Tiscali Group
First-Half Consolidated Financial Report as at June 30, 2019

Date of issue: 26 September 2019

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 € 41,555,159.37

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

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1 Highlights

Income statement	1st semester 2019 (#)	1st semester 2018 (*)
(EUR mln)		
Revenue	70.2	87.8
Adjusted Gross Operating Result (EBITDA)	14.9	9.0
Operating Result (EBIT)	(8.1)	(17.2)
Result from held for sale and discontinued operations	0.0	0.0
Ner Result	(3.7)	3.3

Statement of financial position	30 June 2019	31 December 2018
(EUR mln)		
Total assets	299.2	346.1
Net Financial Debt	143.5	152.1
Net Financial Debt as per Consob	144.5	152.6
Shareholders' equity (**)	(48.4)	(44.7)
Investments	22.7	18.2

Operating figures	30 June 2019	31 December 2018
(thousands)		
Total number of Clients	654.4	640.1
Broadband Fixed	383.9	382.8
of which Fiber	121.6	79.1
Broadband Wireless	50.2	58.8
of which LTE	43.6	47.8
Mobile	220.3	198.5

(#) As a result of the entry into force of IFRS 16 from 1 January 2019, the gross operating result (EBITDA) for the six-month period ended 30 June 2019 was EUR 1.6 million higher, while the operating result (EBIT) was EUR 0.2 million lower than the values that would have been determined by applying IAS 17 in the recognition of operating leases; This was due to the recording of amortization of the rights of use recorded in application of IFRS 16 for EUR 0.4 million, and of interest expense on the related financial debt of EUR 1.4 million, against the recording, provided for by the former IAS 17, of operating lease instalments of EUR 1.6 million. Overall, the net result for the half-year and the shareholders' equity at 30 June 2019 were EUR 0.2 million lower than the value that would have resulted from the application of IAS 17, without taking into account the tax effects due to the negative taxable situation.
The application of IFRS 16 also led to the recognition of rights of use for a net book value of EUR 19 million at 30 June 2019, the recognition of the related financial debt of EUR 20.1 million and the reduction in trade payables of EUR 0.9 million.

As a result of the signing of the Senior and Sa Illetta Debt Restructuring Agreements and the application of IFRS 16, gross financial debt at 30 June 2019 was due within 12 months for EUR 58.8 million (EUR 164.4 million at 31 December 2018) and EUR 88.5 million after 12 months (EUR 7.1 million at 31 December 2018).
Reference should be made to the remainder of the Directors' report for the identification of the impact of the economic components that the Directors consider as "non-recurring".

(*) The income statement figures for the first half of 2018 have been restated as follows: following the application of IFRS 15, the Company has offset revenues and costs relating to barter transactions carried out in the first half of 2018. In particular, the revenues presented in the Consolidated Half-Year Report as at 30 June 2018, amounting to EUR 92.4 million, included barter revenues with exchange of goods of a similar nature amounting to EUR 4.6 million. Similarly, costs for the purchase of materials and services fell by EUR 4.6 million, from EUR 65.8 million to EUR 61.2 million

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.

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

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

(Thousands of Euros)	**1st Half 2019**	**1st Half 2018**
Result before taxes	**(3,716,178)**	**(22,834,868)**
+ Financial Expenses	7,427,750	6,580,408
- Financial Income	(12,030,986)	(1,025,229)
+ Result on Investments at equity method	268,545	128,888
Operating income	**(8,050,869)**	**(17,150,801)**
+ Restructuring costs	2,181,209	283,451
+ Depreciation and Amortization	20,812,767	25,887,636
Gross Operating Result (EBITDA) (*)	**14,943,108**	**9,020,286**

(*) It should be noted that due to the entry into force of IFRS 16 from 1 January 2019, the gross operating result (EBITDA) for the six-month period ended 30 June 2019 was EUR 1.6 million higher, while the operating result (EBIT) was EUR 0.2 million lower than the values that would have been determined by applying IAS 17 in the recognition of operating leases; This was due to the recording of amortization of the rights of use recorded in application of IFRS 16 for EUR 0.4 million and interest expense on the related financial debt of EUR 1.4 million, against the recording, provided for by the former IAS 17, of operating lease instalments of EUR 1.6 million. Overall, the net result for the half-year and the shareholders' equity at 30 June 2019 were EUR 0.2 million lower than the value that would have resulted from the application of IAS 17, without taking into account the tax effects due to the negative taxable situation.
The application of IFRS 16 also led to the recognition of rights of use for a net book value of EUR 19 million at 30 June 2019 and the recognition of the related financial debt of EUR 20.1 million and a reduction in trade payables of EUR 0.9 million.

3 Directors and Statutory Auditors

3.1 DIRECTORS AND STATUTORY AUDITORS IN OFFICE FROM 26 JUNE 2018 TO 27 JUNE 2019

Board of Directors

The Board of Directors was appointed by the Shareholders' Meeting held on June 26, 2018, and remained in office until the Shareholders' Meeting held on June 27, 2019.

The Board of Directors in office until June 27, 2019, was composed as follows:

Chairman: Alexander Okun (#) (4)

Chief Executive Officer Alex Kossuta (#)

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

(*) Independent directors
(#) The 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 June 26, 2018.
(1) Control and Risks Committee
(2) Appointments and Remuneration Committee
(3) Related Party Transactions Committee
(4) Appointed as Chairman by resolution of the Board of Directors dated June 26, 2018.

Board of Auditors

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

Chairman	Barbara Tadolini
Standing Statutory Auditors	Emilio Abruzzese Valeria Calabi

Executive in charge of drafting the corporate financial documents

Daniele Renna

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

3.2 DIRECTORS AND STATUTORY AUDITORS IN OFFICE SINCE 27 JUNE 2019

Board of Directors

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

Chairman: Alberto Trondoli (#)

Chief Executive Officer: Renato Soru (#)

Anna Belova (*) (3)
Federica Celoria (*) (1) (2) (3)
Manilo Marocco (1)
Sara Polatti (2)
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 June 27, 2019
(1) Control and Risks Committee
(2) Appointments and Remuneration Committee
(3) Related Party Transactions Committee

Board of Auditors

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

Chairman	Barbara Tadolini
Standing Statutory Auditors	Emilio Abruzzese Valeria Calabi

Executive in charge of drafting the corporate financial documents

Roberto Lai

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

Deloitte & Touche SpA

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

Interim Management Report

4 Management Report

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

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

- its www.tiscali.it web portal, one of the most important portals in Italy, which in the first semester of 2018 recorded a total traffic exceeding 208.5 million page views;
- the advertising concessionaire Veesible Srl (hereinafter referred to also as "Veesible"), which is responsible for selling advertising spaces on the portal www.tiscali.it and on other major Italian web properties.

Evolution of the Fixed Broadband Market

Regarding the evolution of the market for broadband access from the fixed network, the main market covered by Tiscali, in March 2019 (source Authority for guarantees in communications - AGCOM, last update available) Broadband accesses in Italy exceeded 17 million units with an annual increase of 290 thousand accesses. This increase is in particular driven by Broadband accesses developed on alternative technologies to traditional ADSL, in particular Fiber and Broadband Fixed Wireless, which reached 9.11 million accesses in March 2019, up by 2.65 million as compared to March 2018, exceeding 53% of the total broadband lines, while in the same period the traditional DSL component decreased by 2.63 million units. In this sector, the dynamics of NGA access (in FTTC and FTTH technology) are highlighted; FTTC technology access (fiber over a mixed copper network) grew by 46.2% in one year, reaching 6.9 million units thanks to the increase in TIM wholesale services, while FTTH access increased by 55.5% and at the end of March reached 960 thousand units, thanks in particular to the growth in the services offered by Open Fiber and the processes of migration to FTTH access solutions proposed by TIM and Fastweb. FWA accesses exceeded 1.2 million lines with a growth of 12.9% on an annual basis.

As per data by Authority for guarantees in communications – AGCOM, the Tiscali's market share in the Ultra Broadband as of 31 March 2019 was 2.7%, while TIM's market share (43.2%) fell by 1.8 percentage points as compared to the previous survey, followed by Vodafone with 16.3%, up by 1.4 percentage points, Fastweb (15.1%) and Wind (14.2%).

The Tiscali Group during 2018 has continued to pursue the strategy of development of the above-described Fiber market started in 2017, with the progressive focus on High Capacity Fiber offers, up to 1,000 MBps (FTTH) and on the FTTC offers. The number of Fiber customers increased significantly over the period, from approximately 66.3 thousand in June 2018 to 121.5 thousand in June 2019, confirming the Company's focus on developing Fiber services.

These offers now represent almost all of the new acquisitions, in addition to the progressive diffusion of the UltraBroadband Fixed Wireless LTE offer under the Tiscali brand, with a capacity of up to 100 Mbit/s launched in 2016.

The focus on high performance UltraBroadBand offers is also reflected in the type of Tiscali access: in the segment with speeds above 100 Mbit/s, which on an annual basis increased by 1.39 million units for a total of 3.49 million (20.5% of the total) Tiscali has a market share that shows a significant growth on an annual basis, going from 0.4% to 2.6% in March 2019. This segment also has the highest annual growth rate (66%).
In line with the strategy of relaunching and developing the market in Fiber and with the Company's mission of guaranteeing all citizens the right to access to ultra-fast internet services, the recent and important agreements aimed at expanding the potential market are framed.
In July 2019, Tiscali extended its strategic partnership with Open Fiber for the diffusion of UltraBroadBand services in the 7,635 municipalities of the “C” and “D” (extended digital divide) areas. The agreement, already in place in 271 cities, covers the entire perimeter of the Open Fiber cabling plan that provides coverage of more than 19 million real estate units. A few weeks after the signing of the agreement, Tiscali was one of the first operators to start marketing Fiber services in the first 70 of the 800 municipalities expected by 2019 included in these areas; areas that, for reasons related to the morphology of the territory or the economy of scale, so far had no access to the ultra-wide band.
Also in July, Tiscali signed an important commercial agreement with Linkem to expand its Fixed Wireless Access connectivity offering thanks to Linkem's national 4.5G network and, therefore, to implement its strategy of expansion towards the most modern and performing technological infrastructures available in the Country.

Concerning the fixed network Broadband market, Tiscali’s client portfolio amounted to about 384 thousand units in June 2019, substantially stable as compared to 31 December 2018, of about 383 thousand units.

The lack of increase in the number of customers in the first half of 2019 was affected by the reduction in the promotion of its services during 2018 and until the advertising campaign, carried out in March 2019, whose positive effects have not yet been felt in the remaining part of the first half of 2019 and are expected by the end of the year, due to the limited financial resources available to the company before the final signing of the Strategic Agreement with Fastweb and the signing of the Restructuring Agreements for Senior Debt and Debt Leasing (see paragraph 4.2 *“Main events and results achieved in the first half of 2019 and subsequent events”*).
In particular, the number of Fiber users increased from approximately 79.1 thousand units at 31 December 2018 to 121.6 thousand units in June 2019, also due to the migration of the Customer Base from traditional ADSL solutions to Fiber solutions offered by Tiscali.
The market continues to be substantially controlled by the incumbents (TIM, Vodafone, Fastweb, Wind) with substantially stable market shares and a growth by Vodafone.

Mobile Market

With regard to Mobile Services, the Italian market in March 2019 (source AGCOM) recorded an increase in the total number of customers of 3.49 million units on an annual basis: 104 million SIMs against 100.6 million in March 2018, of which 21.9 million units are “M2M” SIM cards (Machine To Machine) equal to 21% of the total, which grow by 4.7 million on an annual basis; 82.2 million are “human” SIMs which carry out “voice only” traffic and “voice+data” down by 1.2 million units on an annual basis and 0.4 million units on a quarterly basis.

With reference to the overall SIMs, Tim, although declining together with Vodafone and Wind Tre lightly detached, remains the market leader at 30.5%. With regard to the “human3 segment, Wind3 remained the main operator with 32.1%, but lost 2.9 percentage points.

In the MVNO segment in which Tiscali operates, which accounts for 10.4% of human SIMs (EUR 8.55 million), the top operator is Poste Mobile with a 47.1% stake.

On the mobile market, Tiscali recorded an increase in its portfolio of Furniture customers, which stood at approximately 220.3 thousand units as at 30 June 2019, recording an increase of 11% compared to 31 December 2018 (approximately 220.3 thousand customers). The increase in mobile customers was achieved despite the general increase in competitive pressure also following the entry of Iliad as a new entrant on the Italian mobile market.

The exponential growth of total data traffic on the mobile network continued, growing in March 2019 by about 61% as compared to the corresponding period of the previous year, with an increase in average monthly unit consumption of 55% or 5.44 Giga/month driven by the growing use of video applications, streaming and on-demand.

To compete in this increasingly competitive market, Tiscali continued with the promotion of the Open suite with offers designed for the different communication needs of customers, simple and without hidden costs or recharging constraints, with an extremely competitive pricing, and which offers customers the opportunity to create their own offer and change it for free according to their needs of use.

Online Advertising Market

The Online Advertising Market recorded in the FY 2019 a +1.2% slight overall result, driven especially by the growth of investments in the smartphone sector (according to FCP - Association of Advertising Sales Companies data: from 24.2% in 2018 to 32% in 2019, with an absolute value which exceeds EUR 73 million on a total market of EUR 229 million).

Sales in the traditional desktop and tablet web segment again fell by -8% this year. The turnover of smart TV and consoles is increasing, growing at three digits (+415.3%), even though the investments on these devices in absolute value still weighs less than EUR 1 million.

Mobile Advertising remains the main driver of future growth, even though it is currently still under-valued, given the time spent by users and the audience generated with the use of mobile devices as compared to traditional PCs (Audiweb, June 2019: 29 million single mobile users on the average day vs. 10.2 million single PC users, again on the average day).

The stagnant trend of the Italian economy and the absence of major sporting events are causing a slowdown in the advertising market. In the absence of any indication of a significant recovery in economic growth, the performance of the advertising market in 2019 is expected to be flat.

Still, the long-term outlook points to a growth forecast over the coming years, particularly thanks to the growth expected for the mobile advertising, in particular as regards THE investments in video-mobile formats and the constant growth of investments in smart TV content,

In 2019, the Group’s Media & VAS net revenues represented 2.6% of total revenues (EUR 1.9 million), and were 49.9% lower than the comparative figure at June 30, 2018, due to the market downturn in traditional web advertising and the revision of the Sky agreement.

4.2 2019 First Half Main Results and following events

During 2018 and until March 2019, the Tiscali Group was engaged in a series of activities such as (i) obtaining an extension of the license for the 3.5 GHz frequency spectrum of which it was the holder, (ii) concluding an agreement to transfer the license for the right to use 42 MHz in the 3.5 Ghz band to Fastweb (the “Fastweb Transaction”) and a business unit of the Group (the “Fixed Wireless Access (FWA) Business Unit”), iii) the negotiation with the banking institutions (Intesa San Paolo and Banco BPM, together with the “Banking Institutions”) counterparty of the existing Senior loan and the leasing companies counterparty of the leasing contract on “Sa Illetta” (Mediocredito Italiano and Unicredit Leasing, together with the “Pool Leasing” and, together with the Banking Institutions, the “Financial Institutions”) aimed at obtaining an agreement to restructure senior debt and the “Sa Illetta” lease (the “Financial Debt Restructuring Agreements”) actually obtained with the signing of the Financial Debt

Restructuring Agreements signed on 28 March 2019 (for further information on these activities, see the 2018 Annual Financial Report), which, together with the scarcity of financial resources available and the uncertainty about the Group's future development, limited its operations. These factors caused a stagnation in operations, which in 2018 led to lower-than-expected results, with a permanent effect on the customer base, which also generated a contraction in revenues in the first half of 2019.

With the completion of the Fastweb Transaction and the signing of the Financial Debt Restructuring Agreements (which resulted in a significant injection of financial resources and an overall strengthening of the Group's financial structure), the Company has redefined a new development path, based on the Company's refocusing on its core business, namely the sale of fixed BroadBand and UltraBroadband services, Fixed Wireless and Furniture to retail customers Consumer, SOHO and SME, adopting an operating model that focuses on the ability to develop new services, on marketing and sales activities and on excellence in customer management, reducing the activities of network infrastructure management (and consequently the investment commitments in line with the size and investment capacity of the company and changed technological and market environment (Fiber, 5G).

The first half of 2019 was characterized by the following main events and activities carried out by the Tiscali Group, which go in the direction of the above-mentioned development path undertaken by the Company:

- **Expansion of the target market through the operational implementation of the Strategic Agreement with Fastweb and the negotiation of new agreements with telecommunications operators**

A.1) Operational implementation of the Fastweb Transaction

During the first half of 2019, Tiscali proceeded with the implementation of the Fastweb Transaction, signed on 16 November 2018, thanks to which Tiscali obtained full access to Fastweb's fiber network and the FWA infrastructure sold to Fastweb. In addition, on 1 July 2019 Tiscali received the last part of the agreed price of EUR 80 million ("Fastweb Transaction Price Balance"). Finally, throughout the first half of the year, Tiscali used the price component in kind ("Voucher") originally amounting to EUR 55 million, which allowed the reduction of operating cash outflows during the period. In the first half of 2019, the use of this voucher amounted to EUR 3.6 million, while the remaining credit will be used, on the basis of available management estimates, within the next two years.

From an operational point of view, the Wholesale Agreement allowed Tiscali to:

- access Fastweb's high-performance fiber network, allowing Tiscali, without further incremental investment, to increase its fixed network coverage nationwide, having access to a market of around 8 million households and businesses to around 18 million. The growth of fiber users in the first half of 2019, equal to approximately 53.6%, from 79.1 thousand users to 121.6 thousand, confirms the expected growth trend;

- continue to market LTE Fixed Wireless services in the "Extended Digital Divide" areas, continuing to access the Fixed Wireless infrastructure sold to Fastweb under the terms of the agreement signed. In addition, in the first half of 2019 Tiscali benefited from the fact that Fastweb migrated the remaining antennas from WiMax to LTE at its own expense. This commitment was included in the Agreement itself. In this way, the target market for Tiscali was expanded from the current 4 million households and businesses to around 6.5 million.

A.2) Conclusion of new agreements with telecommunications operators

During the first half of 2019, in line with its strategy to relaunch and develop the fiber market, Tiscali negotiated and formally concluded agreements with other telecommunications operators in early July to expand the potential market.

As anticipated in July 2019, the strategic partnership with Open Fiber was extended for the diffusion of UltraBroadBand services in the 7,635 municipalities of "C" and "D" areas. The agreement, already in place in 271 cities, covers the entire perimeter of the Open Fiber cabling plan that provides coverage of more than 19 million real estate units. A few weeks after the signing of the agreement, Tiscali was one of the first operators to start marketing Fiber services in the first 70 of the 800 municipalities expected by 2019 included in these areas, areas that, for reasons related to the morphology of the territory or the economy of scale, so far had no access to the ultra-wide band.

Also in July 2019, the Company signed an important commercial agreement with Linkem to expand its connectivity offering thanks to Linkem's national Fixed Wireless Access 4.5G network and, therefore, to implement its strategy of expansion towards the most modern and performing technological infrastructures available in the country.

Thanks to the agreements signed with Fastweb, Open Fiber and Linkem, Tiscali is now the Italian telecommunications operator with the highest Fiber coverage available.

- **Relaunch of the Tiscali brand through new investments in communication**

A confirmation of the Company's recovery and growth plan is provided by the advertising campaign launched in March 2019, aimed at revitalizing the Tiscali brand and supporting the process of acquiring new customers.

The campaign was broadcast from 24 March for 3 weeks on generalist, satellite and digital TV, as well as on the main radio stations. On the Internet, it was present on social media, as well as on the main national sites.

In addition, the significant contribution of financial resources resulting from the Fastweb Transaction enabled the Company to negotiate and formalize the restructuring of the Group's senior debt (see point C below), in addition to the negotiation of other important agreements with strategic suppliers, allowing, from the second half of 2019, an overall reduction in overdue payables to suppliers, tax authorities and social security institutions, as detailed below.

- **Strengthening the Group's capital and financial structure**

During the period, the Group signed a number of agreements aimed at strengthening its capital structure, as described below.

C.1) Subscription on 31 January 2019, by the reference shareholders ICT and Sova Disciplined Equity Fund, of the 2019-2020 Convertible Bond for a nominal amount of EUR 10.6 million, corresponding to No. 106 convertible bonds by 31 January 2020.

The underwriting of the bond loan allowed the Group to provide additional liquidity. Subsequently, until the date of approval of this consolidated financial report as at 30 June 2019, the Sova Disciplined Equity Fund (see the section “Subsequent events”) converted 34 bonds for a total nominal amount of EUR 3.4 million, on 15 and 18 July and 4 September 2019 respectively.

C.2) Signing, on 28 March 2019, of the Debt Restructuring Agreements, and in particular the agreement to restructure senior debt with the banks and the settlement agreement with the pool leasing (“Sa Illetta Leasing Transaction Agreement”).

The agreements concerned, whose negotiations began in 2018 and was completed in the first quarter of 2019, confirmed the contractual assumptions already made in 2018 and included in the business plan approved by the Board of Directors on 19 February 2019 (the "New 2018-21 Business Plan"), of which the Company had provided full information in its Annual Financial Report as at 31 December 2018, to which reference should be made.

In particular, the main elements of the Debt Restructuring Agreement of the senior debt with Intesa San Paolo and BPM follow:

- Extension of the deadline to 30 September 2024, with a consequent strengthening of the financial structure;
- New repayment plan structured as follows:
    - a prepayment of EUR 20 million, to be made on 1 July 2019;
    - A period of pre-amortization until March 2020 without further repayments;
    - payment of about EUR 5 million for 5 six-monthly installments from 31 March 2022 to 31 March 2024;
    - balance of the residual debt, to be paid in full on 30 September 2024.
    - Significant reduction in the overall cost of the loan, with an interest rate that goes from a nominal rate of 4.5% on the previous debt, to a fixed rate of 1% on the portion of debt that will be amortized over the period 2022-2024 (EUR 25 million), and a fixed rate of 1.25% on the portion of debt to be repaid in full on 30 September 2024 (approximately EUR 40 million). In the first half of 2019, the impact in terms of lower nominal financial charges on senior debt is estimated at EUR 0.6 million.

On July 1, 2019, the reimbursement of EUR 20 million provided for in the Agreement was made.

With reference to the Sale & Lease Back Sa Illetta debt, the Agreement signed on 28 March 2019 provides for the following conditions:

- return of the property in the possession of the leasing companies;
- payment of an indemnity of EUR 10 million to be made on 1 July 2019 for the cancellation of the related leasing debt of approximately EUR 53 million;
- at the same time, Tiscali Italia S.p.A. signed a 9-year lease of the property for an amount of approximately EUR 2.1 million, with the option of subletting the space.

It should be noted that on 1 July 2019 the reimbursement of EUR 10 million provided for in the agreement was made.

- **Change in the Governance of the Tiscali Group, as from May 2019**

The first half of 2019 was marked by a significant change in the governance of the Tiscali Group, which began to produce its effects at the end of the period.

On 10 May 2019, Amsicora S.r.l., an Italian investment company founded and managed by Claudio Costamagna, Alberto Trondoli, Manilo Marocco and also owned by other private investors, has signed a contract with ICT Holding Ltd for the purchase of the entire stake held in Tiscali, equal to approximately 20.79% of the share capital, as well as a contract with SOVA Disciplined Equity Fund SPC for the purchase of a stake equal to approximately 1.269% of the share capital of Tiscali, for a total of approximately 22.059% of the share capital of Tiscali.

On 13 May 2019, the Board of Directors of Tiscali Spa reassigned the powers of attorney, appointing Renato Soru as Chairman and Chief Executive Officer to replace Alexander Okun and Alex Kossuta, respectively.
On 15 May 2019, the majority of the members of the Board of Directors of Tiscali Spa resigned and, consequently, the Shareholders' Meeting was convened on 27 June 2019.

