istella provides Tiscali with consulting services for software development and customer care automation assistance.*

(3) *Convertible Bond: issued on 31 January 2019 for a nominal value of EUR 10.6 million subscribed on the same date by ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares and extinguished on 30 June 2020. The stake held by ICT Holding Limited was converted during 2019, while the stake held by Sova Disciplined Equity Fund SPC (EUR 5.3 million) was converted into two tranches, the first on 23 June 2020 and the second on 30 June 2020.*

(4) *In the first half of 2019, the above table included the notional charges up to the date when ICT Holding Limited was a related party while at equity level the debt was not represented.*

(5) *Stock Options: the company presents some management incentive plans in the form of Stock Options (please refer to the paragraph "Stock Options" for further details).*

(6) *Receivables arising from the sale of Istella. These are receivables due from the buyer of Istella (Renato Soru) in relation to the sale of the company on 16 October 2017.*

List of subsidiaries included in the consolidation scope

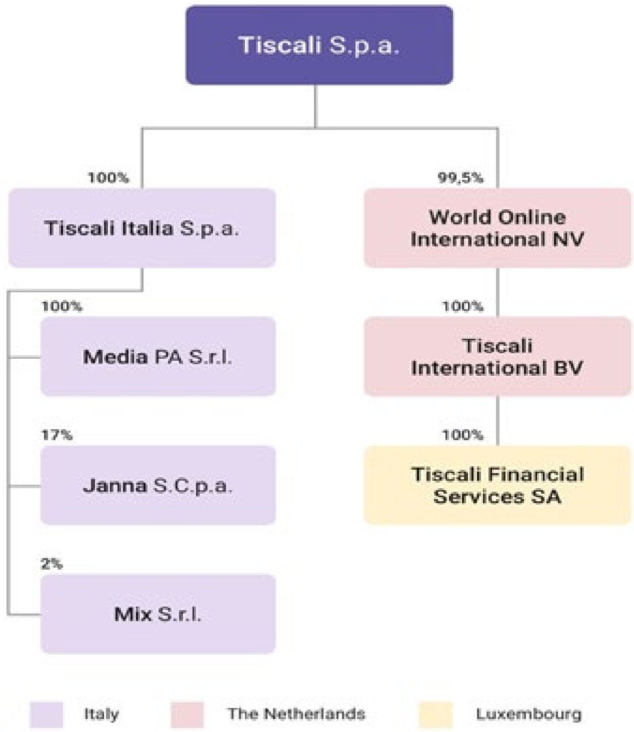
The list of subsidiaries included in the consolidation scope follows:

Name	Location	% of shares owned
Tiscali S.p.A.	Italy	
Tiscali Italia S.p.A.	Italy	100,00%
Veesible S.r.l.	Italy	100,00%
Aria S.p.A.	Italy	100,00%
Media PA S.r.l.	Italy	100,00%
World Online International NV	Nederlands	99,50%
Tiscali International BV	Nederlands	99,50%
Tiscali Financial Services SA	Luxembourg	99,50%
Tiscali International Network B.V.	Nederlands	99,50%

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

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

Tiscali Group as at 30 June 2020



Events after the end of the six-month period
Regarding events subsequent to the end of the six-month period, please refer to paragraph 4.7.

Cagliari, 29 September 2020

The CEO	**The Officer in Charge of Preparing the Company's Accounting Documents**
Renato Soru	Roberto Lai

Certification of the Consolidated Financial Report as at 30 June 2020, in compliance with Article 81-*ter* of the CONSOB Regulation No. 11971 dated 14 May 1999 and subsequent amendments and integrations

The undersigned, Renato Soru, in his capacity of Chief Executive Officer, and Roberto Lai, 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 the Italian Legislative Decree No. 58 dated 24 February 1998:

- The adequacy in relation to the Company's characteristics;
- The effective application of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements for the six-month period ended 30 June 2020.

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 Organisations 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 2020:

- Have been drafted 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 year. The Interim Management Report includes, as well, a reliable analysis of the information on the relevant transactions with related parties.

Cagliari, 29 September 2020

The CEO	**The Officer in Charge of Preparing the Company's Accounting Documents**
Renato Soru	Roberto Lai

6. Glossary

Shared access — Technique of unbundled access to a local network, in which the former monopoly operator rents part of the frequency spectrum to other operators: the operator can supply broadband services in this section of the spectrum, while the former monopoly operator continues to supply telephony services on the unused portion of spectrum.

ADSL — Acronym for Asymmetric Digital Subscriber Line, an asymmetric (the receiving bandwidth is greater than the bandwidth available for transmission) DSL technology which allows high-speed internet access.

ADSL2+ — ADSL technology, which extends the capacity of the ADLS base by doubling the flow of bits in download. The bandwidth can reach up to 24 Mbps for downloads and 1.5 Mbps for uploads, depending on the distance between the SDLAM and the user's home.

Areas not covered — Also called "indirect access areas", they identify geographical areas that are not directly served by the Tiscali network (see also Bitstream and Wholesale).

ARPU — Average revenue from fixed and mobile telephony services by user calculated over a determined period for an average number clients of the Tiscali Group or active clients (for other operators) in the same period.

Bitstream	*Bitstream* (or numerical flow) service: a service consisting of the supply on the part of the access operator of the fixed telephone line of the transmission capacity between the location of the final user and the point of presence of an operator or ISP offering wide bandwidth to the final user.
Broadband	System of data transmission in which multiple data is sent simultaneously to increase the effective speed of transmission with a data flow equivalent or superior to 1.5 Mbps.
Broadcast	Simultaneous transmission of information to all nodes of a network.
Unique browsers	The number of different browsers that, in a determined period of time, access a site one or more times.
Access fee	It is the amount debited by national operators for each minute of use of their network by managers of other networks. It is also called “interconnection fee”.
Capex	Acronym for Capital Expenditure. Identifies outgoing cash flows generated by investments in the operating structure.
Carrier	Company that makes the telecommunication network physically 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 computerized 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.
Fiber Optic	Thin fibers of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fiber optic cable contains various individual fibers, 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 fiber optic cable's carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.
GigaEthernet	Term used 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 the grantor's fiber optic network for a long period.
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 organizations.

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 data transmission mobile technology which follows the LTE international standards and which was developed for 4G networks. It is a network technology, which uses one frequency only for transmitting in time-sharing, in other words alternatively between data upload and download with a dynamic adaptation ratio based on the amount of exchanged data.
MAN	Acronym for Metropolitan Area Network, a fiber 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 fiber-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	Pay TV channels. 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 o 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 multi play 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 multi play components such as broadband and IPTV access. Voice service can also be provided by VoIP and CPS procedures.
SMPF	Acronym for Shared Metallic Path Facilities, which is synonymous with Shared Access (ungrouped access).
Triple Play	A combined offering of fixed and/or mobile telephony, Internet and/or TV made by a single

operator.

Local loop unbundling or LLU

Unbundled access to a local network, in other words, the possibility that telephone operators have had, since the telecommunications market was deregulated, to use existing physical infrastructures built by another operator to offer its own services to customers, paying a rental to the operator that is the actual owner of the infrastructure.

VAS

Acronym for Value-Added Services; services with added value provide a greater level of functionality 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 forwarding and identification of the number called. The value-added services provided over a network, from terminals or specialist centres include message handling systems (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 owns 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 realized 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 unauthorized 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 worldwide 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, resale by an operator of the telecommunications service for lines affiliated with an Incumbent.

7. Limited Audit Report on the Condensed Half-Year Consolidated Financial Statements