On 21 May 2011, subject to the completion of the purchase of the equity interest from ICT Holding Ltd, Amsicora and Renato Soru signed a shareholders' agreement, which groups together a total equity interest equal to 29.99% of the Company's share capital, with the aim of providing a single direction for the organization and management of Tiscali.

On 27 June 2019, the Shareholders' Meeting appointed the new Board of Directors, which appointed Alberto Trondoli as Chairman of the Board of Directors and confirmed Renato Soru as Chief Executive Officer.

Tiscali has therefore returned to being an Italian company, and its founder Renato Soru has returned to leading the Company. In May and June 2019, the Group's management structure underwent significant changes, with a reorganization and significant downsizing of its executives.

Renato Soru also launched the Company's new logo, which returns to the purple color that has characterized the Tiscali logo since its inception, adding a new symbol “//” that recalls the writing of URLs of Internet addresses, in order to evoke the leading role that Tiscali has played in the history of the Internet in Italy.

4.3 Regulatory background

The main areas subject to regulatory intervention in the first half of 2019 are summarized below.

Reference Offers by TIM

The Authority has completed the evaluation cycle of the Reference Offers (OR) of Telecom Italia for the years 2017 and 2018.
Resolution no. 100/19/CIR is particularly importance, as it approves the economic conditions of the copper and NGA Ethernet band for 2018. Agcom, accepting the observations of Tiscali, which had contested the proposal to differentiate the costs of the first level Ethernet band between bitstream copper and NGA, set a single value with a reduction for the year 2018 in the prices of the Ethernet band (copper and NGA) of about 15.2% compared to what was approved for the year 2017.

Update of the regulatory framework for fixed network access services markets

With reference to the updating of the regulatory framework of the markets for fixed network electronic communications services, the Authority continued its activities relating to the fourth cycle of analysis of the markets for wholesale access services (markets no. 3a and 3b of Recommendation 2014/710/EU), submitting for national public consultation (Resolution no. 613/18/CONS) the uniform scheme of measures that includes the impact of the project to unbundle the Telecom Italia network on the markets under examination.
After the European Commission had obtained its opinion, the final measure was published on 8 August with resolution no. 348/19/CONS.
The final document confirms the adoption of new measures regarding the geographical differentiation of markets: in particular, the complete deregulation of the Municipality of Milan is introduced; while in the rest of Italy the price control constraint for Bitstream and WLR services is removed in just under 30 Italian cities.
The main changes in the prices of access services concern the VULA for which the Authority has approved a slight reduction for the years 2019 and 2020, while the landing fee remains unchanged at 12.50 euro/month to 2021.

Market Analysis of Fixed Network Access Services

In February 2017, with Resolution 45/17/CONS, the Authority launched the fifth cycle of analysis of the mobile termination market to assess the existence of operators with significant market power, as well as the maintenance, modification or integration of existing regulatory obligations. As part of this procedure, AGCOM published the relevant consultation with which it proposes a decalage of the termination rate (from 0.98 eurocent in 2018 to 0.89 eurocent in 2021).
In addition, compared to the previous measure, the Authority proposed to identify a larger number of operators with significant market power by adding five operators to the list of SMP operators (Digi Italy, Fastweb, Iliad, Vectone and Welcome Italia).
Tiscali presented its contribution to the consultation in which it observes that the value of 0.89 eurocent/min proposed for 2021 is not adequate as it is not in line with the actual and efficient costs of providing the service, and unjustifiably high, especially when compared to the European benchmark.
The proceedings were concluded in January 2019 with the publication of Resolution 599/18/CONS.
With this measure, the Authority confirmed its initial orientation, identifying twelve notified operators for which symmetrical tariffs were established.
Moreover, for the first time, the obligation to monitor prices for the supply of interconnection kits was imposed, while the obligation of cost accounting imposed on the operators Telecom Italia, Vodafone and WindTre was removed.
Finally, the Authority has revised downwards the previous proposal to decalage the termination rate, the value of which per minute will increase from 0.90 eurocent forecast for 2019 to 0.67 eurocent in 2021.

Urgent measures to prevent misuse of wholesale data for business 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 persons who, illegally, use the data of customers who have requested a repair of failures or degrades on their line. The Authority has set up a technical panel with Telecom Italia and the other fixed network operators in order to modify the processes by eliminating the insertion, on the wholesale portal, of customer data potentially functional to the illegal activities covered by the measure.
In addition to the provisions of 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), which expire on 4 August 2019.

Consumer protection

The last year was marked by the approval of measures to protect consumers in terms of tariff transparency, withdrawal costs and freedom of choice of terminals.

1. **Transparency**

The issue of tariff transparency has continued to be at the heart of the Authority's action: while the previous year was marked by the return to the calendar month as a rate of billing and renewal of offers of electronic communications services – an obligation imposed by the Authority with Resolution no. 121/17/CONS and then strengthened by Law no. 172 of 4 December 2017 – in the last twelve months the Authority has been committed to monitoring the proper adjustment of operators to billing based on the calendar month. With resolution no. 269/18/CONS, it adopted specific measures against TIM, WindTre, Vodafone and Fastweb, sanctioning the right of users of fixed and convergent telephone services to return days illegally eroded in the period between 23 June 2017 and the day of return to billing on a monthly basis, between February and April 2018.

Tiscali was not affected by these measures because the invoicing method applied to fixed telephony was already on a monthly basis; while, for mobile telephony services, it had adapted its mobile offerings to the monthly frequency, both for new customers and for the customer base, within the set time limits.

2. **measures for the free choice of terminal devices**

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

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

Tiscali is proceeding with the implementation of all actions to comply with regulatory measures. In particular, the necessary developments were immediately initiated to make the terminal associated with the service offered always optional, both for new subscribers and for existing customers.

The requirements that present a higher level of criticality, both in terms of technical/process impact and in terms of investment, will be met in the medium term, as part of a wider change in the systems/processes relating to the provisioning chain.

3. transparency measures in the BroadBand and UltraBroadBand retail offers

In July 2018, with Resolution No. 292/18/CONS, the Authority established that operators providing connectivity services via a fixed connection must guarantee, both in advertising messages and in commercial and contractual communications, full transparency in the presentation of physical infrastructures on which these are provided, and specifies cases and modalities with which the operators can use the term “fiber” or not. In addition, operators will have to integrate communications with specific symbols aimed at indicating, in a simplified manner, the type of infrastructure used.

In February 2019, in view of the positive outcome of the monitoring conducted on the implementation of the above provisions, the Authority, with Resolution no. 35/19/CONS, definitively approved the use of the colored symbols "F", "FR", "R" with its subtitles, in all communications.
The Company promptly adapted to the new regulatory measures, modifying the sales and subscription pages of its services, the names of its products, the advertising material, as well as the material sent to its customers immediately after the conclusion of the contract (welcome pack).

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

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

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

The new regulation of withdrawal expenses applies not only to the costs incurred by operators to dispose of or transfer the user – who, according to the law, must be commensurate with the contract value and the costs incurred by the company – but also to the ones concerning the reimbursement of the discounts provided in the case of promotional offers, as well as the costs related to the payment of the residual installments of the products and the services offered together with the main service.

With particular regard to the costs incurred by the operator, the resolution in question distorts the previous rules in that it establishes that the decommissioning chargeable to the user is determined by the minimum value between the implicit price of the offer (which results from the average of the fee calculated for the first 24 months of contractual commitment) and the costs actually incurred by the operator to terminate or migrate the service.

5. Technical tables for the implementation of the main regulatory provisions

<u>Technical table on the implementation of the unbundling measures provided for in Resolution 321/17/CONS for the ULL and SLU services:</u>
Technical Table launched in September 2017 to define the measures for implementing the unbundling of services ancillary to wholesale access services (ULL and SLU) with regard to provisioning and assurance processes.
Tim has implemented the transitional phase to which some OAO have adapted (including Tiscali) while the implementation of the final phase is still under discussion.

<u>Technical Table as per Resolution 396/18/CONS - Urgent measures aimed at preventing the improper use of wholesale assurance data for commercial contact purposes:</u>
The table is part of the surveillance activity carried out by AGCOM in relation to a practice repeatedly reported by the various operators regarding commercial actions taken against their customers resulting from improper use of data relating to technical assistance interventions carried out in the face of the opening of wholesale failures.
The work of the table, established by resolution no. 396/18/CONS in October 2018, was completed in July 2019 with the identification of a shared solution aimed at obscuring the customer's contact data and reporting a fault.

<u>Technical Table for the implementation of the procedures for the passage of customers of fixed network operators using FTTH networks of wholesale operators other than TIM:</u>
Following the public consultation, the Authority adopted Resolution No. 82/19/CIR, which regulates the case of customers of fixed network operators using FTTH networks of wholesale operators other than TIM, ensuring that the migration of physical access and associated numbers takes place in a synchronized, technically efficient manner and in the shortest possible time. At the same time, the Authority launched a Technical Table in order to identify the technical solutions necessary for the implementation of the new migration procedures.

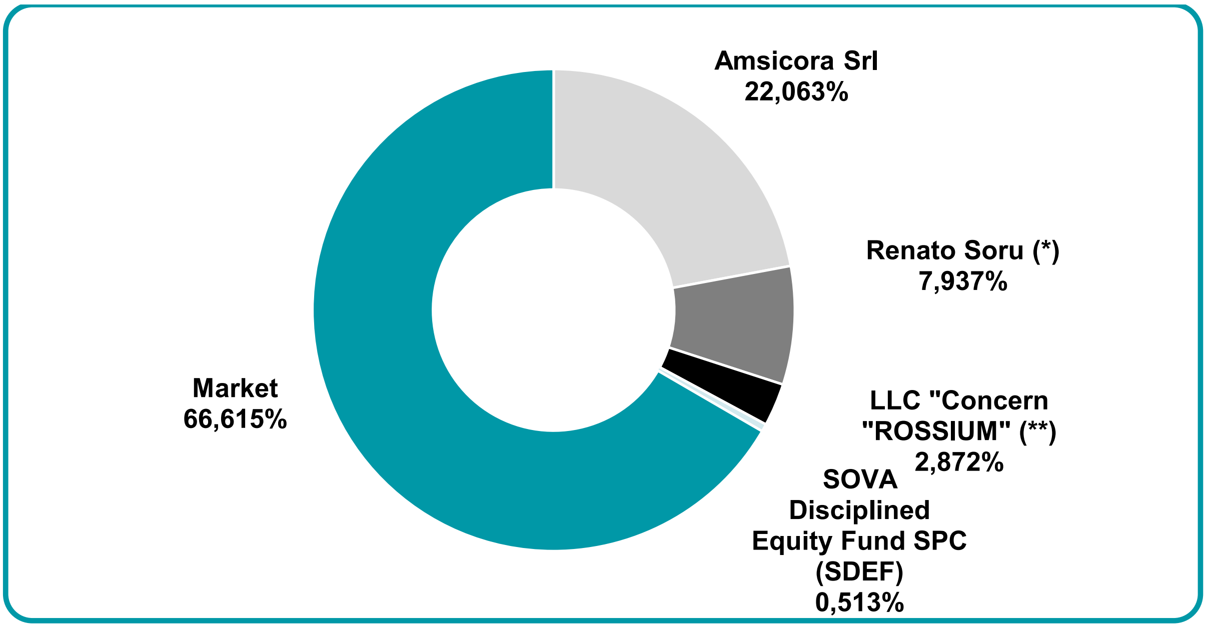
4.4 Tiscali's Shares

Tiscali shares are listed on the Italian Stock Exchange (Milan: TIS) since October 1999. As at 30 June 2019, the market capitalization amounted to approximately EUR 46.6 million, calculated on the value of EUR 0.01170 per share on a total of 3.981.880.763 shares. At the date of approval by the Directors of this Half-Year Financial Report as at June 30, 2019, the value per share stands at EUR 0.012, with a market capitalization of EUR 47.8 million.

Shares Structure:

Below the share structure as at 30 June 2019.

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



Source: Tiscali

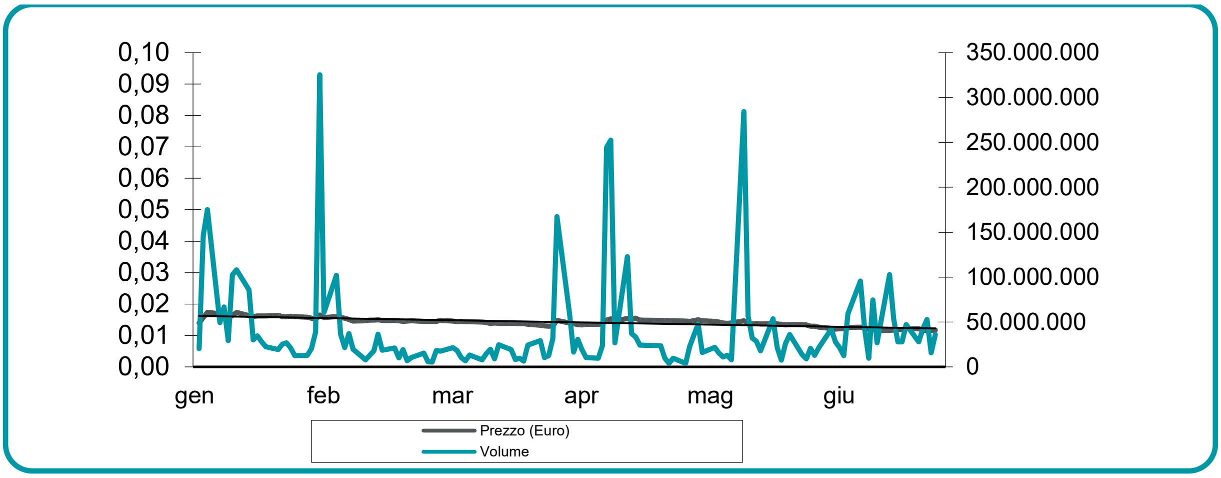
(*) Directly for 6.66% approximately and indirectly through the part-owned companies Monteverdi Srl (0.44%), Cuccureddus Srl (0.83%).

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

Tiscali Shares Trend

The graph illustrated below shows the trend of Tiscali shares over the course of the first half of 2019, characterized by significant trading volumes, in particular in the month of February, April and May.

Fig. 2 – Shares trend during the first half of 2019



Source: processing of Bloomberg data

The average monthly price in the first half of 2019 was EUR 0.014. The maximum price in the period was of EUR 0.0173 and it was recorded on 119, while the minimum price of EUR 0.0115 was recorded on 269.

Trading volumes settled on a daily average of approximately 39.6 million shares for a corresponding daily average value of EUR 0.6 million.

Average trading of Tiscali shares on the Italian Stock Exchange over the first half of 2019		
	Price (EUR)	Number of Shares
January	0,016	63.725.195
February	0,015	24.146.951
March	0,014	22.954.066
April	0,014	49.288.385
May	0,014	35.200.008
June	0,012	42.311.784
Average	**0,014**	**39.604.398**

The total market capitalization of Tiscali, which at 30 June 2019 amounted to EUR 46.6 million, compares with the parent company's shareholders' equity of EUR 36.5 million (and a consolidated shareholders' equity deficit of EUR 45.5 million). The difference between the market capitalization and the value of the consolidated shareholders' equity as at 30 June 2019, amounting to EUR 92.1 million, is representative of the prospects of future profitability of Tiscali, incorporated in the cash flows resulting from the New 2018-2021 Business Plan.

4.5 Major events occurred in the first half of 2019

The major events occurred in the first half of 2019 follow:

<u>31 January 2019 – Subscription by the reference shareholders ICT and Sova Disciplined Equity Fund of the 2019-2020 Convertible Bond for a nominal amount of EUR 10.6 million</u>

The Board of Directors of the Company, which met on 31 January 2019, resolved, in partial exercise of the powers granted by the Shareholders' Meeting of 26 June 2018, to issue a Convertible Bond for EUR 10.6 million, as well as to increase the share capital to service the Bond Loan. Also on that date, the Bond Loan was fully subscribed for a nominal value of EUR 10.6 million by the shareholders ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares with a nominal value of EUR 5.3 million each.

<u>28 March 2019 - Signing of the final Financial Debt Restructuring Agreements with the Financial Institutions and the Pool Leasing</u>

On that date, the Financial Debt Restructuring Agreements were signed with the Banking Institutions and the Pool Leasing. For further information, reference should be made to paragraph *5.2 Main results achieved during the year 2018 and subsequent events* and to the 2018 Annual Financial Report.

29 March and 2 April 2019 - Approval of the Draft 2018 Financial Statements.

On 29 March 2019, the Company announced that the Board of Directors of Tiscali Spa had approved all the items on the agenda, in particular the draft 2018 Financial Statements.

In addition to what was communicated on 29 March 2019, on 2 April 2019 the Company issued a press release describing the evolution of the main economic and financial indicators for the year 2018, taken from the Draft 2018 Financial Statements.

16 April 2019 - Full acquittal for Tiscali and his managers for offences of false social communications

On 16 April 2019, the Second Criminal Section of the Court of Cagliari issued a sentence that fully acquitted the companies of the Tiscali Group and their managers of the charge of false corporate communications, also for crimes for which the statute of limitations had in the meantime intervened, thereby acknowledging the full correctness of their actions.
The hearing made it possible to ascertain that the financial statements subject to these proceedings were prepared in full compliance with the regulations designed to ensure the transparency of corporate information for the protection of all parties concerned.

10 May 2019 - Acquisition by Amsicora S.r.l. of a total equity interest of 22.059% in Tiscali's share capital

On 10 May 2019, Amsicora S.r.l., an Italian investment company founded and managed by Claudio Costamagna, Alberto Trondoli, Manilo Marocco and also owned by other private investors, has signed a contract with ICT Holding Ltd for the purchase of the entire stake held in Tiscali, equal to approximately 20.79% of the share capital, as well as a contract with SOVA Disciplined Equity Fund SPC for the purchase of a stake equal to approximately 1.269% of the share capital of Tiscali, for a total of approximately 22.059% of the share capital of Tiscali.

Following this transaction, the new shareholders and the founder Renato Soru, who previously held a 7.94% interest in the share capital of Tiscali, held a total interest of 29.99% in the share capital of the Company.

The completion of the purchase of the equity investments was subject to the fulfilment of certain conditions precedent, which occurred during the first half of the year.

10 May 2019 - Shareholder agreements relating to ordinary shares of Tiscali S.p.A.

On 10 May 2019, a purchase contract was signed between Amsicora S.r.l. and ICT Holding Ltd concerning the purchase of the investment held by the latter, i.e. 827,998,917 ordinary shares of Tiscali S.p.A. equal to 20.79% of the Issuer's share capital.

The Purchase Agreement contains, among other things, some provisions, functional to the execution of the transaction, which can be considered as agreements of a shareholders' nature and are therefore prudentially subject to the related advertising formalities.

The Purchase Agreement concerns the 827,998,917 Ordinary Shares of the Company, representing 20.79% of the share capital of the Company.

The agreements contained in the Purchase Agreement can be traced back to relevant agreements pursuant to Article 122, paragraph 1 and paragraph 5, letter b), of the TUF.

On the same date, an investment agreement (the "Investment Agreement") was signed between Claudio Costamagna, Manilo Marocco and Alberto Trondoli and Renato Soru, concerning (a) the purchase by the Investors, through the wholly owned subsidiary Amsicora S.r.l., of the entire equity investment held by ICT Holding Ltd in Tiscali S.p.A., and, (b) the commitment to negotiate and agree on the terms of a shareholders' agreement aimed at regulating the governance and ownership structure of the Issuer, to be signed subject to completion of the aforesaid purchase.

The Investment Agreement contains certain provisions that are of a shareholders' nature and which, therefore, have been the subject of the relative advertising formalities.

The Investment Agreement covers 316,050,508 Ordinary Tax Shares, representing 7.94% of the Issuer's share capital and voting rights.

The agreements contained in the Investment Agreement can be traced back to significant agreements pursuant to Article 122, paragraph 1 and paragraph 5, letter b), of the TUF.

The communications relating to the facts described were communicated on 15 May, in accordance with Article 129 of the Issuers' Regulations

13 May 2019 - Revocation of the powers of the Board of Directors and appointment of Renato Soru as Chairman and Chief Executive Officer

On 13 May 2019, the Board of Directors of Tiscali Spa reassigned the powers of attorney, appointing Renato Soru as Chairman and Chief Executive Officer to replace Alexander Okun and Alex Kossuta, respectively.

In addition, the Board of Directors, which resolved to grant the newly elected Chairman of the Board of Directors the power to convene an Ordinary Shareholders' Meeting to discuss and approve the following agenda:

(i) revocation of the current Board of Directors;

(ii) determination of the number of members of the Board of Directors;

(iii) appointment of the members of the Board of Directors through the list voting mechanism; and

(iv) remuneration pursuant to Article 2389, first paragraph, of the Italian Civil Code.

Furthermore, on 13 May, the Company announced that, in relation to the sale and purchase agreement signed on 10 May between Amsicora S.r.l. and ICT Holding, the transaction in question provides for a unit price of EUR 0.0085.

Finally, on 13 May, the Shareholders' Meeting approved the following points:

- Approval of the 2018 Financial Statements

- Resolves on the first section of the Remuneration Report

- Reconstitution of the stock option reserves by reducing the share capital of Tiscali Spa by EUR 2,010,217.

15 May 2019 - Resignation of Directors Soru, Anikin, Belova and Sychova

On 15 May 2019, some members of the Board of Directors resigned with effect from the date of the Ordinary Shareholders' Meeting of the Company convened subsequently for 27 June 2019 in order to resolve, among other things, the appointment of a new Board of Directors, before the start of the shareholders' meeting. The Directors who resigned were:

- Renato Soru, Chairman of the Board of Directors and Chief Executive Officer, holds a 7.94% interest in the share capital of Tiscali S.p.A.;

- Oleg Anikin, Member of the Control and Risk Committee;

- Alina Sychova, member of the Appointments and Compensation Committee;

- Anna Belova, independent director, Chairman of the Control and Risks Committee and member of the Appointments and Remuneration Committee and the Committee for Transactions with Related Parties.

The resignation was due to the expected change in the shareholding structure, due to the sale and purchase agreement of 10 May 2019 concerning the transfer to Amsicora S.r.l. of the entire shareholding held by the relative majority shareholder, ICT Holding Ltd, in the share capital of Tiscali, as well as to the call of the Shareholders' Meeting to be held on 10 May 2019.

<u>16 May 2019 - Shareholders' Agreement Between Renato Soru and Amsicora S.r.l.</u>

On 16 May 2019, Amsicora S.r.l. and Renato Soru executed a Shareholders' Agreement containing provisions concerning (i) the governance of Tiscali S.p.A. and (ii) the procedures for the circulation of equity interests held directly or indirectly by parties to the agreement in the share capital (the "Shareholders' Agreement").

The Shareholders' Agreement applies to 1,194,564,218 Tax shares, equal to 29.99% of the Company's share capital and voting rights.

The agreements contained in the Shareholders' Agreement are relevant pursuant to Article 122, paragraph 1 and paragraph 5, letters a) and b), of the Consolidated Law on Finance.

<u>18 June 2019 - Transfer of convertible bonds</u>

On 18 June 2019, Sova Disciplined Equity Fund SPC notified that on 11 June 2019 it had sold to Sova Capital Limited 53 "TISCALI CONV 2019-2020" convertible bonds, equal to the total amount of the bonds subscribed on 31 January 2019 by Sova Disciplined Equity Fund SPC.

<u>27 June 2019 - Appointment of the new Board of Directors by the ordinary Shareholders' Meeting of Tiscali</u>

The Ordinary Shareholders' Meeting of Tiscali, which met on 27 June 2019 in a single call, has appointed the new Board of Directors, composed of the following 7 people:
Alberto Trondoli
Renato Soru
Manilo Morocco
Sara Polatti
Anna G. Belova (Independent pursuant to art. 148 of the Consolidated Finance Act and the Corporate Governance Code)
Patrizia Rutigliano (Independent pursuant to art. 148 of the Consolidated Finance Act and the Corporate Governance Code)
Federica Celoria (Independent pursuant to art. 148 of the Consolidated Finance Act and the Corporate Governance Code)

The Shareholders' Meeting resolved that the Directors of the Company shall remain in office until the approval of the Financial Statements for the year ending on 31 December 2021.
The new Board of Directors was elected on the basis of a single list submitted jointly by Renato Soru and Amsicora S.r.l. (joint holders of 29.9% of the share capital), which received 99.99% of the votes cast by those attending the Shareholders' Meeting.
Directors Alberto Trondoli and Manilo Marocco hold an indirect interest in Tiscali S.p.A. through Amsicora S.r.l., which holds 22.0627% of the Company's share capital, and Director Renato Soru holds a direct and indirect interest in Tiscali S.p.A. for a total of 7.9372% of that share capital.

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

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

Risks related to the overall economic situation

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

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

Risks associated with the Fastweb Transaction

As described above, on 16 November 2018 Tiscali transferred certain business units and the right to use 3.5GHz licences to Fastweb and concluded network usage agreements with Fastweb as part of the Fastweb Transaction.

In this regard, the main national telecommunications operators (TIM, Vodafone, Wind3 and Iliad) have appealed to the Lazio Regional Administrative Court against the Ministry of Economic Development's decision to transfer the licenses from Aria to Fastweb, as well as appealing to the Lazio Regional Administrative Court and the Ministry of Economic Development against the decision to grant Aria (and the other operators awarded the 3.4-3.6 GHz band, excluding TIM) an extension of the right of use for consideration for a further six years, until 31 December 2029. These disputes initiated against the Ministry of Economic Development - and therefore not under the control of the Company - are unpredictable.

On 19 June 2019, a first hearing was held in which the Administrative Judge merely acknowledged the acts without any discussion. At the moment, therefore, it is not possible to formulate a reliable hypothesis on the timing of the closure of the proceedings. However, it should be noted that a decision by the Regional Administrative Court in favor of the applicants could lead, at least theoretically, to the cancellation of the sale with legal and accounting effects that cannot be defined at present. The Tiscali group considers this risk to be remote.

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

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

Based on the AGCOM surveys, Tiscali's market share in June 2019 in the broadband Internet access sector, also considering the contribution of Broadband Fixed Wireless customers, acquired following the merger with Aria, is equal to about 2.7%.

Tiscali main competitors (Telecom Italia, Vodafone, Wind-H3G) have a strong brand recognition in the countries they belong to, a well-established client base and high financial resources that allow competitors to make substantial investments, particularly in the research sector aimed at developing technologies and services.

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

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

The Fastweb Transaction goes in the direction of strengthening and consolidating this strategy, in particular thanks to the expansion of the addressable market of Fiber services (without incremental investments, this allows the passage from a coverage of 8 million households and businesses to a coverage of about 18 million households and businesses) and to the possibility of continuing to use the Fixed Wireless infrastructure sold to Fastweb for the supply of Tiscali LTE Fixed Wireless services in the "Extended Digital Divide" areas. Therefore, the benefits obtained by the Group thanks to the Fastweb Transaction concerning the widening of the target market, constitute a mitigation of the risk being analyzed.

In July, in line with the strategy of relaunching and developing the Fiber market with the Company's mission to guarantee all citizens the right to access ultra-fast internet services, the Company signed two important agreements with Open Fiber and Linkem, aimed at spreading UltraBroadBand services and expanding the potential market (see for a description of the agreements, see paragraph *4.2 Main events and results obtained during the first half of 2019 and subsequent events*).

Any inability of the Group to compete successfully in the sectors in which it operates compared to its current or future competitors could negatively affect the market position with consequent loss of clients and negative effects on the business and the economic and financial situation of the Company and Group companies and on the prospective data considered in the short term to assess the occurrence of the going concern assumption and in the short and long term to assess the recoverability of the concessions and the value of investments in equity investments through the impairment test.

<u>Risks related to possible system interruptions, delays or breaches in security systems</u>

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

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

The Company has implemented all the preventive measures aimed at minimizing 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-center, present in the Cagliari headquarters, is equipped with security systems.

<u>Cyber Risk</u>

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

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

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

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

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

At the date of this Half-Year Financial Report as at 30 June 2019, no violations by third parties of Tiscali information systems were reported.

General Data protection

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

In 2018, activities were carried out to comply with the GDPR General Data Protection Regulation, the new EU Regulation no. 2016/679 on data protection, with 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 code on the protection of personal data under Legislative Decree No. 196/2003.

Even though the Tiscali Group adopted strict protocols to protect the data acquired during its operations and operates in strict compliance with current legislation on data protection and privacy, it cannot be excluded that intrusions into its systems may occur in the future; in this context, it should be noted that the Group companies have in place specific insurance policies to cover the damages that their infrastructures may suffer as a result of the aforementioned events. Nevertheless, if harmful events not covered by insurance policies should occur or, even if covered, such events cause damages exceeding the insured maximum coverages, or due to violations of the company systems, the reputation damage suffered should lead to loss of clients, such circumstances could have a significant negative impact on the Group's activities and economic, equity and financial situation and on the data of the New 2018-2021Business Plan, even though it does not reasonably affect the Group's ability to continue as a going concern over the next 12 months.

Risks connected with technological development and commercial offer

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

Any inability to adapt to new technologies and therefore to changes in customer needs could have negative effects on the activity and on the financial, economic and assets situation of the Companies of the Group. The Fastweb Transaction guarantees Tiscali – without any incremental investment – the access to a state-of-the-art Fiber infrastructure, and the possibility to continue to access the latest generation of LTE Fixed Wireless access network infrastructure.

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

As mentioned in the previous paragraph “5.3. – 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 2018-2021 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 adapt to any provisions modifying the current regulatory regime and/or regulations in force, with consequent negative effects on activities and on the financial, economic and assets situation of the Companies of the Group and on the forecast data of the 2018-2021 Business Plan.

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

Risks associated with the Group high financial indebtedness

The evolution of the Group's financial situation depends on several factors, in particular, the achievement of the objectives set forth in the New 2018-2021Business Plan, the trend in the general conditions of the economy, the financial markets and the sector in which the Group operates. The Directors believe that this risk is mitigated as a result of the Financial Debt Restructuring Agreements signed with the Financial Institutions on 28 March 2019, as indicated above.

Risks relating with fluctuations in interest and exchange rates

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

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

Risks linked to relations with suppliers

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

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

In the event that: (i) such contracts are not renewed at maturity or are renewed at terms and conditions less favorable than those currently in place; or (ii) the Group could not conclude with TIM new contracts necessary for the development of its business; or (iii) in the cases referred to in the previous points, Tiscali could not conclude equivalent agreements with third party operators; or (iv) there is a serious breach of contract by the Company or the suppliers themselves, these circumstances could have negative effects on the activity and on the economic, asset and financial situation of the Company and the Group companies, with consequent impact on the possibility of continue to carry out its operating activities under business continuity conditions, considering it as unlikely with reference to the time horizon of the next 12 months.

The terms and conditions of these contracts are of a regulatory nature and at present there are no elements that could lead to the hypothesis of a non-renewal at maturity.

The collection of the payments established in the Fastweb Transaction (EUR 50 million of which collected as at 16 November 2018 and EUR 80 million collected on 1 July 2019) has enabled Tiscali to enter into important agreements with suppliers aimed at reducing overdue payables, and to reduce overdue payables to the tax authorities and social security institutions.

In particular, it should be noted that at the beginning of July 2019 an agreement was signed with a strategic supplier, on the basis of which the overdue debt was repaid in full, and a settlement agreement was reached on the offsetting items.

With reference to the supplier Fastweb, following the signing of the Fastweb Transaction, the Group has a receivable that can be used to pay for services, originally amounting to EUR 55 million, which - on the basis of current estimates - should allow the acquisition of these services in the next 16 months without the use of the Group's financial resources; as anticipated, EUR 3.6 million of the aforementioned Voucher was used in the first half of 2019.

With regard to the Group's trade payables, it should be noted that, as oat 30 June 2019, overdue trade payables (net of payment plans agreed with suppliers, of active items and in dispute with the same suppliers) amounted to EUR 38.9 million. (EUR 57.7 million as at 31 December 2018)

Furthermore, there were no suspensions of supply relationships such as to jeopardize the ordinary course of business. As of 30 June 2019, payment reminders were received as part of ordinary administrative management. On that date, the main payment orders received by the Company and not paid as negotiated or opposed amounted to EUR 19.5 million, while the injunctions received totaled EUR 16.9 million.

<u>Risks related to the dependence from licenses, authorizations and the exercise of real rights</u>

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

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

- General authorization for the provision of the “data transmission” service: in case of loss of this authorization – which in turn expires on 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 authorization upon expiry, which to be obtained will need a new DIA (declaration on the commencement of the activities) to be submitted;
- General authorization (individual license) for “voice service accessible to the public on the national territory”, expiring on 31 December 2038: in case of loss of such authorization, the Group would no longer be able to provide voice services which use geographical numbers; at present, Tiscali has all the necessary requirements for the automatic renewal of that authorization upon expiry, which to be obtained will need a new DIA (declaration on the commencement of the activities) to be submitted;
- General authorization for “electronic communications networks and services”, expiring on 11 January 2032: in case of loss of such authorization, the Group would no longer be able to realize network infrastructure and thus provide connectivity services on proprietary infrastructures.
- General authorization for the provision of the “Enhanced Service Provider” mobile service: in case of loss of such authorization – which is scheduled to expire on 31 December 2038 – the Group would no longer be able to provide services (both voice and data) of mobile type.

Going Concern Risk

In this regard, reference should be made to the note "*5.8 Evaluations regarding the business continuity and foreseeable evolution of operations - Facts and uncertainties with regard to business continuity"*.

Risk related to potential disputes and liabilities

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

Introduction

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

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

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

(iii) "Wholesale services" to other operators;

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

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

Consolidated Income Statement

Consolidated Income Statement	1st Half 2019 (#)	1st Half 2018 (*)
(EUR mln)		
Revenue	70.2	87.8
Other income	13.6	1.1
Purchase of external materials and services	51.0	61.2
Personnel costs	12.4	13.4
Other operating expense (income)	0.0	0.0
Write-downs accounts receivable from customers	5.5	5.4
Gross Operating Result (EBITDA)	**14.9**	**9.0**
Restructuring costs	2.2	0.3
Depreciations & amortizations	20.8	25.9
Operating result (EBIT)	**(8.1)**	**(17.2)**
Result from the investments evaluated at equity method	(0.3)	(0.1)
Financial Income	12.0	1.0
Financial Expenses	7.4	6.6
Income (loss) before tax	**(3.7)**	**(22.8)**
Taxation	0.0	(26.1)
Net result from operating activities (ongoing)	**(3.7)**	**3.3**
Result from held for sale and discontinued operations	0.0	0.0
Net result for the period	(3.7)	3.3
Minority interests	0.0	0.0
Group Net Result	**(3.7)**	**3.3**

(#) As a result of the entry into force of IFRS 16 from 1 January 2019, the gross operating result (EBITDA) for the six-month period ended 30 June 2019 was EUR 1.6 million higher, while the operating result (EBIT) was EUR 0.2 million lower than the values that would have been determined by applying IAS 17 in the recognition of operating leases; This was due to the recording of amortization of the rights of use recorded in application of IFRS 16 for EUR 0.4 million, and of interest expense on the related financial debt of EUR 1.4 million, against the recording, provided for by the former IAS 17, of operating lease instalments of EUR 1.6 million. Overall, the net result for the half-year and the shareholders' equity at 30 June 2019 were EUR 0.2 million lower than the value that would have resulted from the application of IAS 17, without taking into account the tax effects due to the negative taxable situation.

The application of IFRS 16 also led to the recognition of rights of use for a net book value of EUR 19 million at 30 June 2019, the recognition of the related financial debt of EUR 20.1 million and the reduction in trade payables of EUR 0.9 million.

Reference should be made to the remainder of the Directors' report for the identification of the impact of the economic components that the Directors consider as "non-recurring".

(*) The income statement figures for the first half of 2018 have been restated as follows: following the application of IFRS 15, the Company has offset revenues and costs relating to barter transactions carried out in the first half of 2018. In particular, the revenues presented in the Consolidated Half-Year Report as at 30 June 2018, amounting to EUR 92.4 million, included barter revenues with exchange of goods of a similar nature amounting to EUR 4.6 million. Similarly, costs for the purchase of materials and services fell by EUR 4.6 million, from EUR 65.8 million to EUR 61.2 million.

Income Statement of the Group

Profit and Loss Statement of the Group	1st Half 2019 (#)	1st Half 2018 (*)
(EUR mln)		
Revenue	70.2	87.8
Access Broadband revenues	57.2	68.2
of which fixed Broadband	51.2	61.7
of which Broadband FWA	6.0	6.5
Revenues from MVNO	5.8	7.0
Business service revenues and Wholesale	3.2	5.3
of which business service	2.0	2.7
of which Wholesale	1.2	2.6
Media and value-added service revenues	2.0	4.0
Other revenues	2.0	3.3
Gross operating margin	27.5	34.0
Indirect operating costs	20.7	20.8
Marketing and sales	2.5	0.9
Personnel costs	12.4	13.4
Other indirect costs	5.8	6.4
Other (income) / expenses	(13.6)	(1.1)
Write-down of receivables	5.5	5.4
Gross Operating Result (EBITDA)	14.9	9.0
Restructuring costs	2.2	0.3
Depreciations & amortizations	20.8	25.9
Operating result (EBIT)	(8.1)	(17.2)
Net Result pertaining to the Group	(3.7)	3.3

(#) As a result of the entry into force of IFRS 16 from 1 January 2019, the gross operating result (EBITDA) for the six-month period ended 30 June 2019 was EUR 1.6 million higher, while the operating result (EBIT) was EUR 0.2 million lower than the values that would have been determined by applying IAS 17 in the recognition of operating leases; This was due to the recording of amortization of the rights of use recorded in application of IFRS 16 for EUR 0.4 million, and of interest expense on the related financial debt of EUR 1.4 million, against the recording, provided for by the former IAS 17, of operating lease instalments of EUR 1.6 million. Overall, the net result for the half-year and the shareholders' equity at 30 June 2019 were EUR 0.2 million higher than the value that would have resulted from the application of IAS 17, without taking into account the tax effects due to the negative taxable situation.

The application of IFRS 16 also led to the recognition of rights of use for a net book value of EUR 19 million at 30 June 2019, the recognition of the related financial debt of EUR 20.1 million and the reduction in trade payables of EUR 0.9 million.

Reference should be made to the remainder of the Directors' report for the identification of the impact of the economic components that the Directors consider as "non-recurring".

(*) The income statement figures for the first half of 2018 have been restated as follows:

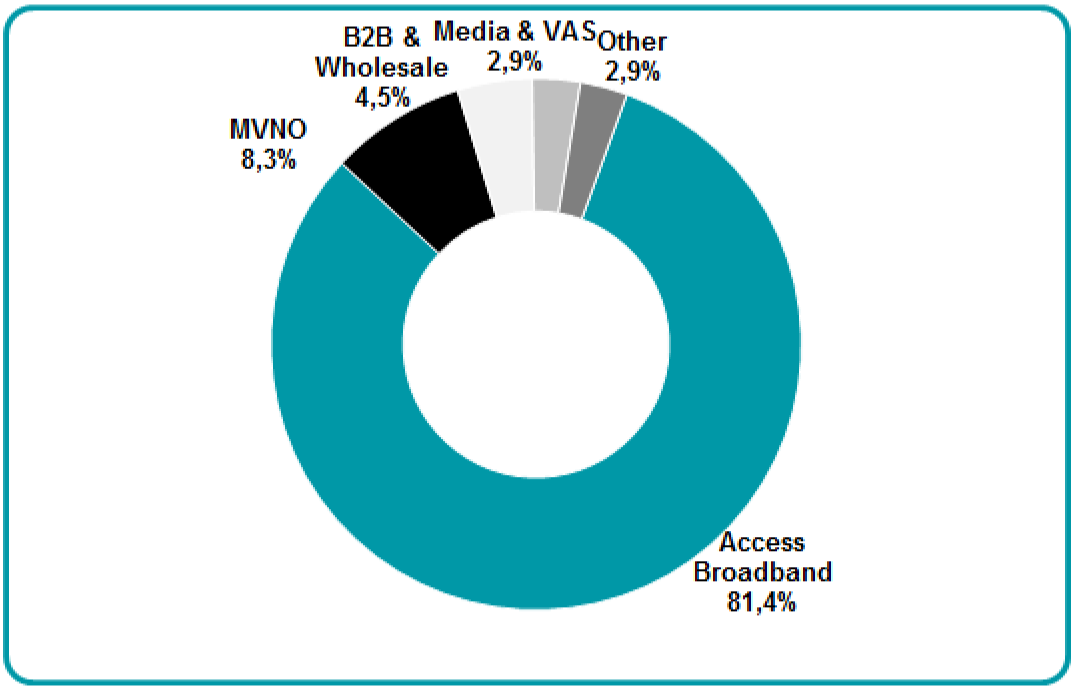
1. following the application of IFRS 15, the company has offset revenues and costs relating to barter operations carried out in the first half of 2018. In particular, the revenues presented in the Consolidated Half-Year Report as at 30 June 2018, amounting to EUR 92.4 million, included barter revenues with exchange of goods of a similar nature amounting to EUR 4.6 million. Similarly, costs for the purchase of materials and services fell by EUR 4.6 million, from EUR 65.8 million to EUR 61.2 million. The elision in question did not have an impact on Ebitda, while it had an impact of EUR 2.8 million, reducing Gross Margin (and correspondingly EUR 2.8 million, reducing marketing and sales costs) for some barter costs that had been classified as marketing and sales costs in 2018. For the barter costs that in the first half of 2018 were classified as variable costs, amounting to EUR 1.7 million, on the other hand, the elision in question did not have an impact on the Gross Margin;

2. following an internal review of the analytical accounting processes and cost allocation, aimed at making the economic and financial reporting system consistent with the new business model of the Company no longer "Asset

Based", the following costs were reclassified as follows: (i) domain registration, distribution and other marketing costs of EUR 0.7 million, which were classified under marketing and sales costs, were reclassified under variable costs; (ii) rental costs for technical sites of EUR 1.5 million were reclassified from other general costs to variable cost; (iii) some operating costs, such as postal and other industrial costs recorded by individual companies, but to be recharged to other group companies as they relate to them were reclassified from general costs to variable cost, for approximately EUR 1.5 million.

Revenue by business segment

Breakdown of revenues by business line and access mode



Source: Tiscali

<u>Broadband Access</u>

The segment concerned, which includes Internet access services, generated revenue in the first half of 2019 for approximately EUR 57.2 million (EUR 51.2 million from "Fixed Access" and EUR 6 million from "Fixed Wireless Access"), down by 16.2% as compared to the corresponding figure for the first half of 2018 (EUR 68.2 million).

The trend of this item as compared to the first half of 2018 is mainly driven by the following:

- decrease in the income from Fixed Broadband segment by EUR 10.5 million (-17%), amounting to EUR 51.2 as compared to EUR 61.7 million in the first half of 2018. This reduction if directly related to the decrease in the total portfolio of Fixed Broadband customers, decreased by about 32.1 thousand units (-7.7%), from about 416 thousand units in June 2018 to 383.9 thousand units in June 2019. The reduction in the portfolio as compared to the first half of 2018 is related to the slowdown in the commercial activity due to the scarcity of available financial resources described above, in addition to the reduction of the ARPU (average revenue per user).

Compared to December 2018, the number of fixed broadband users has stabilized, rising from 382.8 thousand in December 2018 to 383.9 thousand in June 2019. This stabilization derives from the combined effect of a contraction in the number of units in the first quarter and an increase in the number of units in the second quarter, the result of a recovery in commercial and marketing activities, in particular thanks to the institutional advertising campaign launched in March 2019.

The number of Fiber customers continued to increase significantly during the period, rising from approximately 66.3 thousand in June 2018 to 121.5 thousand in June 2019, confirming the Company's focus on developing Fiber services;

- decrease in the income from BroadBand Fixed Wireless Access, amounting to about EUR 0.6 million (-9%), due to the decrease in the total BroadBand Fixed Wireless customer portfolio (from 62.3 thousand units as at 30 June 2018 to 50.2 thousand units as at 30 June 2019).

Evolution of the customer base (lines)

Active Customer Base	**30/06/2019**	**31/12/2018**	**30/06/2018**
Total Broadband Fixed	383,940	382,830	416,031
o/w Fiber	121,574	79,138	66,272
Total Broadband Wireless	50,176	58,811	62,334
o/w LTE	43,616	47,815	48,830
Mobile (6 mesi in-out)	220,288	198,506	219,005
Total Customer	**654,404**	**640,147**	**697,370**

MVNO

Mobile revenues decreased by 16.5% from EUR 7 million in the first half of 2018 to EUR 5.8 million in the first half of 2019.

The mobile customer portfolio grew slightly (0.6%) as compared to the first half of 2018, from 219 thousand units in the first half of 2018 to 220 thousand units in the first half of 2019.

The decrease in revenues is mainly explained by the dynamics of the customer base during the first half of 2019, as well as by the lowering of the ARPU.

The customer base as at 30 June 2019 was reached with a significant growth that took place as from April 2019.

Business and Wholesale Services

Revenues from business services (VPN, housing, hosting, domains and leased lines services) and from Wholesales revenues for sales related to network services and infrastructure (IRU, sales of Voice traffic) to other operators, excluding those concerning the access and/or Voice products targeted to the same customers base already included in the relevant Business lines, amounted in the first half of 2019 to EUR 3.2 million, down by 39.6% as compared to EUR 5.3 million in the first half of 2018.

This reduction is mainly due to the reduction in sales of products to low-margin business customers and to the reduction in revenues from wholesale sales compared to the first half of 2018 (-49.9%).

Media

Revenues in the media segment as at 30 June 2019 (mainly relating to the sale of advertising space) amounted to approximately EUR 2 million, down by EUR 2 million on the figure for the first half of

2018 (EUR 4 million), due to the decline in the market for advertising in the traditional web segment and the revision of the Sky agreement.

Other revenues

Other revenues in the first half of 2019 amounted to about EUR 2 million, down by EUR 1.3 million from the corresponding figure for 2018 (EUR 3.3 million).

Indirect operating costs in the first half of 2010 amounted to about EUR 20.7 million, decreasing as compared to the first half of 2018 (EUR 20.8 million).

The components the indirect operating costs are the followings:

- marketing costs amounted to about EUR 2.5 million. The increase as compared to the first half of 2018 is mainly driven by the cost of the advertising campaign realized in March 2019, amounting to about EUR 2.4 million;
- payroll and related costs amounted to EUR 12.4 million (17.7% of revenues), decreasing as compared to the data of the first half of 2018 (EUR 13.4 million, 15.2% of revenues), mainly due to the downsizing of the workforce happened during the first half of 2018;
- other indirect costs amounted to EUR 5.8 million, decreasing as compared to the first half of 2018 (EUR 6.5 million) mainly due to a decrease in expenses for professional services for an approximate amount of EUR 0.6 million.

Other income/charges

Other income/charges, positive for EUR 13.6 million, increased as compared to the first half of 2018 (positive for EUR 1.1 million), mainly includes the following:

- - the proceeds from the sale of the Sa Illetta property, in accordance with the Sa Illetta Leasing Transaction Agreement signed on 28 March 2019. This income is made up of the following two elements:
    - o release of the previous capital gain realized through the Sale and Lease-Back operation on the Cagliari (Sa Illetta) headquarters for approximately EUR 0.5 million. This release quota was determined until 28 March 2019, the date on which the agreement was signed;
    - o income determined by the sale of the property itself, at its net book value, and the related debt recorded in the financial statements as at 30 June 2019, in addition to the release of deferred income relating to the portion of the capital gain subject to deferral, for a total of EUR 10.9 million;
- the write-off of a debt position towards a supplier of fixed assets following a transaction for EUR 1.9 million;
- other contingent assets of EUR 0.3 million.

Provisions for doubtful accounts

The provisions for doubtful accounts amount to EUR 5.5 million in the first half of 2019 (7.8% of revenues), increased in absolute value (EUR 5.4 million)and as a percentage (from 6.1% in June 2018 to 7.8% in June 2019).

The effects of the above items determine a Gross operating result (EBITDA) of EUR 14.9 million, with a decrease by EUR 5.9 billion as compared to the same figure of the previous first half of the year

(EUR 9 million). It should be noted that the total of the effects of non-recurring items[1] in the first half of 2098 on the gross operating result (EBITDA) is positive for EUR 12.9 million, as compared to a negative effect of EUR 1 million in the first half of 2018) was a positive EUR 12.9 million, compared with a negative EUR 1 million in the first half of 2018. As already mentioned, the effect of the application of the new IFRS 16 standard in the recording of operating lease contracts determines an increase in EBITDA of EUR 1.6 million as compared to the value that would have been determined by the application of the previous IAS 17 standard.

The non-recurring items included in the gross operating income (EBITDA), amounting to a total positive EUR 12.9 million, include the following elements:

- non-recurring income of EUR 13.3 million included in the item Other (income)/expenses, consisting of income from the sale of the Sa Illetta property for a total of EUR 11.4 million and income from the write-off of a debt position with a supplier of fixed assets for EUR 1.9 million (as detailed in the paragraph Other (income)/expenses of this paragraph);
- a gain of EUR 0.7 million, deriving from transactions with service providers concluded during the period;
- other non-recurring charges totaling EUR 1.1 million

Amortization and depreciation for the period amounted to EUR 20.8 million, down by EUR 5.1 million as compared to EUR 25.9 million recorded in the first half of 2018. Amortization and depreciation include the effect of the application of IFRS 16 as from 1 January 2019 for EUR 1.4 million (for further details on the principle and method of application chosen by Tiscali, please refer to paragraph 5.13 *Accounting Principles*).

In the first half of 2019, provisions and restructuring charges of EUR 2.2 million were recorded, as compared with EUR 300 thousand in the first half of 2018. These are mainly provisions for legal disputes and other provisions for future operating charges.

Operating profit (EBIT), net of provisions, write-downs and restructuring costs, was a negative EUR 8.1 million, an improvement of EUR 9.1 million compared with the result for the first half of 2018, which was a negative EUR 17.2 million. The total effect of the non-recurring items in the first half of 2019[2] on the operating result (EBIT) was positive for EUR 10.7 million as compared to a negative EUR 1.4 million in the first half of 2018.

The non-recurring items included in the Operating result (EBIT), totaling a positive EUR 10.7 million, include the following elements:

- Non-recurring income of EUR 13.3 million included in the item Other (income)/expenses, consisting of income from the sale of the Sa Illetta property for a total of EUR 11.4 million, income from the write-off of a debt position with a supplier of fixed assets for EUR 1.9 million (as detailed in the paragraph Other (income)/expenses of this paragraph);
- other income of EUR 0.7 million, deriving from transactions with service providers concluded during the period;
- other non-recurring charges totaling EUR 1.1 million;
- provisions for risks and charges related to the restructuring process for EUR 2.2 million.

As mentioned above, the effect of the application of the new IFRS 16 standard in the recording of operating lease contracts determines a decrease in EBIT of EUR 0.2 million compared to the value that would have been determined by the application of the previous IAS 17 standard.

Financial charges amounted to EUR 7.4 million, as compared to EUR 6.6 million in the first half of 2018. They include the effect of the recording of interest on the financial debt arising from the application of IFRS 16 for EUR 0.4 million.

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[1] As per the CONSOB Resolution No. 15519 dated 27 July 2006
[2] As per the CONSOB Regulation No. 15519 dated 27 July 2006

Financial income, amounting to EUR 12 million, mainly refers to income from derecognition and the consequent recognition at amortized cost of the new financial debt resulting from the application of the Senior Debt Restructuring Agreements signed on 28 March 2019.

The Result from continuing operations was a negative EUR 3.7 million, a decrease of EUR 7 million on the comparable figure of 2018, equal to a positive EUR 3.3 million.

The result of assets sold and/or held for sale was zero, both in the first half of 2019 and in the first half of 2018.

The Group's net loss therefore amounted to EUR 3.7 million, a result for the period that was EUR 7 million lower than the comparable figure of 2018, which was a positive EUR 3.3 million.

Non-recurring items included in the result for the period, totaling a positive EUR 22.7 million, include the following items:

- non-recurring items included in EBIT for a positive EUR 12.9 million (as detailed above);

- income from derecognition and the consequent recognition at amortized cost of the new financial debt resulting from the application of the Senior Debt Restructuring Agreements for EUR 11.4 million;

- income from the adjustment of the discounting of the Fastweb voucher determined on the basis of actual use as at June 30, 2019 and forecasts of use until the voucher is sold out for EUR 0.6 million.

As mentioned above, the effect of the application of the new IFRS 16 standard in the recording of operating lease contracts determines a negative impact on the loss for the period of EUR 0.2 million as compared to the value that would have been determined with the application of the previous IAS 17 standard.

Equity position of the Group

Consolidated Statement of Equity and Liabilities	**30 June 2019**	**31 December 2018**
(EUR mln)		
Non-current assets	130.3	164.5
Current assets	168.9	181.6
Assets directly related to held for sales	0.0	0.0
Total Assets	**299.2**	**346.1**
Net equity of the Group	(48.4)	(44.7)
Net equity attributable to minority interests	0.0	0.0
Total net equity	**(48.4)**	**(44.7)**
Non-current liabilities	102.7	24.9
Current liabilities	244.9	365.9
Payables directly related to held for sale	0.0	0.0
Total Net equity and Liabilities	**299.2**	**346.1**

Assets

Non-recurring assets

Non-current assets at 30 June 2019 amounted to EUR 130.3 million (EUR 164.5 million at 31 December 2018).

Non-current assets include property, plant and equipment and intangible assets, totaling EUR 117 million, which decreased by EUR 17.6 million compared with 31 December 2018, and financial assets of EUR 13.2 million, down by EUR 16.6 million compared with 31 December 2018.

The decrease of EUR 17.6 million in Fixed Assets (Tangible and Intangible) can be broken down into the following macro factors:

- investments in network infrastructure for EUR 23.7 million, mainly attributable to costs for the activation of broadband services for EUR 10.5 million and network infrastructure and equipment for EUR 6.1 million.
- recognition of the right of use associated with operating leases as from 1 January 2019, in application of the new IFRS 16 standard for EUR 20.4 million (for further information, see paragraph 5.13 *Accounting standards*). This effect is mainly attributable to the lease agreement for the Sa Illetta headquarters, which took effect on 28 March 2019, under the conditions set out in the Debt Leasing Transaction Agreement;
- depreciation for the period of EUR 20.8 million;
- sale of the Sa Illetta Building for a net book value of EUR 40.9 million, as provided for in the Debt Leasing Transaction Agreement.

Other financial assets of EUR 13.2 million include the long-term portion of the receivable from Fastweb for Voucher of EUR 8.5 million (deriving from the Fastweb Transaction, as described in paragraph *4.2 Main results and events during the first half of 2019 and subsequent events*).

The decrease of EUR 16.6 million as compared to 31 December 2018 is due to the following factors:

- decrease in the value of the long-term component of the receivable from Fastweb for service vouchers of EUR 17.1 million, due to the reclassification from long-term to short-term of the receivable caused by the recalculation of the total value of the voucher at 30 June 2019 on the basis of actual use at that date and forecasts of use in the coming months until exhaustion. This restatement resulted in a decrease in the discounting adjustment of the voucher (and therefore an increase in the short-term receivable from Fastweb) of EUR 0.6 million compared with 31 December 2018, in addition to the above reclassification;
- an increase in long-term deposits of EUR 0.5 million.

Current Assets

Current assets at 30 June 2019 amounted to EUR 168.9 million (EUR 181.6 million as at 31 December 208) and mainly include trade receivables which, at 30 June 2019, amounted to EUR 28.7 million, compared with EUR 34.9 million at 31 December 2018.

In addition to cash and cash equivalents of EUR 2.8 million (EUR 18.9 million at 31 December 2018), this item also includes other current receivables and sundry assets of EUR 137.4 million (EUR 127.7 million at 31 December 2018), represented by advances to suppliers, prepaid expenses for services and sundry receivables.

Other current receivables and sundry assets include the short-term portion of the receivable from Fastweb relating to the balance of the sale price defined in the Fastweb Transaction, amounting to EUR 128.2 million, collected on 1 July 2019. This item increased by EUR 17.7 million due to the recalculation of the voucher as at 30 June 2019 on the basis of actual use as at that date and forecasts of use in the coming months until it is exhausted. This restatement involved:

- a reclassification, from long-term to short-term, of the receivable itself for EUR 17.1 million
- a decrease in the discount adjustment of the voucher (and therefore an increase in the short-term receivable from Fastweb) of EUR 0.6 million.

Shareholders' Equity

Consolidated shareholders' equity was a deficit of EUR 48.4 million as at 30 June 2019, a deterioration of EUR 3.7 million compared with shareholders' equity of EUR 44.7 million as at 31 December 2018. The change is attributable to the loss for the period.

The effect of the application of IFRS 16 in the recording of financial leasing contracts determines a decrease in shareholders' equity at 30 June 2019 of EUR 0.2 million compared to the value that would have been determined on the basis of the application of IAS 17.

Liabilities

<u>Non-current Liabilities</u>

Non-current liabilities at 30 June 2019 amounted to EUR 102.7 million, an increase of EUR 77.8 million on 31 December 2018 (EUR 24.9 million).

The increase of EUR 77.8 million with respect to 31 December 2018 is due for EUR 81.3 million to the items relating to the financial position (payables to banks and other lenders and payables for financial leases), for which reference should be made to the paragraph on the Group's financial position, and a change of EUR 3.5 million in non-financial long-term items. The latter include the following elements: provision for risks and charges of EUR 5 million (EUR 8.1 million at 31 December 2018), provision for severance indemnities of EUR 2.9 million (EUR 3.3 million at 31 December 2018), trade payables due beyond one year of EUR 3.7 million (EUR 3.3 million at 31 December 2018), other payables of EUR 2.7 million (EUR 3 million at 31 December 2018). The latter item includes payables for taxes to be settled for EUR 0.3 million.

The amount of financial debt recognized in accordance with IFRS 16 was EUR 20.1 million at 30 June 2019.

<u>Current Liabilities</u>

Current liabilities amounted to EUR 244.9 million at 30 June 2019, down by EUR 121 million from EUR 365.9 million at 31 December 2018.

The decrease of EUR 121 million with respect to 31 December 2018 is due to a reduction of EUR 105.6 million due to the items relating to the financial position (bond issue, payables to banks and other lenders and payables for financial leases), for which reference should be made to the paragraph on the Group's financial position, a decrease of EUR 14.4 million in payables to suppliers and a reduction of EUR 1 million in other current liabilities. The latter include accrued expenses relating to the purchase of access and rental services, tax payables and other short-term payables.

As at 30 June 2019, net trade payables past due (net of payment plans agreed with suppliers, accounts receivable and disputed with the same suppliers) amounted to EUR 38.9 million (EUR 57.7 million as at 31 December 2018).

At the same date, overdue financial payables (net of receivables) amounted to approximately EUR 1.2 million (EUR 36.7 million at 31 December 2018).

In addition, overdue tax payables of approximately EUR 23.7 million (EUR 18.2 million at 31 December 2018) should be noted. There are also overdue social security payables to employees of EUR 2.1 million.

Moreover, there were no suspensions of supply relationships that would jeopardize the normal course of the company's business. As at 30 June 2019, reminders had been received as part of the ordinary administration process. At that date, the main payment orders received by the Company and not paid as they were in the process of being negotiated or challenged amounted to EUR 16.9 million (EUR 16.9 million at 31 December 2018), while the total number of orders received amounted to EUR 19.5 million (EUR 31 million at 31 December 2018).

Financial Situation of the Group

At 30 June 2019, the Tiscali Group had cash and cash equivalents of EUR 2.8 million, compared with a net financial position of EUR 143.5 million at 30 June 2019 (EUR 152.1 million at 31 December 2018).

Senior Loan

The net financial position at 30 June 2019 includes the effects of accounting for the senior loan restructured on 28 March 2019, as provided for in the Senior Debt Restructuring Agreements.

The restructured debt was recorded at 30 June 2019 at the amortized value of EUR 84.9 million (including interest and principal of the previous debt), compared with an amortized value at 31 December 2018 of EUR 93.4 million.

At 30 June 2019, the short-term portion of the senior debt, defined on the basis of the new financial plan, was reclassified under "Non-current bank debt" for EUR 64.9 million, while at 31 December 2018, pending the completion of the Senior Debt Restructuring Agreements and in the presence of certain events of default, the debt itself was classified entirely as short-term.

Leasing IFRS 16

The net financial position at 30 June 2019 includes the effects of the application of IFRS 16, in force since 1 January 2019. The application of this principle to existing lease agreements resulted in the recognition of lease and rental payables at 30 June 2019 for a total of EUR 20.1 million, of which EUR 14.7 million relating to the lease agreement for the Sa Illetta headquarters (effective from 28 March 2019, with a duration of nine years), and EUR 5.1 million relating to the lease agreements for other operating assets (network infrastructure, industrial leases, company cars).

Net Financial Position	Note	30 June 2019	31 December 2018
(EUR 000)			
A. Cash and bank deposits		2.8	19.0
B. Cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		***2.8***	***19.0***
E. Current financial receivables			
F. Non-current financial receivables		***1.0***	0.5
G. Current bank payables		6.5	6.6
H. Current portion of bonds issued	(1)	10.0	
I. Current part of long-term loans	(2)	20.3	97.0
J. Other current financial payables	(3)	22.0	60.8
K. Current financial indebtedness (G) + (H) + (I) + (J)		***58.8***	***164.4***
L. Net current financial indebtedness *(K)-(D)-(E)-(F)*		**55.0**	**144.9**
M. Non-current bank loans	(4)	68.4	
N. Bonds issued			
O. Other non-current financial payables	(5)	20.1	7.1
P. Non-current financial indebtedness *(M)+(N)+(O)*		**88.5**	**7.1**
Q. Net financial indebtedness *(L)+(P)*		**143.4**	**152.1**

Notes:

(1) This item refers to the Convertible Bond issued on 31 January 2019 for a nominal value of EUR 10.6 million, subscribed on the same date, for a value of EUR 10.1 million, by ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares. These quotas correspond to a total of EUR 10 million at amortized cost. For further information, reference should be made to the Illustrative Report on the convertible bond loan published by the Company on 10 January 2019.

(2) This item includes the component due within one year of EUR 20.3 million relating to the debt to the Senior Lenders restructured on 28 March 2019 (principal and interest repayable within 12 months).

(3) This item includes the following elements: i) the debt of EUR 10 million for the indemnity for the cancellation of the related debt "Sale and Lease Back Sa Illetta", as resulting from the restructuring agreement signed on 28 March 2019; ii) the short-term portion of debts for financial leases relating to investments in the network infrastructure for EUR 7.6 million, in addition to a further EUR 2.3 million recorded on the lease contracts capitalized in accordance with IFRS 16; iii) the short-term portion of the debt relating to the Sa illetta lease agreement (recognized following the application of IFRS 16) for EUR 1.6 million, iii) the short-term portion of loans granted by the Ministry of Universities and Research and the Ministry of Productive Activities for EUR 0.1 million and iv) the value of the option on the convertible bond loan for EUR 0.4 million, as better described in note 1 above).

(4) This item includes the following elements: i) the component due after one year of EUR 64.9 million relating to the debt to the Senior Lenders restructured on 28 March 2019; ii) the long-term portions of other long-term bank loans for EUR 3.5 million

(5) This item includes the following elements: 1) the long-term portion of the debt relating to the Sa Illetta lease agreement (recognized following the application of IFRS 16) for EUR 13.1 million; ii) the long-term portion of finance lease payables relating to investments in network infrastructure for EUR 3.9 million, in addition to a further EUR 3.1 million recognized on capitalized lease contracts pursuant to IFRS 16

.

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

	30 June 2019	31 December 2018
(EUR mln)		
Consolidated net financial debt	**143.5**	**152.1**
Non-current financial receivables	1.0	0.5
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	**144.5**	**152.6**

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

Equity, financial and economic performance of the period

The Tiscali Group closed the first half of 2019 with a loss of EUR 3.7 million, worse than the profit of EUR 3.3 million recorded in the first half of 2018. However, the result for the first half of 2018 benefited from the allocation, for EUR 26.1 million, of deferred tax assets relating to estimated prior-year losses on the tax burden relating to the capital gain realized in the second half of 2018 with the Fastweb Transaction. Net of this provision, the net result for the period to 30 June 2018 would have been a loss of EUR 22.8 million, thus showing an improvement of EUR 19.1 million in the result for the period to 30 June 2019 compared with the same period of the previous year.

Moreover, as indicated above, the net result for the period was significantly affected by non-recurring factors (detailed and described in the section Non-recurring transactions), amounting to EUR 22.7 million, mainly relating to:

- the income from the sale of the Sa Illetta Building, in accordance with the Sa Illetta Leasing Agreement entered into with the Pool Leasing on 28 March 2019 for a total of EUR 11.4 million.
- the income from the partial elimination of the senior debt resulting from the implementation of the Debt Restructuring Agreements signed on 28 March 2019 for EUR 11.4 million

Net of non-recurring net income, therefore, net profit for the period (before taxes) would have been EUR 3.6 million lower than in the first half of 2018.

In addition, the result for the year was influenced by the application of IFRS 16, which led to a negative impact on the net result for the period of EUR 0.2 million.

As mentioned in section 4.2 *“Main events and results achieved in the first half of 2019 and subsequent events",* the results for the first half of 2019 are still partially affected by the stagnation of operating activities in 2018, due to the lack of financial resources and the management's focus on negotiating and subsequently entering into the Fastweb Transaction and the Debt Restructuring Agreements (Senior Debt and Debt Leasing Sa Illetta).

Following the completion of the Fastweb Transaction and the signing of the Debt Restructuring Agreements, which resulted in a significant injection of financial resources and an overall strengthening of the Group's financial structure, the Company has redefined a new strategic path of development and growth, and in the first half of 2019, and with greater intensity in the second half, has undertaken a series of actions consistent with this path.

From an equity point of view, the Tiscali Group closed the first half of 2019 with a negative consolidated net equity of EUR 48.4 million, a decrease by EUR 3.7 million as compared to the net equity as at 30 June 2018, equal to a negative EUR 44.7 million. The change in shareholders' equity is mainly attributable to the result for the period.

With specific reference to financial items, at 30 June 2019 the Group had gross financial indebtedness of EUR 147.2 million, an improvement on the gross financial indebtedness of EUR 171.6 million at 31

December 2018, and current liabilities exceeding current (non-financial) assets of EUR 20 million, an improvement on the amount of EUR 38.8 million at 31 December 2018.

These current liabilities include overdue net trade payables (net of payment plans agreed with suppliers, as well as assets and disputes with the same suppliers) for Euro 38.9 million, an improvement compared to the corresponding amount of 57.7 millions of euros at 31 December 2018, in addition to overdue financial payables (net of credit positions) of around 1.2 million euros (36.9 million euros at 31 December 2018), overdue tax payables of around 23, 7 million euros (18.2 million euros at 31 December 2018), as well as overdue social security payables to employees of 2.1 million euros (0.5 million euros at 31 December 2018) .v

In addition to the improvement in the financial and debt situation described above, on 1 July 2019 the Company received the Fastweb Transaction Price Balance of EUR 80 million. This significant collection has allowed a further improvement in the financial situation, and in particular has made it possible:

- the payment of EUR 20 million on senior debt in accordance with the Senior Debt Restructuring Agreements;
- the payment of EUR 10 million under the Sa Illetta Leasing Transaction Agreement;
- the payment of approximately EUR 20 million in trade payables;
- the payment of approximately EUR 12.8 million in trade payables.

The New 2018-2021 Business Plan

The Tiscali Group has embarked on a development process which it implemented in the first half of 2019, the founding pillars of which are included in the New 2018-2021 Business Plan, approved by the Company's Board of Directors on 19 February 2019 and approved pursuant to 67 of the RD 267/1942 for the companies Tiscali Italia and Aria. The contents of this Plan are confirmed by the current management and, briefly, include:

- the confirmation of the focus on the core business: sale of Broadband and UltraBroadBand services (Fixed, Fixed Wireless and Mobile) to retail customers Consumer, SOHO and SME;
- the redefinition of the operating model, increasingly focused on the development of new services, marketing and sales and on excellence in customer management, reducing the direct management of network infrastructures;
- a significant reduction in investment commitments, in line with the new operating model;
- the expansion of the target market, thanks to the beneficial effects of the Fastweb Transaction and the signing in July 2019 of new agreements with Linkem and Open Fiber
- the future access to 5G services thanks to the possibility of using the Fastweb 5G network to market future 5G mobile services to its customers
- the relaunch of the Tiscali brand, thanks to new investments in communication, of which a first investment is represented by the advertising campaign launched in March 2019;
- the maintenance of a balanced financial and equity structure.

While confirming the guidelines and general objectives included in the New 2018-2021 Business Plan, the management is assessing its update also taking into account the results of the actions undertaken at the time and the evolution of the market and the new strategic actions necessary to achieve the objectives of the Plan.

Final Assessment by the Board of Directors of the business as a going concern

In this 2019 Half-Yearly Report, the Directors point out that the Group:

- showed a loss for the year of EUR 3.7 million;
- showed a negative net financial position as at 30 June 2019 of EUR 143.5 million, of which EUR 58.8 million is current and EUR 88.5 million is due after 12 months;
- current liabilities are higher than current (non-financial) assets by EUR 20 million;

- shows net overdue trade payables (net of the payment plans agreed with suppliers, as well as the receivables and disputed items with the same suppliers) of EUR 38.9 million, in addition to overdue financial payables (net of credit positions) of approximately EUR 1.2 million, overdue tax and social security payables of approximately EUR 25.8 million.

In this situation, management reiterates that the achievement of a short and medium/long-term balance sheet, income statement and financial position of the Group is always subject to the achievement of the results envisaged in the 2018-2021 Business Plan – which establishes the achievement of economic balance in 2021 and, therefore, to the realization of the forecasts and assumptions contained therein in a market context characterized by strong competitive pressure, as well as to the Group's ability and possibility to find the financial and equity resources necessary for the pursuit of the New 2018-2021 Business Plan.

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

- has stabilized its fixed broadband customer base, which shows a slight increase of 0.3%, rising from approximately 383 thousand users as at 31 December 2018 to approximately 384 thousand users as at 30 June 2019. The growth of the customer portfolio, which took place in the second quarter of 2019, shows a positive change in pace, compared to the stagnation in 2018 due to the slowdown in operating activity for the reasons set out in paragraph 4.2;
- continued, during the first half of 2019, with the implementation of industrial activities consistent with the new path of development and growth, and in particular:
    - continued with the operational implementation of the Fastweb Agreement, which allowed the Company to expand its addressable market thanks to the possibility of continuing to market LTE services in the digital divide areas under the terms of the Agreement, in a wider market thanks to Fastweb's commitment to complete the migration from Wi Max to LTE technology at its own expense, and to the possibility for Tiscali to access Fastweb's Fiber network;
    - concluded in July 2019 new contracts with other operators (Open Fiber and Linkem) that go in the direction of a further expansion of the addressable market;
    - began the relaunch of the Tiscali brand, launching an institutional advertising campaign in March 2019;
- in July 2019, launched significant management measures aimed at improving the marginality of the services offered, both through repricing policies and through policies to contain fixed and variable costs;
- finalized, on March 28, 2019, the signing of the Senior Debt Restructuring Agreements with the Lender Institutions (Intesa San Paolo and Banco BPM) and the Sa Illetta Leasing Transaction Agreement, in place with the Leasing Pool (Mediocredito Italiano and Unicredit Leasing), achieving a rebalancing of the current financial situation;
- generated cash flows from operating activities during the first six months of 2019 before changes in working capital of EUR 7.9 million, in addition to negative changes in working capital of EUR 20.3 million;
- in the period between 30 June 2019 and the date of approval of this report, reduced its exposure to financial institutions, suppliers and the tax authorities, as indicated in the previous paragraph;
- negotiated and stipulated important agreements with strategic suppliers, also thanks to the payment of trade payables due to them for approximately EUR 20 million;
- the Board of Directors changed the Company's governance structure in May 2019, when its founder, Renato Soru, returned to the Company's governance structure.

On the basis of these events, the Directors believe, in conclusion, that the extent of the benefit to the economic, equity and financial situation deriving from the significant transactions mentioned above concluded between the end of 2018 and the reporting date of this Report, are such as to suggest that - despite the aforementioned situation of uncertainty regarding the implementation of the 2018-2021 Business Plan over the next twelve months, resulting from the existence of uncontrollable exogenous variables that may lead to worse results than those forecast in the forecast data - the short-term capital and financial balance and the business continuity associated with it is not at risk.

It is on this basis, therefore, that the Directors have a reasonable expectation that the going concern of the company over the next 12 months will be recurring 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 judgement, which compared, with respect to the events indicated above, the degree of probability of their occurrence with the opposite situation. It should be noted that the prognostic opinion underlying the determination of the Board of Directors is likely to be contradicted by the evolution of the facts. Precisely because it is aware of the intrinsic limits of its own determination, the Board of Directors will maintain constant monitoring of the evolution of the factors taken into consideration (as well as of any further circumstance that may become relevant), so as to be able to promptly take the necessary measures.

Business Outlook

In line with the above and in line with the objectives of the New 2018-2021 Business Plan, the Group's commitment in the coming months will be focused on the full implementation of the plan, with particular attention to:

- the full restart and continuation of the commercial drive, with the recovery started in the second quarter after the slowdown recorded in 2018, with particular focus on the acquisition of new customers in Fiber, LTE and Mobile. Full exploitation of the wholesale agreements signed with Open Fiber, Fastweb and Linkem. Particular attention will be paid to improving margins
- the relaunch of the Tiscali brand to support the process of acquiring new customers;
- the transformation of the company's operating model, in line with the renewed focus on all new service development, marketing, sales and customer management activities;
- the continuation of the operating cost efficiency plan.

4.8 Other events after the half-year end

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

4.9 Disputes, contingent liabilities and commitments

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

4.10 Non-recurring transactions

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

4.11 Atypical and/or unusual transactions

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

4.12 Transactions with related parties

With regard to the economic and financial relations with related parties, please refer to the paragraph “Transactions with related parties” in the Explanatory Notes to the consolidated financial report as at 30 June 2019.

Cagliari, 26 September 2019

The Chief Executive Officer	**The Officer in Charge of Preparing the Company’s Accounting Documents**
Renato Soru	Roberto Lai

Consolidated Six-Month Financial Statements as at 30 June 2019

5 Consolidated financial statements and explanatory notes

5.1 Income Statement

Consolidated income Statement	1st Half 2019 (#)	1st Half 2018 (*)
(Thousands of Euros)		
Revenues	70,240	87,847
Other incomes	13,611	1,107
Purchase of materials and external services	51,038	61,203
Personnel cost	12,358	13,375
Other operating charges (incomes)	6	4
Write-downs of receivables from customers	5,506	5,352
Restructuring costs	2,181	283
Depreciations & amortizations	20,813	25,888
Operating result	**(8,051)**	**(17,151)**
Result from the investments evaluated at equity method	(269)	(129)
Financial Income	12,031	1,025
Financial Expenses	7,428	6,580
Income (loss) before tax	**(3,716)**	**(22,835)**
Taxation	0	(26,116)
Net result from operating activities (ongoing)	**(3,716)**	**3,281**
Result from held for sale and discontinued operations	0	0
Net result	**(3,716)**	**3,281**
To be attributed to:		
- Result pertaining the Parent Company	**(3,716)**	**3,281**
- Result pertaining Third Parties	-	-
Profit (loss) per share		
Profit per share from current and transferred activities:		
- Base	(0.001)	**0.001**
- Diluted	(0.001)	**0.001**
Profit per share from current activities:		
- Base	(0.001)	**0.001**
- Diluted	(0.001)	**0.001**

(#) As a result of the entry into force of IFRS 16 from 1 January 2019, the gross operating result (EBITDA) for the six-month period ended 30 June 2019 was EUR 1.6 million higher, while the operating result (EBIT) was EUR 0.2 million lower than the values that would have been determined by applying IAS 17 in the recognition of operating leases; This was due to the recording of amortization of the rights of use recorded in application of IFRS 16 for EUR 0.4 million, and of interest expense on the related financial debt of EUR 1.4 million, against the recording, provided for by the former IAS 17, of operating lease

instalments of EUR 1.6 million. Overall, the net result for the half-year and the shareholders' equity at 30 June 2019 were EUR 0.2 million higher than the value that would have resulted from the application of IAS 17, without taking into account the tax effects due to the negative taxable situation.The application of IFRS 16 also led to the recognition of rights of use for a net book value of EUR 19 million at 30 June 2019, the recognition of the related financial debt of EUR 20.1 million and the reduction in trade payables of EUR 0.9 million.

(*) The income statement figures for the first half of 2018 have been restated as follows: following the application of IFRS 15, the Company has offset revenues and costs relating to barter transactions carried out in the first half of 2018. In particular, the revenues presented in the Consolidated Half-Year Report as at 30 June 2018, amounting to EUR 92.4 million, included barter revenues with exchange of goods of a similar nature amounting to EUR 4.6 million. Similarly, costs for the purchase of materials and services fell by EUR 4.6 million, from EUR 65.8 million to EUR 61.2 million.

5.2 Comprehensive Income Statement

Comprehensive Income Statement	**1st Half 2019**	**1st Half 2018**
(Thousands of Euros)		
Result for the period	(3,716)	3,281
Other elements for the comprehensive Income Statement:		
Other elements of the comprehensive income statement that later will be reclassified in the profit/(loss) for the fiscal year	0	0
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year	0	0
(Loss)/profit from revaluation on plans with defined benefits	0	0
Total of other elements for the comprehensive Income Statement:	**0**	**0**
Total result of the comprehensive Income Statement	(3,716)	3,281
To be attributed to:		
Shareholders of the Parent Company	(3,716)	3,281
Minority Shareholders	-	-
Total	(3,716)	3,281

Given the insignificance of these adjustments, the process of measuring 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 required during the year.

5.3 Statement of Assets and Liabilities

Statement of Assets and Liabilities	Notes	30 June 2019	31 December 2018
(Thousands of Euros)			
Non-current assets			
Intangible assets	*12*	79,559	55,608
Property, plants and machinery	*13*	37,468	79,032
Other financial assets	*14*	13,230	29,861
		130,256	**164,501**
Current assets			
Trade receivables	*15*	28,745	34,927
Other receivables and other current assets	*16*	137,412	127,692
Cash and cash equivalents	*17*	2,780	18,977
		168,937	**181,596**
Total assets		**299,193**	**346,097**
Capital and reserves			
Share Capital		41,055	43,065
Stock option reserve		90	(13)
Results from previous fiscal years and other reserves		(85,860)	(170,965)
Results for the fiscal year pertaining to the Group		(3,716)	83,198
Shareholders' equity_ Group	*18*	**(48,432)**	**(44,715)**
Shareholders' equity_ third parties		**0**	
Shareholders' equity_ third parties	*19*	**0**	
Total Shareholders' equity		**(48,432)**	**(44,715)**
Non-current liabilities			
Bank loans and other fin. Inst.	*20*	68,366	0
Obligation under finance leases	*20*	20,098	7,132
Other non-current liabilities	*21*	6,350	6,398
Employee severance indemnities	*22*	2,903	3,294
Provisions for liabilities and charges	*23*	4,996	8,083
		102,713	**24,907**
Current Liabilities			
Convertible bond	*20*	10,014	0
Banks overdrafts and loans	*20*	27,318	103,826
Obligation under finance leases	*20*	21,447	60,608
Trade payables	*24*	120,440	134,840
Other current liabilities	*25*	65,692	66,632
		244,911	**365,906**
Total Shareholders' equity and Liabilities		**299,193**	**346,097**

5.4 Cash Flow Statement

(Thousands of Euro)	Notes	2019	2018
OPERATING ACTIVITIES		(3,716)	3,281
Adjustments for:			
Amortization of tangible assets	12-13	7,707	9,704
Amortization of intangible assets	12-13	13,106	16,183
Provision for write-downs accounts receivables from customers	5	5,506	5,352
Gain on disposal of non-current assets	2	(527)	(1,054)
Gain on Sa Illetta sale	2	(10,855)	0
Stock Option figurative cost	18	0	(51)
Deferred tax assets from the valuation of tax losses carried forward	8	0	(26,172)
Income taxes	8	0	56
Changes in provision for risks	6	1,888	80
Payables/ receivables and other credits write-offs	24	(4,659)	(1,882)
Other changes	6-3-7-12-13	873	735
IFRS 16 implementation impact	3	(1,624)	0
Senior Loan and Bond ancillary charges	7	(321)	0
Fastweb Voucher utilization	3	5,113	0
Financial charges / income	7	(4,603)	6,626
Cash flows from operating activities before changes in working capital		***7,888***	***12,860***
Changes in receivables	15	301	(1,581)
Change in inventories		0	(4)
Changes in payables to suppliers	24	(17,555)	8,603
Change in payables to long-term suppliers	21	(1,467)	(2,429)
Net change in provisions for risks and charges	23	(2,982)	(283)
Net change in provisions for TFR	22	(423)	(171)
Changes in other liabilities	25	2,995	902
Changes in other assets	16	(1,205)	782
Changes in working capital		**(20,336)**	**5,820**
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		**(12,448)**	**18,679**
INVESTMENT ACTIVITY			
Change in other financial assets	14	(728)	(139)
Acquisitions of Fixed Tangible Assets	12-13	(5,722)	(2,208)
Acquisitions of Intangible assets	12-13	(16,984)	(7,762)
o/w due to voucher utilization (no cash effect)	12-13	5,907	0
Change in payables related to acquisitions of Assets	21	8,316	(2,965)
AVAILABILITY OF CASH AND CASH EQUIVALENTS FOR INVESTMENT ACTIVITIES		**(9,211)**	**(13,074)**
FINANCIAL ASSETS			
Changes in payables to banks	20	(1,586)	(4,121)
of which:			
Repayment of share capital and interest Senior debt		(2)	0
Increase/Decrease in current accounts overdrafts		(1,584)	(4,121)
Changes in bond	20	10,070	0
Repayment/acceptance of financial leasing	20	(2,988)	(1,252)
Exchange rate effect	7	(35)	83
OCI reserves	18	0	0
Changes in Net Equity	18	(0)	(0)
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		**5,462**	**(5,291)**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**(16,197)**	**314**
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE	9	0	0
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**18,977**	**1,465**
CASH AND CASH EQUIVALENTS AT YEAR-END		**2,780**	**1,779**

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

5.5 Net Assets Variations

(Thousands of Euros)	Capital		Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority Interests	Total
Balance as of January 1, 2019	**43,065**			**(13)**	**(1,478)**	**(87,542)**	**(44,715)**	0	**(44,715)**
						(676)	-		-
Other movements	**(2,010)**			2,010					
Currency transl. difference.				(1,906)		1,906			
Total result of the comprehensive Income Statement						(3,716)	**(3,716)**		**(3,716)**
Balance as of June 30th, 2019	**41,055**		**-**	**90**	**(1,478)**	**(90,028)**	**(48,432)**	0	**(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 Interests	Total
Balance as of January 1, 2018	**121,507**		**24**	**2,010**	**(1,610)**	**(249,963)**	**(128,031)**	0	**(128,031)**
Share Capital reduction	(78,442)		(24)	(2,010)		80,476	-		-
Other movements				(51)			**(51)**		**(51)**
Currency transl. difference.									
Total result of the comprehensive Income Statement						3,281	**3,281**		**3,281**
Balance as of June 30th, 2018	**43,065**		**-**	**(51)**	**(1,610)**	**(166,206)**	**(124,801)**	0	**(124,801)**

(Thousands of Euros)	Capital		Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority Interests	Total
Balance as of July 1st, 2018	**43,065**	**1,253**	**-**	**(51)**	**(1,610)**	**(167,459)**	**(124,801)**	0	**(124,801)**
Share Capital reduction									
Other movements				**37**			**37**		**37**
Currency transl. difference.									
Total result of the comprehensive Income Statement					**132**	**79,917**	**80,049**		**80,049**
Balance as of December 31th, 2018	**43,065**	**1,253**		**(13)**	**(1,478)**	**(87,542)**	**(44,715)**	0	**(44,715)**

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

Consolidated income Statement	Notes	1st Half 2019 (#)	of which related parties	1st Half 2018 (*)	of which related parties
(Thousands of Euros)					
Revenues	*1*	70,240	161	87,847	33
Other incomes	*2*	13,611		1,107	
Purchase of materials and external services	*3*	51,038	380	61,203	973
Personnel cost	*4*	12,358	307	13,375	618
Other operating charges (incomes)	*3*	6		4	
Write-downs of receivables from customers	*5*	5,506		5,352	
Restructuring costs	*6*	2,181		283	
Depreciations & amortizations	*12-13*	20,813		25,888	
Operating result		**(8,051)**	**(526)**	**(17,151)**	**(1,558)**
Result from the investments evaluated at equity method		(269)		(129)	
Financial Income	*7*	12,031		1,025	
Financial Expenses	*7*	7,428	136	6,580	
Income (loss) before tax		**(3,716)**	**(662)**	**(22,835)**	**(1,558)**
Taxation	*8*	0		(26,116)	
Net result from operating activities (ongoing)		**(3,716)**	**(662)**	**3,281**	**(1,558)**
Result from held for sale and discontinued operations	*9*	0		0	
Net result	*10*	**(3,716)**	**(662)**	**3,281**	**(1,558)**
To be attributed to:					
- Result pertaining the Parent Company		**(3,716)**		**3,281**	
- Result pertaining Third Parties		-		-	
Profit (loss) per share					
Profit per share from current and transferred activities:					
- Base		(0.001)		**0.001**	
- Diluted		(0.001)		**0.001**	
Profit per share from current activities:					
- Base		(0.001)		**0.001**	
- Diluted		(0.001)		**0.001**	

(#) As a result of the entry into force of IFRS 16 from 1 January 2019, the gross operating result (EBITDA) for the six-month period ended 30 June 2019 was EUR 1.6 million higher, while the operating result (EBIT) was EUR 0.2 million lower than the values that would have been determined by applying IAS 17 in the recognition of operating leases; This was due to the recording of amortization of the rights of use recorded in application of IFRS 16 for EUR 0.4 million, and of interest expense on the related financial debt of EUR 1.4 million, against the recording, provided for by the former IAS 17, of operating lease instalments of EUR 1.6 million. Overall, the net result for the half-year and the shareholders' equity at 30 June 2019 were EUR 0.2 million higher than the value that would have resulted from the application of IAS 17, without taking into account the tax effects due to the negative taxable situation.
The application of IFRS 16 also led to the recognition of rights of use for a net book value of EUR 19 million at 30 June 2019, the recognition of the related financial debt of EUR 20.1 million and the reduction in trade payables of EUR 0.9 million.

(*) The income statement figures for the first half of 2018 have been restated as follows: following the application of IFRS 15, the Company has offset revenues and costs relating to barter transactions carried out in the first half of 2018. In particular, the revenues presented in the Consolidated Half-Year Report as at 30 June 2018, amounting to EUR 92.4 million, included barter revenues with exchange of goods of a similar nature amounting to EUR 4.6 million. Similarly, costs for the purchase of materials and services fell by EUR 4.6 million, from EUR 65.8 million to EUR 61.2 million.

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

Statement of Assets and Liabilities	Notes	30 June 2019	of which related parties	31 December 2018	of which related parties
(Thousands of Euros)					
Non-current assets					
Intangible assets	*12*	79,559		55,608	
Property, plants and machinery	*13*	37,468		79,032	
Other financial assets	*14*	13,230		29,861	
		130,256		**164,501**	
Current assets					
Trade receivables	*15*	28,745	275	34,927	78
Other receivables and other current assets	*16*	137,412	61	127,692	72
Cash and cash equivalents	*17*	2,780		18,977	
		168,937	**336**	**181,596**	**150**
Total assets		**299,193**	**336**	**346,097**	**150**
Capital and reserves					
Share Capital		41,055		43,065	
Stock option reserve		90		(13)	(13)
Results from previous fiscal years and other reserves		(85,860)		(170,965)	
Results for the fiscal year pertaining to the Group		(3,716)		83,198	
Shareholders' equity_ Group	*18*	**(48,432)**		**(44,715)**	**(13)**
Shareholders' equity_ third parties		**0**			
Shareholders' equity_ third parties	*19*	**0**			
Total Shareholders' equity		**(48,432)**		**(44,715)**	
Non-current liabilities					
Bank loans and other fin. Inst.	*20*	68,366		0	
Obligation under finance leases	*20*	20,098		7,132	
Other non-current liabilities	*21*	6,350		6,398	
Employee severance indemnities	*22*	2,903		3,294	
Provisions for liabilities and charges	*23*	4,996		8,083	
		102,713		**24,907**	
Current Liabilities					
Convertible bond	*20*	10,014		0	
Banks overdrafts and loans	*20*	27,318		103,826	
Obligation under finance leases	*20*	21,447		60,608	
Trade payables	*24*	120,440	356	134,840	97
Other current liabilities	*25*	65,692		66,632	713
		244,911	**356**	**365,906**	**810**
Total Shareholders' equity and Liabilities		**299,193**	**20**	**346,097**	**646**

5.8 Explanatory Notes

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

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

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

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

In setting up this Financial Statements, the directors have assumed the existence of the principle of continuity of business and therefore have prepared the financial statements according to principles and criteria applicable to operating companies.

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

Equity, financial and economic performance of the period

The Tiscali Group closed the first half of 2019 with a loss of EUR 3.7 million, worse than the profit of EUR 3.3 million recorded in the first half of 2018. However, the result for the first half of 2018 benefited from the allocation, for EUR 26.1 million, of deferred tax assets relating to estimated prior-year losses on the tax burden relating to the capital gain realized in the second half of 2018 with the Fastweb Transaction. Net of this provision, the net result for the period to 30 June 2018 would have been a loss of EUR 22.8 million, thus showing an improvement of EUR 19.1 million in the result for the period to 30 June 2019 compared with the same period of the previous year.

Moreover, as indicated above, the net result for the period was significantly affected by non-recurring factors (detailed and described in the section Non-recurring transactions), amounting to EUR 22.7 million, mainly relating to:

- the income from the sale of the Sa Illetta Building, in accordance with the Sa Illetta Leasing Agreement entered into with the Pool Leasing on 28 March 2019 for a total of EUR 11.4 million.
- the income from the partial elimination of the senior debt resulting from the implementation of the Debt Restructuring Agreements signed on 28 March 2019 for EUR 11.4 million

Net of non-recurring net income, therefore, net profit for the period (before taxes) would have been EUR 3.6 million lower than in the first half of 2018.

In addition, the result for the year was influenced by the application of IFRS 16, which led to a negative impact on the net result for the period of EUR 0.2 million.

As mentioned in section 4.2 *“Main events and results achieved in the first half of 2019 and subsequent events",* the results for the first half of 2019 are still partially affected by the stagnation of operating activities in 2018, due to the lack of financial resources and the management's focus on negotiating and subsequently entering into the Fastweb Transaction and the Debt Restructuring Agreements (Senior Debt and Debt Leasing Sa Illetta).

Following the completion of the Fastweb Transaction and the signing of the Debt Restructuring Agreements, which resulted in a significant injection of financial resources and an overall strengthening of the Group's financial structure, the Company has redefined a new strategic path of development and growth, and in the first half of 2019, and with greater intensity in the second half, has undertaken a series of actions consistent with this path.

From an equity point of view, the Tiscali Group closed the first half of 2019 with a negative consolidated net equity of EUR 48.4 million, a decrease by EUR 3.7 million as compared to the net equity as at 30 June 2018, equal to a negative EUR 44.7 million. The change in shareholders' equity is mainly attributable to the result for the period.

With specific reference to financial items, at 30 June 2019 the Group had gross financial indebtedness of EUR 147.2 million, an improvement on the gross financial indebtedness of EUR 171.6 million at 31 December 2018, and current liabilities exceeding current (non-financial) assets of EUR 20 million, an improvement on the amount of EUR 38.8 million at 31 December 2018.

These current liabilities include overdue net trade payables (net of payment plans agreed with suppliers, as well as assets and disputes with the same suppliers) for Euro 38.9 million, an improvement compared to the corresponding amount of 57.7 millions of euros at 31 December 2018, in addition to overdue financial payables (net of credit positions) of around 1.2 million euros (36.9 million euros at 31 December 2018), overdue tax payables of around 23, 7 million euros (18.2 million euros at 31 December 2018), as well as overdue social security payables to employees of 2.1 million euros (0.5 million euros at 31 December 2018) .v

In addition to the improvement in the financial and debt situation described above, on 1 July 2019 the Company received the Fastweb Transaction Price Balance of EUR 80 million. This significant collection has allowed a further improvement in the financial situation, and in particular has made it possible:

- the payment of EUR 20 million on senior debt in accordance with the Senior Debt Restructuring Agreements;
- the payment of EUR 10 million under the Sa Illetta Leasing Transaction Agreement;
- the payment of approximately EUR 20 million in trade payables;
- the payment of approximately EUR 12.8 million in trade payables.

The New 2018-2021 Business Plan

The Tiscali Group has embarked on a development process which it implemented in the first half of 2019, the founding pillars of which are included in the New 2018-2021 Business Plan, approved by the Company's Board of Directors on 19 February 2019 and approved pursuant to 67 of the RD 267/1942 for the companies Tiscali Italia and Aria. The contents of this Plan are confirmed by the current management and, briefly, include:

- the confirmation of the focus on the core business: sale of Broadband and UltraBroadBand services (Fixed, Fixed Wireless and Mobile) to retail customers Consumer, SOHO and SME;
- the redefinition of the operating model, increasingly focused on the development of new services, marketing and sales and on excellence in customer management, reducing the direct management of network infrastructures;
- a significant reduction in investment commitments, in line with the new operating model;
- the expansion of the target market, thanks to the beneficial effects of the Fastweb Transaction and the signing in July 2019 of new agreements with Linkem and Open Fiber
- the future access to 5G services thanks to the possibility of using the Fastweb 5G network to market future 5G mobile services to its customers
- the relaunch of the Tiscali brand, thanks to new investments in communication, of which a first investment is represented by the advertising campaign launched in March 2019;
- the maintenance of a balanced financial and equity structure.

While confirming the guidelines and general objectives included in the New 2018-2021 Business Plan, the management is assessing its update also taking into account the results of the actions undertaken at the time and the evolution of the market and the new strategic actions necessary to achieve the objectives of the Plan.

Final Assessment by the Board of Directors of the business as a going concern

In this 2019 Half-Yearly Report, the Directors point out that the Group:

- showed a loss for the year of EUR 3.7 million;
- showed a negative net financial position as at 30 June 2019 of EUR 143.5 million, of which EUR 58.8 million is current and EUR 88.5 million is due after 12 months;
- current liabilities are higher than current (non-financial) assets by EUR 20 million;
- shows net overdue trade payables (net of the payment plans agreed with suppliers, as well as the receivables and disputed items with the same suppliers) of EUR 38.9 million, in addition to overdue financial payables (net of credit positions) of approximately EUR 1.2 million, overdue tax and social security payables of approximately EUR 25.8 million.

In this situation, management reiterates that the achievement of a short and medium/long-term balance sheet, income statement and financial position of the Group is always subject to the achievement of the results envisaged in the 2018-2021 Business Plan – which establishes the achievement of economic balance in 2021 and, therefore, to the realization of the forecasts and assumptions contained therein in a market context characterized by strong competitive pressure, as well as to the Group's ability and possibility to find the financial and equity resources necessary for the pursuit of the New 2018-2021 Business Plan.

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

- has stabilized its fixed broadband customer base, which shows a slight increase of 0.3%, rising from approximately 383 thousand users as at 31 December 2018 to approximately 384 thousand users as at 30 June 2019. The growth of the customer portfolio, which took place in the second quarter of 2019, shows a positive change in pace, compared to the stagnation in 2018 due to the slowdown in operating activity for the reasons set out in paragraph 4.2;
- continued, during the first half of 2019, with the implementation of industrial activities consistent with the new path of development and growth, and in particular:
  - continued with the operational implementation of the Fastweb Agreement, which allowed the Company to expand its addressable market thanks to the possibility of continuing to market LTE services in the digital divide areas under the terms of the Agreement, in a wider market thanks to Fastweb's commitment to complete the migration from Wi Max to LTE technology at its own expense, and to the possibility for Tiscali to access Fastweb's Fiber network;
  - concluded in July 2019 new contracts with other operators (Open Fiber and Linkem) that go in the direction of a further expansion of the addressable market;
  - began the relaunch of the Tiscali brand, launching an institutional advertising campaign in March 2019;
- in July 2019, launched significant management measures aimed at improving the marginality of the services offered, both through repricing policies and through policies to contain fixed and variable costs;
- finalized, on March 28, 2019, the signing of the Senior Debt Restructuring Agreements with the Lender Institutions (Intesa San Paolo and Banco BPM) and the Sa Illetta Leasing Transaction Agreement, in place with the Leasing Pool (Mediocredito Italiano and Unicredit Leasing), achieving a rebalancing of the current financial situation;
- generated cash flows from operating activities during the first six months of 2019 before changes in working capital of EUR 7.9 million, in addition to negative changes in working capital of EUR 20.3 million;
- in the period between 30 June 2019 and the date of approval of this report, reduced its exposure to financial institutions, suppliers and the tax authorities, as indicated in the previous paragraph;
- negotiated and stipulated important agreements with strategic suppliers, also thanks to the payment of trade payables due to them for approximately EUR 20 million;
- the Board of Directors changed the Company's governance structure in May 2019, when its founder, Renato Soru, returned to the Company's governance structure.

On the basis of these events, the Directors believe, in conclusion, that the extent of the benefit to the economic, equity and financial situation deriving from the significant transactions mentioned above concluded between the end of 2018 and the reporting date of this Report, are such as to suggest that - despite the aforementioned situation of uncertainty regarding the implementation of the 2018-2021 Business Plan over the next twelve months, resulting from the existence of uncontrollable exogenous variables that may lead to worse results than those forecast in the forecast data - the short-term capital and financial balance and the business continuity associated with it is not at risk.

It is on this basis, therefore, that the Directors have a reasonable expectation that the going concern of the company over the next 12 months will be recurring 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 judgement, which compared, with respect to the events indicated above, the degree of probability of their occurrence with the opposite situation. It should be noted that the prognostic opinion underlying the determination of the Board of Directors is likely to be contradicted by the evolution of the facts. Precisely because it is aware of the intrinsic limits of its own determination, the Board of Directors will maintain constant monitoring of the evolution of the factors taken into consideration (as well as of any further circumstance that may become relevant), so as to be able to promptly take the necessary measures.

5.9 Business Outlook

Please refer to Paragraph 4.7.

5.10 Other events after the half-year end

15 July 2019_Conversion of No. 5 bonds from the Tiscali Conv. 2019-2020 bond issue

On 15 July 2019, following the exercise by Sova Capital Limited of the conversion right, 49,701,789 shares were issued to service the conversion of 5 bonds with a nominal value of EUR 500,000 of the Tiscali Conv. 2019-2020 bond, as approved by the Shareholders' Meeting on 26 June 2018 and the Board of Directors on 31 January 2019.

18 July 2019 _Conversion of No. 10 bonds of the Tiscali Conv. 2019-2020 bond issue

On July 18, 2019, following the exercise by Sova Capital Limited of the conversion right, 96,246,391 shares were issued to service the conversion of 10 bonds with a nominal value of EUR 1,000,000 of which were the Tiscali Conv. 2019-2020 bond, as approved by the Shareholders' Meeting on 26 June 2018 and the Board of Directors on 31 January 2019.

4 September 2019 _ Conversion of 19 bonds from the Tiscali Conv. 2019-2020 bond issue

On September 4, 2019, following the exercise by Sova Capital Limited of the conversion right, 182,951,593 shares were issued to service the conversion of 19 bonds with a nominal value of EUR 1,900,000 of which the Tiscali Conv. 2019-2020 bond, as approved by the Shareholders' Meeting on 26 June 2018 and the Board of Directors on 31 January 2019.

5.11 Preparation Principles

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

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

Notes have been drawn up in an abridged form, applying the option provided by IAS 34 and therefore they do not include all the information required for an annual financial statement prepared in accordance with IFRSs; since the following interim management report, following the logics provided for by IAS 34 is intended to provide an update of the economic position and financial position as compared to the Consolidated Financial Statements as at 31 December 2018; therefore it should be read together with the Consolidated Financial Statements as at 31 December 2018.

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

With the exception of what was later indicated with reference to the accounting principles applied for the first time as from 1 January 2019, accounting principles and calculation methods used for the preparation of the abridged Half-Year Report have also been homogeneously applied in the preparation of the Consolidated Financial Statements as at 31 December 2018, which should be referred to for their full detail, and in the Half-Year Report as at 30 June 2018.

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

5.12 Accounting Principles

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IFRS ADOPTED FROM JANUARY 2019

The following accounting standards, amendments and interpretations IFRS have been adopted by the Group as of 1 January 2019:

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

  The Principle provides a new definition of lease and introduces a criterion based on the notion of control (right of use) of an asset to distinguish lease contracts from service supply contracts, identifying lease discriminators: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and, finally, the right to direct the use of the asset underlying the contract. With reference to the identification of contracts subject to the provisions of IFRS 16 in the Telecommunications sector, industry practice interprets the condition of identifiability of the asset - necessary for the purposes of the application of IFRS 16 to the contract - present when the subject of the contract lease is a physically identifiable part, and not a part of an asset (for example, a portion of capacity of a physical asset). In analyzing the contracts in place, the Group has adopted this interpretation and has considered contracts subject to the provisions of IFRS 16 only to contracts concerning physically identifiable assets, thus excluding leases concerning transmission capacity.

The Standard establishes a single model for the recognition and evaluation of lease contracts for the lessee (lessee) which provides for the registration of the leased asset, also operational, in the assets with a financial debt counterpart. On the contrary, the principle does not include significant changes for landlords.

<u>Transition with modified retrospective method</u>

The Group has chosen to apply the standard retrospectively, but has recognized the cumulative effect of applying the standard in equity at 1 January 2019 (without changing the comparative figures for 2018), in accordance with paragraphs IFRS 16:C7-C13. In particular, the Group has accounted, with regard to the lease contracts previously classified as operating:

(a) a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;

(b) a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses relating to the lease and recognized in the balance sheet at the balance sheet date of these financial statements.

The table below shows the impacts of the adoption of IFRS 16 at the date of transition, 1 January 2019.

The table includes, under "Rights to use real estate", the capitalization of the lease contract for the Sa Illetta head office, effective from 28 March 2019.

EUR/ million	**Impact at the transition date (01.01.2019)**
ASSETS	
Non current Assets	
Rights of use Real estate	18.6
Rights of use Equipment	1.9
Total Assets	**20.4**
SHAREHOLDERS' EQUITY AND LIABILITIES	
Non-current liabilities	
Obligation under finance leases_ long term	16.2
Current Liabilities	
Obligation under finance leases_short term	4.2
Total Liabilities	**20.4**
Shareholders' equity	

It should be noted that the weighted average incremental borrowing rate applied to financial liabilities recognized as at 1 January 2019 was 6.54%.

The Group has availed itself of the exemption granted by IFRS 16:5(b) concerning lease contracts for which the underlying asset is a low-value asset (i.e. the assets underlying the lease contract do not exceed EUR 5,000 when new). The contracts for which the exemption has been applied fall mainly within the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

For these contracts, the introduction of IFRS 16 did not entail the recognition of the financial liability of the lease and the related right of use, but the lease payments are recorded in the income statement on a straight-line basis for the duration of the respective contracts.

The Group has taken advantage of the following practical measures provided for by IFRS 16:

- *Separation of non-lease components*: The Group has made use of the exemption granted by IFRS 16:15 for the following categories of assets:
    - Motor vehicles;

  The non-leases component on these assets have not been separated and accounted for separately from the lease components, but have been considered together with the latter in the determination of the financial liability of the lease and the related right of use.

In addition, with reference to the transition rules, the Group has availed itself of the following practical expedients available in the event of the choice of the modified retrospective transition method:

- Classification of contracts expiring within 12 months of the date of transition as short term leases. For these contracts, lease payments are recognized in the income statement on a straight-line basis;
- Exclusion of initial direct costs from the measurement of the right of use at 1 January 2019;
- Use of information at the transition date to determine the lease term, with particular reference to the exercise of extension and early termination options.

The transition to IFRS 16 introduces some elements of professional judgement that involve the definition of some accounting policies and the use of assumptions and estimates in relation to the lease term, the incremental borrowing rate. The main ones are summarized below:

- the Group has decided not to apply IFRS 16 for contracts containing a lease that has an intangible asset as the underlying asset;
- Lease term; the Group has analyzed all the lease contracts, defining for each of them the lease term, given by the period "not cancellable" together with the effects of any extension or early termination clauses, the exercise of which was considered reasonably certain. Specifically, for real estate, this valuation took into account the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly company cars and equipment, the Group generally considered it unlikely that any extension or early termination clauses would be exercised in view of the Group's usual practice.
- Definition of the incremental borrowing rate; the incremental borrowing rate has been defined as the weighted average of the rates of the Group's main outstanding loans, in relation to the weight of the loans themselves on total financial indebtedness.

- On 12 October 2017, the IASB published an Amendment to **IFRS 9 “Prepayment Features with Negative Compensation**. This document specifies that instruments that provide for early repayment may comply with the “SPPI” test even if “the reasonable additional compensation” to be paid in the event of early repayment is a “negative compensation” for the lender. There was no significant effect on the Group's consolidated financial statements from the adoption of these amendments.

- On 7 June 2017, the IASB published the interpretative document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document deals with the issue of uncertainties on the tax treatment to be adopted in the field of income taxes. In particular, the interpretation requires an entity to analyze the uncertain tax treatments (individually or together, depending on their characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all the information relevant. In the event that the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. Furthermore, the document does not contain any new disclosure obligations, but underlines that the entity will have to establish whether it will be necessary to provide information on the considerations made by the management and relating to the uncertainty inherent in accounting for taxes, in accordance with the provisions of IAS 1.

  The new interpretation applies from 1 January 2019. There was no significant effect on financial statements of the Company from the adoption of this interpretation.

- On 12 December 2017, the IASB published the Document **"*Annual Improvements to IFRSs 2015-2017 Cycle*"** - which incorporates changes to certain principles as part of the annual process of improving them. The main changes concern
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the interest previously held in that business. This process is not, however, envisaged in the case of obtaining joint control.
  - IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified within shareholders' equity) should be accounted for in a manner consistent with the transaction that generated these profits (income statement, OCI or shareholders' equity).
  - IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain outstanding even after the qualifying asset in question is ready for use or sale, they become part of the set of loans used to calculate financing costs.

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

- On 7 February 2018, the IASB published the **Amendment to IAS 19 "Plant Amendment, Curtailment or Settlement"**. The document clarifies how an entity should recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update its hypotheses and re-measure the liability or net assets deriving from the plan. The amendments clarify that after the occurrence of this event, an entity uses up-to-date assumptions to measure the current service cost and interest for the remainder of the reporting period following the event. There was no significant effect on the financial statements of the Company from the adoption of this interpretation.

- On October 12, 2017, the IASB published the document **"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**. This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures for which the equity method is not applied. There was no significant effect on the financial statements of the Company from the adoption of this interpretation.

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

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

- On 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 are:
    - o Estimates and assumptions of future cash flows are always current;
    - o the measurement reflects the time value of money;
    - o Estimates require extensive use of observable market information;
    - o there is a current and explicit measurement of risk;
    - o the expected profit is deferred and aggregated into groups of insurance contracts at initial recognition; and,
    - o the expected profit is recognized during the contractual hedging period, taking into account the adjustments resulting from changes in the cash flow assumptions for 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 2021 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 22 October 2018, the IASB published a document entitled **"Definition of a Business (Amendments to IFRS 3)"**. The document provides some clarifications regarding the definition of business for the purposes of 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 a business with an integrated set of assets/processes and assets. However, to meet the definition of business, an integrated set of assets/processes and assets must include, as a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.
  The amendment also introduced a test ("concentration test"), optional for the entity, which to determine whether a set of assets/processes and assets purchased is not a business. If the test provides a positive result, the set of assets/processes and goods purchased is not a business and the principle does not require further testing. If the test fails, the entity will need

to conduct further analysis of the assets/processes and goods purchased to identify the presence of a business. To this end, the amendment added a number of illustrative examples to IFRS 3 to help understand the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but earlier application is permitted.
Directors do not expect the adoption of this amendment to have any effect on the consolidated financial statements of the Group.

- On 31 October 2018, the IASB published a document entitled **"Definition of Material (Amendments to IAS 1 and IAS 8)".** The document introduced an amendment to the definition of 'material' 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 that it has an effect on primary readers of financial statements similar to that which would have occurred had the information been omitted or misstated.
The changes introduced by the document apply to all transactions after 1 January 2020.
The Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this amendment.

- On 11 September 2014, the IASB published an **amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10. In accordance with IAS 28, the gain or loss on the disposal or contribution of a non-monetary asset to a joint venture or associate in exchange for an interest in the capital of the latter is limited to the interest held in the joint venture or associate by other investors unrelated to the transaction. In contrast, IFRS 10 requires recognition of the entire gain or loss on loss of control of a subsidiary, even if the entity continues to hold a non-controlling interest in the subsidiary, including in that case the sale or contribution of a subsidiary to a joint venture or associate. The amendments introduced require that in a disposal/transfer of an asset or a subsidiary to a joint venture or associate, the extent of the gain or loss to be recognized in the financial statements of the transferor/transferor depends on whether the assets or the subsidiary transferred/transferred constitute a business, within the meaning of IFRS 3. If the assets or the subsidiary transferred/transferred represent a business, the entity shall recognize the gain or loss on the entire previously held share; otherwise, the share of the gain or loss relating to the share still held by the entity shall be eliminated. At present, the IASB has suspended the application of this amendment. The Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this amendment.

Segment Information

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

The operating segments are as follows:

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

- Corporate.

Seasonality of revenues

Tiscali is not significantly affected by seasonality of the business.

Consolidation criteria

Reference should be made to the Annual Financial Report at 31 December 2018 for a detailed presentation of the consolidation criteria, the criteria for business combinations and the determination of goodwill.

Changes in the scope of consolidation

Companies consolidated on a line-by-line basis are listed in the note List of subsidiaries included in the consolidation area.

The scope of consolidation has not changed since 31 December 2018.

Foreign exchange operations

Reference should be made to the Annual Financial Report as at 31 December 2018 for a detailed description of the criteria used to record transactions in foreign currencies.

Other criteria

It should also be noted that certain valuation processes, in particular the more complex ones, such as the determination of any impairment of non-current assets, are generally carried out in full only when the annual financial statements are drawn up, when all the necessary information is available, except in cases where there are indicators of impairment that require an immediate assessment of any impairment losses. In this regard, reference should be made to the section "Impairment test" (note 11).

The process of measuring assets and liabilities associated with defined-benefit plan obligations is only carried out on a case-by-case basis at the end of the year, unless there are indications that an update of the estimate is already necessary during the year. As at 30 June 2019, the updated actuarial estimates had no effect on shareholders' equity.

5.13 Comments on Income Statement and Balance Sheets Notes

Revenues (Note 1)

Revenues	**1st Half 2019**	**1st Half 2018 (*)**
(EUR 000)		
Revenues	70,240	87,847
Total	**70,240**	**87,847**

(*) Revenues for the first half of 2018 have been restated as follows: following the application of IFRS 15, the Company has offset revenues and costs relating to barter transactions carried out in the first half of 2018. In particular, the revenues presented in the Consolidated Half-Year Report as at 30 June 2018, amounting to EUR 92.4 million, included barter revenues with exchange of goods of a similar nature amounting to EUR 4.6 million.

Revenues for the first half of 2019 were down compared to the same period of the previous year. For further details on the decrease in revenues and their composition, reference should be made to the Report on Operations.

Other Income (Note 2)

Other Income	1st Half 2019	1st Half 2018
(EUR 000)		
Other Income	13,611	1,107
Total	**13,611**	**1,107**

Other (income)/expenses of EUR 13.6 million mainly include the following
- the income from the sale of the property in Sa Illetta, in accordance with the Sa Illetta Leasing Transaction Agreement signed on 28 March 2019. This income is made up of the following two elements:
    - o the proceeds from the release of the previous capital gain realized through the Sale and Lease-Back operation on the Cagliari (Sa Illetta) headquarters for approximately EUR 0.5 million. This release quota was determined until 28 March 2019;
    - o the income deriving from the recording of the sale of the property, mainly deriving from the release of the deferred income relating to the portion of the capital gain subject to deferral, for a total of EUR 10.9 million;
- the write-off of a debt position towards a supplier of fixed assets following a transaction for EUR 1.9 million
- other contingent assets of 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 Half 2019	1st Half 2018 (*)
(EUR 000)		
Line/traffic rental and interconnection costs	36,620	43,142
Costs for use of third party assets	400	1,289
Portal services costs	343	1,897
Marketing costs	2,528	950
Other services	11,148	13,925
Totale	**51,038**	**61,203**

(*) The costs for the first half of 2018 have been restated as follows: following the application of IFRS 15, the Company has offset revenues and costs relating to barter transactions carried out in the first half of 2018. In particular, the costs for the purchase of materials and services decreased by EUR 4.6 million, going from EUR 65.8 million to EUR 61.2 million.

The item "Line rental/traffic and interconnection costs" mainly includes voice traffic costs and fees for fixed broadband, FWA broadband and mobile services. The EUR 6.5 million reduction on the first half of 2018 is mainly due to the reduction in the number of lines.

The item "Lease and rental costs" includes the cost of leases and rentals of capital goods.

The decrease in this item compared to the first half of 2018 amounts to EUR 0.9 million.

Compared to 30 June 2018, this item does not include rentals for operating leases, which were recorded as from 1 January 2019 in compliance with IFRS 16.

The reduction in the cost of operating lease instalments compared to the first half of 2018 amounts to approximately EUR 1.1 million and is attributable to the application of IFRS 16 as from 1 January 2019.

The "costs for portal services" decreased in the period by approximately EUR 1.5 million. The reduction is mainly due to the reduction in revenue sharing due to the reduced volumes of Media revenues of the concessionaire Veesible.

Marketing costs" increased by approximately EUR 1.6 million compared to the first half of 2018. The net increase is due to the following factors

- higher communication costs of EUR 2.2 million compared to the first half of 2018, attributable to the costs of the advertising campaign carried out in March 2019 to relaunch the brand for EUR2.4 million, compared to EUR 235 thousand in marketing costs in the same period in 2018;

- reduction in distribution costs of approximately EUR 0.4 million, mainly due to the reversal of costs in relation to a settlement agreement with a service provider signed in January 2019 for EUR 0.7 million;

- reduction in advertising costs (banner exchange) due to reduced volumes of advertising sales in the period.

The item "Other services" includes costs for the maintenance and operation of industrial sites, administrative offices, rents, consultancy and professional fees, billing costs, postal expenses, travel expenses and other general costs.

The decrease of approximately EUR 2.8 million compared with the first half of 2018 is mainly due to the following factors:

- a reduction in industrial maintenance of approximately EUR 0.9 million, due to reduced volumes of activity during the period;

- a reduction in professional expenses of approximately EUR 0.8 million

- reduction in remuneration costs to the Board of Directors of approximately EUR 0.5 million

- reduction in costs for fines and penalties to the tax authorities and the public administration of EUR 0.3 million

- a reduction in the cost of purchasing goods for resale (hardware and software) of EUR 0.3 million.

Staffing costs (Note 4)

Staffing cost	1st Half 2019	1st Half 2018
(EUR 000)		
Wages and salaries	7,730	8,017
Other staffing costs	4,628	5,358
Total	**12,358**	**13,375**

As anticipated in the report on operations, the decrease in personnel costs is mainly attributable to the actions aimed at the reorganization and reduction of the workforce undertaken during the FY 2018 and in the first half of 2019, which enabled a better reorganization of resources and a decrease in the number of units, with a reduction of 59 units as compared to 30 June 2018, as shown in the following table:

Number of Employees (FTE)

	1st Half 2019	1st Half 2018
Managers	13	18
Middle Managers	34	50
Employee	456	557
Workers	1	5
External	1	3
Totale	**505**	**633**

Write-down of receivables from Customers (Note 5)

Write-downs of receivables from customers	1st Half 2019	1st Half 2018
(EUR 000)		
Provisions for bad debts	5,506	5,352
Total	**5,506**	**5,352**

The item “Write-down of receivables from Customers” totaled EUR 5.3 million in the first half of 2018 (6.1% of the revenues).

Restructuring Costs and other charges (Note 6)

Restructuring costs	1st Half 2019	1st Half 2018
(EUR 000)		
Restructuring costs	2,181	283
Total	**2,181**	**283**

Restructuring costs mainly include provisions for legal disputes for EUR 1.1 million, other provisions for risks for EUR 0.8 million and non-existent assets for EUR 0.3 million.

Depreciation	1st Half 2019	1st Half 2018
(EUR 000)		
Depreciation	20,813	25,888
Total	**20,813**	**25,888**

Depreciation and amortization amounted to EUR 20.8 million, down by EUR 5.1 million compared to EUR 25.9 million in the previous year, mainly due to the derecognition of Sa Illetta's assets following the signing of the Sa Illetta Leasing Transaction Agreement.

Amortization and depreciation at 30 June 2019 include the increase of EUR 0.4 million due to the application of IFRS 16.

Financial Income and Financial Charges (Note 7)

The breakdown of the items Financial income and financial charges for the year is shown below, totaling a positive balance of EUR 4.6 million.

Net financial income (charges)	1st Half 2019	1st Half 2018
(Thousands of EUR)		
Financial income		
Interest on bank deposits	0	0
Income from Senior Loan restructuring	11,361	0
Other financial income	670	1,025
Total	**12,031**	**1,025**
Financial charges		
Interest and other charges due to banks	4,084	2,289
Other financial charges	3,344	4,291
Total	**7,428**	**6,580**
Net financial income (charges)	**4,603**	**(5,555)**

Financial income includes a gain of EUR 11.4 million arising from the recognition at amortized cost of the new financial debt following the implementation of the Senior Debt Restructuring Agreements signed on 28 March 2019. The income derives from the derecognition of the previous debt recorded in the financial statements, compared to the new amortized value.

This item also includes a gain of EUR 0.7 million attributable to the adjustment of the value of the voucher to the forecasts made at 31 December 2018, restated at 30 June 2019 on the basis of actual use at that date and forecasts of use until exhaustion.

Financial charges of approximately EUR 7.4 million mainly include the following items:

- interest expense, relating to the loan to the Senior Lenders of EUR 3.4 million (EUR 2.1 million in the first half of 2018);
- interest expense on bank current accounts of EUR 0.7 million (EUR 0.2 million in the first half of 2018);
- default interest expense of EUR 1.8 million (EUR 1.8 million in the first half of 2018);
- interest expense on financial leases and IRU of approximately EUR 0.6 million, of which EUR 0.4 million relating to the application of IFRS 16 on operating leases (EUR 1.2 million in the first half of 2018);
- bank charges of EUR 1 million (EUR 1.3 million in the first half of 2018);

Income Taxes (Note 8)

Income taxes	1st Half 2019	1st Half 2018
EUR 000		
Current taxes	0	56
Deferred taxes	0	(26,172)
Total	**0**	**(26,116)**

At 30 June 2018, deferred tax assets of EUR 26.2 million had been recognized, calculated on the basis of the theoretical taxable income estimated on the capital gain realized in the following half year on the Fastweb Transaction.

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

In the period, the result of assets sold and/or held for sale was zero, as was the case in the first half of 2018.

Earning (Loss) per share (Note 10)

The earnings per share of “operating assets” amounted to EUR -0.001 and calculated by dividing the net result of current activities of the first half of 2019 attributable to the ordinary shareholders of the Parent company, amounting to EUR 3.7 million, by the weighted average number of ordinary shares in circulation during the year, totaling 3,981,880,763.

The diluted earnings per share of “operating assets” is equal to EUR -0.001 and was calculated by dividing the net result of current activities of the first half of 2019 attributable to the ordinary shareholders of the Parent company, amounting to EUR 3.7 million, by the weighted average number of potential shares in circulation during the year, equal to 4,012,719,815.

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)

Following the significant operations carried out in 2018, described in paragraph 4.2, the Directors drew up and submitted for the approval of the Board of Directors of the Company on 19 February 2019, the New Business Plan 2018-2021, which was certified for the companies Tiscali Italia and Aria pursuant to Article 67 of RD 267/1942.

The New 2018-2021Business Plan includes the effects of the Fastweb Transaction and the Financial Debt Restructuring Agreements, as well as the Company's changed business strategies.

In light of the positive completion of the transactions included in the Plan, which took place on 16 November 2018 for the signing of the Strategic Agreement with Fastweb (in addition to the collection of the last tranche of the sale price on 1 July 2019), and on 28 March 2019 for the signing of the Agreements for the Restructuring of the Financial Debt, in light of the results for the first half of 2019 and in the absence of signs of impairment indicators, the Directors did not verify any impairment of the assets - "Impairment test" as at 30 June 2019.

Intangible Assets (Note 12)

Intangible assets *(EUR 000)*	**Rights of use Real estate**	**Rights of use Equipment**	**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 2019			**4,661**	**138,835**	**144,859**	**32,561**	**1,976**	**322,891**
Increases				**5,436**	**10,455**	**792**	**301**	**16,984**
Increases_ IFRS 16	**18,566**	**1,856**						**20,422**
Disposal				**(835)**				**(835)**
Reclassifications				**110**	**41**	**15**	**(515)**	**(348)**
30 June 2019	**18,566**	**1,856**	**4,661**	**143,546**	**155,355**	**33,368**	**1,763**	**359,114**
ACCUMULATED AMORTIZATION								
1 January 2019			**4,661**	**108,344**	**126,980**	**27,298**		**267,283**
Increases in amortization				**3,768**	**7,391**	**548**		**11,706**
Increases in amortization_IFRS 16	**831**	**568**						**1,400**
Disposal				**(835)**				**(835)**
Reclassifications								
30 June 2019	**831**	**568**	**4,661**	**111,277**	**134,371**	**27,846**		**279,555**
NET BOOK VALUE								
1 January 2019			**()**	**30,491**	**17,878**	**5,263**	**1,976**	**55,608**
30 June 2019	**17,734**	**1,288**	**()**	**32,269**	**20,984**	**5,522**	**1,763**	**79,559**

In order to provide a better representation, EUR 348 thousand of intangible assets have been reclassified from "Intangible assets" to "Property, plant and equipment".

The movements in intangible assets in the first half of 2019 are shown below:

The items "Right of use Real Estate" and "Right of use Equipment" include the capitalization of operating lease contracts for industrial properties (including the Sa Illetta office), infrastructures and network equipment, carried out in compliance with IFRS 16, as from 1 January 2019 (see the section

"Accounting standards", for a description of the standard in question and the method of application adopted by the Company). Depreciation of these categories of assets is determined in relation to the duration of the lease contracts.

The item "Right of use Real Estate" includes the capitalization of the lease agreement for the Sa Illetta office, effective from 28 March 2019. The contract, which has a duration of 9 years, provides for the payment of an annual rent of EUR 2.1 million.

The item "Right of use Equipment" includes the capitalization of lease contracts for network infrastructure and equipment.

Development costs include development costs for application software customized for the exclusive use of the Group. They are fully amortized.

The balance of “Concessions and similar rights” of EUR 32.2 million mainly includes:

- EUR 8.8 million for licenses and software, including costs relating to design tools for LTE base stations, activation and remote management of equipment installed at the customer's premises, licenses relating to the use of the VOIP platform and software for customer management (billing, customer care) and ERP systems;
- EUR 23.1 million of multi-year rights and charges connected with the purchase of transmission capacity on a multi-year basis, in the form of concession contracts for the use of the same (IRU - Indefeasible right of use); these are IRU recorded in the accounts of the subsidiary Tiscali Italia, for which the main suppliers are Telecom Italia, Interoute, Fastweb, Infracom;
- EUR 0.3 million for patent and industrial property rights.

The increase in the first half of 2018, equal to EUR 5.4 million, is due to licences and software for EUR 2.1 million and to the purchase of long-term rights to use the fiber optic network (IRU - Indefeasible right of use) for EUR 3.2 million. Depreciation for the period, calculated according to the criteria indicated in the annual financial report, amounted to EUR 3.8 million.

In addition, this item includes reclassifications of EUR 0.1 million. These are reclassifications of intangible assets from the category "Intangible assets in progress and payments on account", relating to investments that entered into amortization during the period.

The item "Broadband service activation costs" amounted to EUR 20.9 million. The increase in the first half of 2019 amounts to EUR 10.5 million and relates to acquisition and customer activation costs for fixed broadband services.

Depreciation and amortization for the period, calculated according to the criteria shown in the annual report, amounted to EUR 7.4 million.

“Other intangible assets” amounted to EUR 5.5 million. The increase in the period amounts to EUR 0.8 million. Amortization for the period, calculated according to the criteria indicated in the annual financial report, amounted to EUR 0.5 million.

“Intangible assets under development and advances amounted to EUR 1.7 million.

During the first half of 2018, the amount of EUR 515 million of tangible assets was reclassified from the category in question to the categories "Concessions and similar rights" for EUR 110 thousand, to the category "Costs of activation of the broadband service" for EUR 41 thousand, to the category "Other intangible assets" for EUR 15 thousand and the remainder, amounting to EUR 348 thousand, was reclassified to the category "Tangible assets" in relation to investments entered into depreciation in the period.

Property, Plant and Machinery (Note 13)

The movements occurred in the first half of 2019 are detailed in the table below:

Tangible assets *(EUR 000)*	Property	Plant and machinery	Other tangible	Tangible assets under	Total
HISTORICAL COST					
1 January 2019	**64,260**	**311,777**	**6,323**	**6,486**	**388,846**
Increases		5,014		708	**5,722**
Devaluation & write off					
Disposal	(62,294)	(352)	(6)		**(62,652)**
Other Changes					
Reclassifications		4,252		(3,904)	**348**
30 June 2019	**1,966**	**320,691**	**6,317**	**3,291**	**332,265**
ACCUMULATED DEPRECIATION					
1 January 2019	**23,779**	**280,769**	**5,266**		**309,814**
Increases in depreciation	326	7,328	54		**7,707**
Disposal	(22,138)	(583)	(2)		**(22,723)**
Reclassifications					
30 June 2019	**1,966**	**287,514**	**5,318**		**294,797**
NET BOOK VALUE					
1 January 2019	**40,481**	**31,008**	**1,057**	**6,486**	**79,032**
30 June 2019	**()**	**33,177**	**1,000**	**3,291**	**37,468**

In order to provide a better representation, EUR 348 thousand of assets entered in the category "Intangible assets" have been classified under "Tangible assets".

Property, the balance of which at 30 June 2019 was zeroed, included the net book value of the Sa Illetta (Cagliari) office, amounting to EUR 40.5 million, which was sold to the leasing pool in accordance with the Transaction Agreement for the Leasing Debt signed on 28 March 2019.

Plant and machinery of EUR 33.2 million includes specific network equipment such as routers, DSLAMs, servers, and transmission equipment installed at ULL sites.

Investments for the period include investments of EUR 5 million.

There were also reclassifications for EUR 4.2 million, of which EUR 3.9 million from "Tangible assets in progress", and EUR 0.3 million of assets reclassified from "Intangible assets in progress and advances" where they were classified in 2018.

Amortization for the period, calculated according to the criteria indicated in the annual financial report, amounted to approximately EUR 7.3 million.

Other tangible assets, which amount to EUR 1 million, include furniture and fittings, electronic and electromechanical office machinery and motor vehicles. The decrease in the period is related to the amortization for the period, calculated according to the criteria indicated in the annual financial report, of EUR 54 thousand.

The item Tangible assets in progress and payments on account, the balance of which amounts to EUR 3.3 million, mainly includes investments in network infrastructure.

This balance is net of reclassifications of EUR 3.9 million. These are reclassifications of property, plant and equipment from the category "Property, plant and equipment in progress" to the item "Plant and machinery" for investments that entered into depreciation during the first half of 2019.

Other non-current financial assets (note 14)

Other non-current financial assets	**30 June 2019**	**31 December 2018**
(EUR 000)		
Guarantee deposits	985	526
Other receivables	8,518	25,609
Equity investments in other companies	3,727	3,727
Total	**13,230**	**0**

Security deposits are represented by securities paid in the context of the performance of activities on long-term contracts.

Other receivables include the long-term portion of the receivable from Fastweb for service vouchers arising from the sale of the 3.5 Ghz license and the Fixed Wireless Access (FWA) business unit, which was concluded on 16 November 2018 for EUR 8.5 million.

The decrease in this item compared with 31 December 2018 is due to the reclassification from long-term to short-term. The present value was also updated during the period on the basis of actual use during the period. This restatement resulted in a positive financial adjustment (and therefore an increase in the short-term receivable from Fastweb) of EUR 0.6 million compared with 31 December 2018.

Equity investments in other companies are financial assets available for sale and are mainly represented by Janna S.c.p.a., a consortium company (EUR 3.7 million) whose purpose is the management of an underwater fiber optic cable laid between Sardinia and the peninsula and between Sardinia and Sicily.

Trade Receivables (Note 15)

Trade receivables	30 June 2019	31 December 2018
(EUR 000)		
Trade receivables	50,502	57,772
Write-down provision	(21,757)	(22,844)
Total	**28,745**	**34,927**

As at 30 June 2019, trade receivables totaled EUR 28.7 million, net of write-downs of EUR 21.7 million, were mainly generated by sales of Internet services, billing of Internet access services, inverse interconnection traffic, advertising revenues, as well as business customer and telephony services provided by the Group.

The analysis of the recoverability of receivables is carried out on a regular basis, adopting a specific policy for calculating the write-down provision by reference to experience and historical trends. Since the Group's credit exposure is spread over a very large customer base, there is no particular credit concentration risk. In particular, with reference to the first application of IFRS 9, as at January 1, 2018, the creditworthiness risk assessment has already been carried out, as in previous years, taking into account the general risk of non-performing loans not expired at the date of reference, which can be inferred from historical experience. The provision for the half-year is equal to EUR 5.4 million.

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

Bad debt allowance variations	30 June 2019	31 December 2018
(EUR 000)		
Bad debt allowance BoP	**(22,844)**	**(42,866)**
Provision	(5,506)	(9,622)
Utilizations	6,593	29,644
Bad debt allowance Eop	**(21,757)**	**(22,844)**

Other Receivables and other Current Assets (note 16)

Other Receivables and other Current Assets	30 June 2019	31 December 2018
EUR 000		
Other receivables	130,804	119,816
Prepaid expenses	6,607	7,876
Total	**137,412**	**127,692**

Other receivables include the short-term portion of the receivable from Fastweb relating to the balance of the sale price defined in the Fastweb Transaction, amounting to EUR 128.2 million. As mentioned above, this receivable was collected on 1 July 2019 for the residual monetary portion (EUR 80 million). The remainder relates to the Voucher previously described under non-current assets for the portion due within 12 months. This Voucher has been recalculated, implying:

- a reclassification, from long-term to short-term, of the receivable of EUR 17.1 million
- a decrease in the discount adjustment of the voucher (and therefore an increase in the short-term receivable from Fastweb) of EUR 0.6 million.

Other receivables also include the following items:

- receivables from the tax authorities and other social security institutions of EUR 0.7 million;
- advances to suppliers and other receivables of EUR 1.8 million.

Prepaid expenses, which amount to EUR 6.6 million, include costs already incurred and pertaining to subsequent years, mainly relating to multi-year line rental contracts, hardware and software maintenance, insurance and advertising costs.

Cash and Cash Equivalents (Note 17)

As at 30 June 2019, cash and cash equivalents amounted to EUR 2.8 million and include the Group's cash, essentially held in bank current accounts. There are no restricted deposits.

Shareholders' Equity (Note 18)

Shareholders' equity	30 June 2019	31 December 2018
EUR 000		
Share capital	41,055	43,065
Legal Reserve	1,929	1,253
Stock Options Reserve	90	(13)
Accumulated losses and other reserves	(87,790)	(172,218)
Profit/(loss) for the year	(3,716)	83,198
Total Shareholders' equity	**(48,432)**	**(44,715)**

Changes in the various shareholders' equity items are detailed in the relevant table. As at 30 June 2019, the share capital amounted to EUR 41.1 million, corresponding to 3,981,880,763 ordinary shares without nominal value.

Share capital decreased by EUR 2 million due to the reclassification of the same amount from the "stock option reserve". This reclassification is attributable to the reconstitution of the stock option reserves for EUR 2 million approved on 13 May 2019 by the Shareholders' Meeting.

During the period, the stock option reserve thus restored was reduced by EUR 1.9 million due to the stock option plans, the effects of which were exhausted at the end of June 2019.

Minority Interest (Note 19)

As at 30 June 2019, the balance of minority interests is nil (nil also as at 31 December 2018).

Current and non-Current Financial Liabilities (Note 20)

Current financial liabilities	30 June 2019	31 December 2018
(EUR 000)		
Convertible bond	10,014	
Payables to banks and other financing parties	27,318	103,826
Payables for finance leases (short term)	21,447	60,608
Total	**58,779**	**164,434**

<u>Bond Loan</u>

This item includes the recognition at amortized cost of the convertible bond issued on 31 January 2019 by the ICT and the Sova Disciplined Equity Fund for a nominal amount of EUR 10.6 million.

<u>Payables to banks and other lenders - current portion</u>

The item "Payables to banks", amounting to approximately EUR 27.3 million, includes the following elements:

- bank debt of EUR 6.5 million,

- the current component of the Senior loan restructured on 28 March 2019 (better described below) for EUR 20.3 million. On 1 July 2019, the Company paid EUR 20 million (including principal and accrued interest) under the new senior debt financing plan;

- loans disbursed by the Ministry of Development and the Ministry of University and Research for EUR 0.1 million;

- valuation of the put option relating to the convertible bond issued on 31 January 2019 for EUR 0.4 million.

<u>Finance lease payables - current portion</u>

This item amounts to EUR 21.4 million and includes the following items:

- short-term portion of payables to leasing companies for finance leases for EUR 7.8 million

- short-term portion of payables for operating leases, which the Company capitalized, as from 1 January 2019, as required by IFRS 16, for EUR 3.6 million. In particular, this amount includes the short-term part of the capitalization of the lease contract for the Sa Illetta office for EUR 1.6 million and the short-term part of the capitalization of the operating leases of the network equipment for EUR 2 million. For details on the method of application of IFRS 16 adopted by Tiscali and on the effects on the balance sheet of the standard itself at the date of first application, see the paragraph "Accounting standards".

- Indemnification payable for the cancellation of the previous lease payable on the Sa Illetta building for EUR 10 million (as provided for in the Debt Leasing Transaction Agreement signed on 28 March 2019). As required by the Agreement, this debt was paid in July 2019;

Non Current financial liabilities	30 June 2019	31 December 2018
(EUR 000)		
Payables to banks and other financing parties	68,366	0
Payables for finance leases (long term)	20,098	7,132
Total	**88,465**	**7,132**

Payables to Banks and other lenders

This item includes the following:

- the long-term component of the Senior loan restructured on March 28, 2019 (better described below) for EUR 64.9 million;

- the long-term component of the loan from Banca Intesa Sanpaolo (formerly Cassa di Risparmio dell'Umbria) to the subsidiary Aria S.p.A., restructured on March 28, 2019, for EUR 3.5 million.

Payables for finance Leases – long-term portion

"Financial lease payables" include the following items:

- long-term portion of lease payables for finance leases for EUR 3.9 million
- long-term portion of the payables for operating leases, which the Company has recorded, as from 1 January 2019, as required by IFRS 16, for EUR 16.2 million. In particular, this amount includes the long-term portion representing the right to use the Sa Illetta headquarters for EUR 13.1 million and the long-term portion representing the right to use certain network equipment for EUR 3.1 million. For details on the method of application of IFRS 16 adopted by Tiscali and on the effects on the balance sheet of the principle itself at the date of first application, see the paragraph "Accounting Principles".

Net financial position

The net financial position of the Group is represented in the following table:

Net Financial Position	30 June 2019	31 December 2018
(EUR 000)		
A. Cash and bank deposits	2,780	18,977
B. Cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	***2,780***	***18,977***
E. Current financial receivables		
F. Non-current financial receivables		
G. Current bank payables	6,529	6,739
H. Current portion of bonds issued	10,014	
I. Current part of long-term loans	20,276	96,885
J. Other current financial payables	21,960	60,810
K. Current financial indebtedness (G) + (H) + (I)	***58,779***	***164,434***
L. Net current financial indebtedness *(K)-(D)-(E)-(F)*	**55,999**	**145,457**
M. Non-current bank loans	68,366	
N. Bonds issued		
O. Other non-current financial payables	20,098	7,132
P. Non-current financial indebtedness *(M)+(N)+(O)*	**88,465**	**7,132**
Q. Net financial indebtedness *(L)+(P)*	**144,463**	**152,589**

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

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

	30 June 2019	31 December 2018
(EUR mln)		
Consolidated net financial debt	**143.5**	**152.1**
Non-current financial receivables	1.0	0.5
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	**144.5**	**152.6**

The gross financial debt (current and non-current), amounting to EUR 147.2 million, is mainly composed of the items shown in the following table:

Breakdown of current and non current debt	30 June 2019	Current portion	Non-current portion
(EUR 000)			
Senior debt	85,138	20,254	64,883
Bonds issued	10,014	10,014	
Bank payables	10,034	6,551	3,483
Total Senior debts and other bank payables	**105,185**	**36,819**	**68,366**
Payables to leasing companies			
Sale & Lease back Sa Illetta (debt for refund)	10,000	10,000	
Other finance leases	11,484	7,565	3,919
Other finance leases IFRS 16 (incl Sa Illetta capitalization)	20,062	3,882	16,179
Total payables to leasing companies	**41,545**	**21,447**	**20,098**
Other financial payables (incl Put option bond)	**513**	**513**	
Total payables to leasing companies and other financial payables	**42,059**	**21,960**	**20,098**
Total indebtedness	**147,244**	**58,779**	**88,464**

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

- convertible bond issued on January 31, 2019 for an amortized value of EUR 10 million;
- senior debt pursuant to the refinancing agreement signed on 28 March 2019 with Intesa San Paolo and Banco BPM for EUR 85.1 million;
- current bank debt of EUR 10 million;
- debts for financial leasing contracts, for a total of EUR 11.7 million;
- payables for operating leases of EUR 20.1 million, capitalized in accordance with IFRS 16. This amount includes the operating lease of the Sa Illetta headquarters, which took effect on 28 March 2019, for EUR 14.7 million. The residual amount refers to the operating lease contracts for network equipment.
- Other financial payables of EUR 0.5 million, which include the following elements:
  - ministerial loans of EUR 0.1 million;
  - payables for the valuation of put options on the convertible bond loan for EUR 0.4 million.

The table below shows the monetary and non-monetary changes in the financial liabilities that occurred in the first half of 2019:

Cash and no cash variations of Financial liabilities	31 December 2018	Cash movements (repayments/ new debt)	Accrued Interests	No Cash movements _ Senior Loan Restructuring	No Cash movements – Sa Illetta Debt Restructuring	Leasing IFRS 16 Capitalization	Bond issue - Amortized Costs	Reclass	30 June 2019
(EUR 000)									
Senior debt	92,187	(2)	3,433	(11,670)				1,190	85,138
Bonds issued									
Bank payables	11,437	(213)						-1,190	10,034
Sa illetta_ debt for refund	53,003				(43,003)				10,000
Other finance leases	14,738	(3,783)	529						11,484
Leasing IFRS 16 (incl Sa Illetta)									
Other finance liabilities	202	(122)							80
Other finance liabilities_Put Option Bond									
Financial liabilities	**171,566**	**(4,121)**	**3,962**	**(11,670)**	**(43,003)**				**116,735**

<u>Covenants</u>

The senior loan and the Leasing Contract "Sa Illetta" require the Company to comply with certain financial requisites (so-called "Covenants") starting from 31 December 2019, which, in case they are not respected, give the financial counterparties the possibility to accelerate.

<u>Event of default</u>

The loan, also following the restructuring agreements (modified as indicated in the comfort letters received on November 14, 2018), foresees some “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 summarizes the main elements of the loan, as represented in the figures as at 30 June 2019:

Euro/ mln

Loan	Amount	Due date	Senior Lenders	Contractor	Guarantors
First facility - Tranche A	24.1	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
					Veesible S.r.l.
Loan	**Amount**	**Due date**	**Senior Lenders**	**Contractor**	**Guarantors**
Second facility - Tranche A	10.2	31-mar-24	Intesa San Paolo S.p.A.	Tiscali Italia S.p.A.	Tiscali S.p.A
Second facility - Tranche B	42.7	30-set-24	Intesa San Paolo S.p.A.		Tiscali International BV
					Tiscali Financial Services SA
					Veesible S.r.l.

<u>Other loans</u>

The main information on the loans of the Aria group outstanding as at 30 June 2019 is reported below:

i) an original EUR 3 million loan with Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria), subscribed in May 2010, originally maturing in October 2020. This loan is not subject to financial covenants.

ii) original loan of EUR 1 million with Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria), subscribed in May 2010, originally maturing in October 2020. This loan is not subject to financial covenants.

These loans were restructured as part of the renegotiation of the Senior Loan and the amending agreements were signed on 28 March 2019:

- Expiry date: 30 September 2024
- Interest: fixed rate 1%
- Absence of financial covenants
- Reimbursement divided into two tranches:
    - o Amortization: EUR 1 million in 5 six-monthly installments starting on 31 March 2022
    - o Bullet: approximately EUR 2.5 million in a lump sum at maturity, i.e. on 30 September 2024

Other Non-Current Liabilities (Note 21)

Other non-current liabilities	30 June 2019	31 December 2018
(EUR 000)		
Trade payables	3,653	3,338
Other payables	2,698	3,059
Total	**6,350**	**6,398**

The item “payables to suppliers” relates to the long-term component of payables to suppliers. They are recorded at amortized cost.

The item Other payables, amounting to EUR 2.7 million, basically includes:

- EUR 0.3 million for tax debts for files to be settled in the long term;
- EUR 1.2 million of payables to Engineering relating to employee severance indemnities, deriving from the rental of the business unit to the same Engineering
- EUR 0.3 million for guarantee deposits to clients;
- EUR 0.6 million due to Janna S.c.p.a. (which is involved in the management of an underwater fiber optics cable between Sardinia and the mainland and between Sardinia and Sicily), attributable to Tiscali Italia S.p.A.
- Other debts for EUR 0.4 million.

Liabilities for pension obligations and staff severance indemnities (Note 22)

The table below shows the changes during the period:

(EUR/000)	31 December 2018	Accruals	Utilization	Payments to Funds (*)	OCI Reserve	30 June 2019
	3,294	605	(423)	(574)	-	2,903
Totale	**3,294**	**605**	**(423)**	**(574)**	-	**2,903**

(*) 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 2.9 million as at 30 June 2019.

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 23)

(EUR 000)	31 December 2018	Increases in provision	Utilisations	Other variations (Reclass)	30 June 2019
Tax Fund	571		(73)	(348)	150
Provision for restructuring charges	5,602	14	(2,884)	(1,641)	1,090
Customers Supplementary Indemnity Fund	446	10			456
Employee disputes risk fund	565	1,049	(94)		1,520
Other provisions for risks and charges	899	889	(4)	(4)	1,780
Total	**8,083**	**1,961**	**(3,056)**	**(1,993)**	**4,996**

As at 30 June 2019, the provision for risks and charges amounted to EUR 5 million and mainly includes:

- EUR 0.1 million for provisions for tax fund (TARSU);
- EUR 1.1 million in provisions for restructuring charges, mainly relating to the reorganization and reduction of personnel that began in 2018 and the first half of 2019;

- EUR 1.5 million relating to provisions for legal disputes,
- EUR 0.5 million for provisions for agents' termination indemnities.
- EUR 1.8 million for other provisions for risks and charges.

Utilizations in the period, amounting to EUR 3 million, were mainly due to the payment of redundancy incentives as part of the personnel restructuring plan.

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

Trade Payables (Note 24)

Trade payables	**30 June 2019**	**31 December 2018**
(EUR 000)		
Trade payables	120,440	134,840
Total	**120,440**	**134,840**

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

As at 30 June 2019, net overdue trade payables (net of the repayment plans agreed with suppliers, and of active assets and disputes with the same suppliers) amount to EUR 38.9 million.

Other Current Liabilities (Note 25)

Other current liabilities	**30 June 2019**	**31 December 2018**
(EUR 000)		
Accrued expenses	2,631	646
Deferred income	16,932	25,491
Other payables	46,129	40,495
Total	**65,692**	**66,632**

Accrued expenses mainly refer to personnel expenses.

Deferred income of EUR 16.9 million mainly refers to:

- the deferral of revenues from the sale of transmission capacity (IRU), pertaining to future years, for approximately EUR 4.8 million (EUR 5.1 million at 31 December 2018);
- the deferral of revenues for the activation of fixed and fixed wireless broadband and voice services, for the part not pertaining to the Group, for approximately EUR 12.1 million (EUR 13.9 million as at 31 December 2018).

At 31 December 2018, deferred income also included the gain on the sale of the Sale & Lease back operation on the property in Sa Illetta, whose residual value amounted to EUR 6.5 million. This item was fully released to the income statement on the occasion of the sale of the Property to the Pool Leasing on 28 March 2019.

Other payables, amounting to EUR 46.8 million, mainly include:

- VAT payables of EUR 10 million (EUR 12 million at 31 December 2018);
- payables to tax authorities and social security institutions of approximately EUR 20.1 million (EUR 14.6 million at 31 December 2018);
- payables to personnel for EUR 2.8 million (EUR 1.6 million at 31 December 2018);
- other payables of EUR 12.9 million (EUR 12.3 million at 31 December 2018) mainly consisting of payables to other public entities.

Stock Options

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

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

Successively, on May 12, 2016, the Board of Directors of Tiscali S.p.A. approved the 2016-2021 Stock Option Plan regarding ordinary shares of Tiscali S.p.A. reserved to the CEO and the Management of the Group, and the following proposal of Capital Increase, also in separate issues, through the issuance of 314,528,189 ordinary shares maximum with no nominal value, to the service of maximum 314,528,189 options valid for the subscription of ordinary shares of the Company to be reserved to the CEO and the Management of the Group as beneficiaries of the 2016-2021 Stock Option Plan, with the exclusion of option right in compliance with the Article 2441, Paragraph 5 and 6 of the Civil Code. The ensuing amendment of the Article 5 of the Articles of Associations, related and consequential resolutions, delegation of powers.

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

As at 30 June 2019, the total number of options amounts to EUR 90 thousand.

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.

Civil and administrative proceedings

Opposition to the WIND Tre Spa injunctions

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

Opposition to Telecom Italia Sparkle injunction

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

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.

Proceedings of a criminal nature

In September 2013, Tiscali Spa received, pursuant to Legislative Decree No. 231/2001, a notice of conclusion of preliminary investigations into alleged conduct of false corporate communications related to the financial statements from 2008 to 2012. The subsidiary Tiscali Italia received the same notice in January 2014. The offense against the Company and some Directors refers to alleged incorrect accounting entries in respect of provisions for doubtful debts, as per Article No. 2622 of the Civil Code. In June 2016, at the end of the preliminary hearing, the two companies were sent to trial, as well as the Directors accused. The trial phase began in October 2016.
In April 2019, the sentence of the Second Criminal Section of the Court of Cagliari was pronounced, which fully acquitted Group companies and their managers of the accusation of false corporate communications, also for crimes for which the statute of limitations had meanwhile been imposed, thereby acknowledging the full correctness of their actions. The hearing made it possible to ascertain that the financial statements were prepared in full compliance with the regulations designed to ensure the transparency of corporate information for the protection of all parties concerned.

Fair Value

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

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

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

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

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

Segment information

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

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

30 June 2019 *(Thousands of EUR)*	**Access (BTC connectivity and BTB)**	**Media & Advertising**	**Corporate**	**Total**
Revenue				
From third parties	68,145	2,048	47	70,240
Intra-group	1,579	36	(1,616)	-
Total revenues	**69,724**	**2,085**	**(1,569)**	**70,240**
Operating profit	**(6,167)**	**(4)**	**(1,880)**	**(8,051)**
Result on Investments at equity method				(269)
Financial Income				12,031
Financial Expenses				7,428
Pre-tax result				**(3,716)**
Income taxes				
Net result from operating activities (on-going)				**(3,716)**
Income from held for sale and discontinued operations				-
Net operating income				**(3,716)**

30 June 2018 *(Thousands of EUR)*	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Total
Revenue				
From third parties	85,852	1,961	35	**87,848**
Intra-group	5,257	2,943	(8,200)	-
Total revenues	**91,108**	**4,904**	**(8,165)**	**87,848**
Operating profit	**(18,786)**	638	997	**(17,151)**
Portion of results of equity inv. carried at equity				**(129)**
Net Income (expenses)				**(5,555)**
Pre-tax result				**(22,835)**
Income taxes				**26,116**
Net result from operating activities (on-going)				**3,281**
Income from held for sale and discontinued operations				
Net operating income				**3,281**

Non-recurring Transactions

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

In particular, the following non-recurring transactions have been recorded:

- Income from the sale of the Sa Illetta property following the execution of the Sa Illetta Leasing Transaction Agreement signed on March 28, 2019. This income is made up of the following two elements:
  - release of the previous capital gain realized through the Sale and Lease-Back operation on the Cagliari (Sa Illetta) headquarters for approximately EUR 0.5 million. This release quota was determined until 28 March 2019;
  - Income from the sale of the property itself, at its net book value, and the related debt recorded in the financial statements at 30 June 2019 for EUR 10.9 million;
- income deriving from the write-off of a debt position towards a supplier of fixed assets following a transaction for EUR 1.9 million;
- financial income of EUR 0.6 million from the adjustment of the discounting of the receivable from Fastweb;
- a financial income of EUR 11.4 million deriving from the derecognition and subsequent recognition at amortized cost of the new financial debt resulting from the application of the Senior Debt Restructuring Agreements signed on March 28, 2019;
- cost reduction of EUR 0.7 million, resulting from transactions with service providers concluded during the period;
- other non-recurring charges of EUR 1.1 million, attributable to the write-off of receivables and the integration of payables to public entities;
- EUR 2.2 million to the provision for legal disputes and other provisions for risks

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

Non-recurring transactions	2019	2018	variation
Revenue	(0.4)		(0.4)
Other income	13.3		13
Purchase of external materials and services		1.0	(1.0)
Personnel costs			
Other operating expense (income)			
Write-downs accounts receivable from customers			
Gross Operating Result (EBITDA)	**12.9**	**(1.0)**	**13.9**
Restructuring costs, provisions for risks and write-downs	**2.2**	**0.4**	**1.8**
Operating profit (EBIT)	**10.7**	**(1.4)**	
Financial income	12.0	0.9	11.1
Financial expenses			
Pre-tax profit	**22.7**	**(0.5)**	**23.2**
Income taxes			
Net result from operating activities (ongoing)	**22.7**	**(0.5)**	**23.2**
Other charges related to held for sale			
Net result for the period	**22.7**	**(0.5)**	**23.2**

Atypical and/or unusual transactions

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

Related-party transactions

Relations with unconsolidated Group companies

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

Relations with other related parties

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

The table below summarizes the income statement and balance sheet values entered in the consolidated financial statements of the Tiscali Group at 30 June 2019, with the most significant values of the Consolidated Financial Statements as at 30 June 2018 and as at 30 December 2018 as reference, deriving from transactions with related parties.

Income Statement Values	Notes	1° semester 2019 (#)	1° semester 2018
(Euro 000)			
Monteverdi S.r.l.	1	(15)	(15)
Open Campus	2		33
Open Campus	2		(33)
Istella	3	161	
Directors		(673)	(1,594)
Convertible Bond	4	(136)	
Stock option	5		51
Total Expenses & Income		**(662)**	**(1,558)**

Asset Values	Notes	30 June 2019	31 December 2018
(Euro 000)			
Monteverdi S.r.l.	1	(46)	(45)
Open Campus	2		
Open Campus	2		
Istella		275	78
Directors		(310)	(766)
Convertible Bond	4		
Receivables from Istella sale		61	72
Total Suppliers of Materials and Services		**(20)**	**(660)**
Stock Option Reserve	5		13
Net assets pertaining to the Group			**13**
Total		**(20)**	**(646)**

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

(2) *Open Campus: company owned 80% by Alice Soru, member of the Board of Directors of Tiscali Spa until 26 June 2018. On that date, in which the Tiscali Spa Shareholders' Meeting was held, which approved the 2017 Financial Statements, the members of the Board of Directors of Tiscali Spa ended their term of office. Alice Soru's mandate was not renewed, therefore Open Campus is no longer a related party since June 2018.*

(3) Instella: Company owned in part by the Chief Executive Officer and majority shareholder of the Company, Renato Soru. This relationship refers to the supply by Tiscali of IT services (hosting of network equipment) as of October 2018.

(4) Convertible Bond Loan: Issued on 31 January 2019 for a nominal value of EUR 10.6 million and subscribed on the same date by ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares. The portion subscribed by ICT, amounting to EUR 5.3 million of nominal value (EUR 4.8 million as amortized cost) was represented as a related party in the table above, since ICT was a related party until it held its 20.79% interest in Tiscali. This investment was sold on 16 May 2019. From that date, ICT ceased to be a related party. For the sake of completeness of information, the above table includes the economic effect of the transaction up to the date of disposal of the equity investment, while in the balance sheet the debt is not represented.

(5) Stock Option: the company presents certain management incentive plans in the form of stock options (see the "Stock Options" section for further details).

(6) Receivables arising from the sale of Istella These are receivables owed by the buyer of Istella (Renato Soru) in connection with the sale of the company on 16 October 2017.

List of subsidiaries included in the consolidation scope

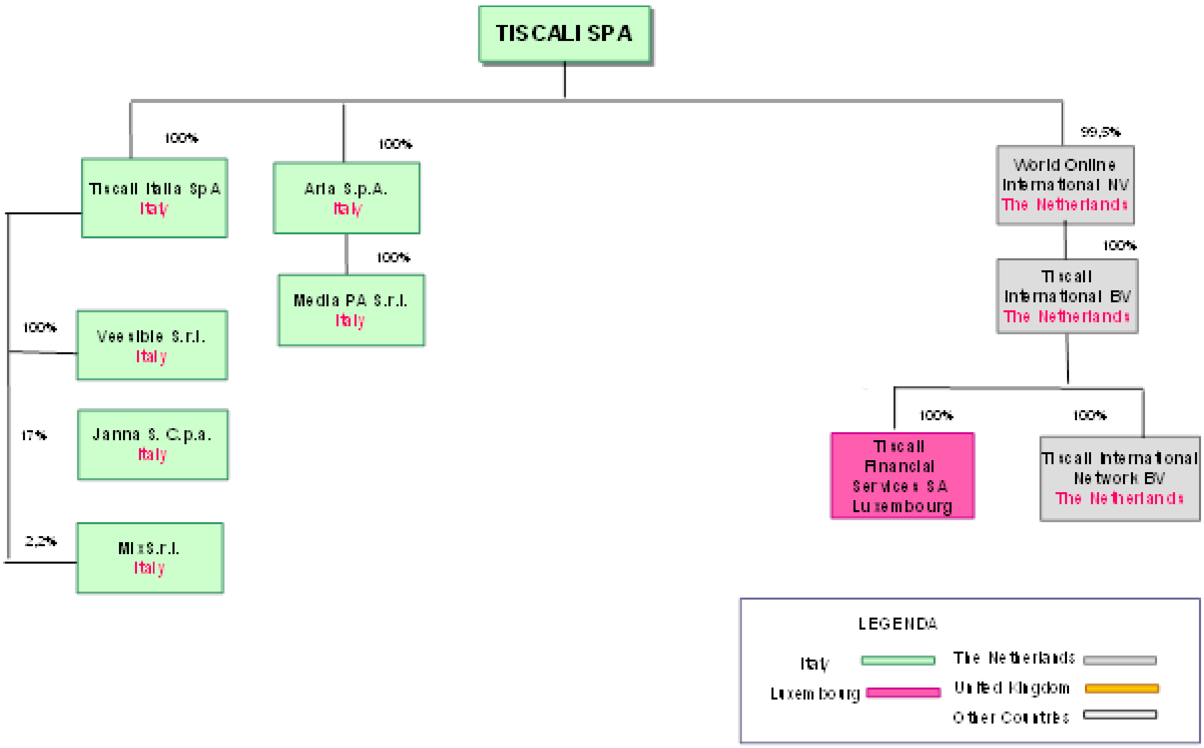
The list of subsidiaries included in the consolidation scope follows:

Name	Location	% ownership
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 recognized under other non-current financial assets.

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

Tiscali Group as at 30 June 2019



Events after the end of the six-month period.

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

Cagliari, 26 September 2019

The Chief Executive Officer

Renato Soru

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

Roberto Lai

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

The undersigned, 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 Italian Legislative Decree No. 58 dated February 24, 1998:

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

for the formation of the abridged financial report for the six-month period as at June 30, 2019.

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

It is also hereby certified that the abridged financial report for the six-month period as at 30 June 2019:

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

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

Cagliari, 26 September 2019

The Chief Executive Officer

Renato Soru

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

Roberto Lai

Shared access

Technique for shared access to a local network in which a former monopoly operator rents part of the capacity to other operators: in that portion of the bandwidth the operator can provide Broadband services, whilst the former monopoly operator on the portion of the bandwidth not hired out, continues to provide telephony services.

ADSL

Acronym for Asymmetric Digital Subscriber Line, (the available bandwidth in reception is greater than that available for transmission) to enable internet access at high speed.

ADSL2 +

An ADSL technology that extends the ADSL base capacity by doubling the download bit flow. The bandwidth can reach 24 Mbps in download and 1.5 Mbps in upload and depends on the distance between the DSLAM and the customer's location.

Uncovered Areas

Also called "indirect access areas" to identify the geographic areas which are not directly served by the network owned by Tiscali (see also Bitstream and Wholesale).

ARPU

Average returns for fixed and mobile telephony for the user calculated over a given period for an average number of active (for other operators) or Tiscali Group customers in the same period.

Bitstream

Bitstream (or digital flow) services: service consisting of the supply by an operator of access to the fixed public telephone network of the transmission capacity between an end user workstation and the point of presence of an operator or an ISP that wants to provide broadband services to the end user.

Broadband

Data transmission system in which lots of data is sent simultaneously to increase the actual speed of transmission with a data flow equal to or greater than 1.5 Mbps.

Broadcast

Simultaneous transmission of information to all nodes on a network.

Unique browsers

Number of different browsers that, in a specific time span, can visit a site one or more times.

Access fee

This is the amount debited by national operators for each minute of use of their network by the operators of other networks. This is also called the "interconnection fee".

Capex

Acronym for Capital Expenditure. Identifies the outgoing cash flows generated by the investments in an operating structure.

Carrier

Company that physically makes a telecommunications network available.

Co-location

Dedicated spaces in the machine rooms of an incumbent operator for the installation by Tiscali of its own network devices.

CPS	Acronym for Carrier Pre Selection, a system for preselecting an operator. This enables an operator/supplier of local services to automatically route calls on the network of the carrier selected by a client who no longer has to enter special selection codes.
CS	Acronym for Carrier Selection, a system for selecting an operator. Enables a client to select, by entering a special code, a long distance national or international operator other than that with whom he/she has a network access subscription.
Business customers	SoHos, small medium and large businesses.
Consumer customers	Customers who subscribe to an offer intended for households.
Dial Up	Narrowband internet connection by means of a normal telephone call, usually charged on a time basis.
Digital	This is the way of representing a physical variable in a language that uses only the figures 0 and 1. The figures are transmitted in binary code as a series of impulses. Digital networks, which are rapidly replacing the old analogue networks, allow greater capacities and greater flexibility by using computerised technologies for the transmission and handling of calls. Digital systems offer less noise interference and can include encryption as protection from outside interference.
Double Play	Combined offer of access to the Internet and fixed telephony.
DSL Network	Acronym for Digital Subscriber Line Network, which is a network built from existing telephone lines using DSL technology instruments that, by using sophisticated modulation mechanisms, enable data packets to be sent along copper wires and thus the linking of a telephone handset to a modem at a home or in an office.
DSLAM	Acronym for Digital Subscriber Line Access Multiplexer, a device used in DLS technologies, to multiply the transmission of data at high capacities on telephone wires, where a multiplexer means a device that enables the transmission of information (voice, data, videos) in flows by means of direct and continuous connections between two different points on a network.
Fibre Optic	Thin fibres of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fiber optic cable contains various individual fibres, each capable of carrying a signal (light impulses) over a virtually limitless band length. They are usually used for long distance transmissions, for the transmission of "heavy data" so that the signal arrives protected from interference which it might encounter along its own path. A fiber optic cable’s carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.

GigaEthernet	Term uses to describe the various technologies that implement the nominal speed of an Ethernet network (the standard protocol for cards and cables for high speed connections between a computer and a local network) of up to 1 gigabit per second.
Home Network	Local network made up from various kinds of terminals, devices, systems and user networks, with related applications and services including all the apparatus installed at user premises.
Hosting	Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.
Incumbent	Former monopoly operator active in the telecommunications field.
IP	Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol), created for interconnecting ungrouped networks by technology, services and handling.
IPTV	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
IRU	Acronym for Indefeasible Right of Use, long term agreements that guarantee the beneficiary the option of using for a long period the grantor’s fiber optic network.
ISDN	Acronym for Integrated Service Digital Network, a telecommunications protocol in Narrowband able to carry in an integrated form various kinds of information (voice, data, texts, and images) coded in digital form on the same transmission line.
Internet Service Provider or ISP	Company that provides Internet access to single users or organisations.
Leased lines	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.
LTE-TDD	Long Term Evolution Time Division Duplex is a mobile data transmission technology that follows international standards developed for LTE and 4G networks. It is a network technology that uses a single frequency to transmit, and it does by alternating between uploading and downloading data with a ratio of dynamic adaptation based on the amount of data exchanged
MAN	Acronym for Metropolitan Area Network, a 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	TV channels on payment. To receive Pay TV or Pay-Per-view, you have to connect a decoder and have an access system subject to conditions.
Platform	It is the total of the inputs, including hardware, software and equipment for running and the procedures for production (production platform) or for the management (management platform) or for a special service (service platform).
POP	Acronym for Point of Presence, a site at which telecommunications apparatus is installed and that forms a node on the network.
Portal	Website that forms a point of departure or an entry point for a major group of Internet resources or an Intranet.
Router	Hardware or in some cases software instrument that identifies the next point on the network to which a data packet is to be sent, and routes that data packet towards the end destination.
Service Provider	Party that provides end users and content providers with a range of service, including that of an owned, leased or third party service centre.
Server	Computer component that provides services to other components (typically client calls) via a network.
Set-top-box or STB	Device able to handle and route data, voice and television connections, installed at the end user's premises.
Syndication	The sale of radio and TV transmissions wholesale by a media company that owns the rights and usually the delivery platform also.
SoHo	Acronym for Small office Home office, for small offices, mostly professional offices or small firms.
SHDSL	Acronym for Single-pair High-speed Digital Subscriber Line. SHDSL is a technology for telecommunications of the xDSL family and is made by using direct LLU interconnections and enables high speed connections to be made in a balanced way in both directions (transmission and reception).
Single Play	Service including only broadband data access, not combined with other multiplay components such as voice and IPTV services. Broadband access may be provided through LLU platforms, Wholesale or Bitstream.
Single Play voice	Service including only voice access, not combined with other multiplay components such as broadband and IPTV access. Voice service can also be provided by VOPI and CPS procedures.
SMPF	Acronym for Shared Metallic Path Facilities which is synonymous with Shared Access (ungrouped access).
Triple Play	A combined offering of fixed and/or mobile telephony, Internet and/or TV made by a single operator.

Local loop unbundling or LLU	Unbundled access to a local network, in other words, the possibility that telephone operators have had, since the telecommunications market was deregulated, to use existing physical infrastructures built by another operator to offer its own services to customers, paying a rental to the operator that is the actual owner of the infrastructure.
VAS	Acronym for Value-Added Services; services with added value provide a greater level of function compared with the basic transmission services offered on a telecommunications network for the transfer of information between terminals. These include switched analogue voice communications via cable or wireless, a direct digital point to point network “unrestricted” at 9,600 bits/s; packet switching (called virtual) service; analogue and direct broadband transmission of TV signals and extra services, such as closed user groups; call waiting; reverse charging; call announcement and identification of the number called. The value added services provided over a network, from terminals or specialist centres include exchange services, messaging (MHS) (which can also be used for commercial documents in accordance with a predetermined format); electronic user directories, network and terminal addresses; e-mail; fax, teletext, videotext and videophone. Value added services may also include voice telephony value added services such as free numbers or paid telephone services.
VISP	Acronym for Virtual Internet Service provision (sometimes also called Wholesale ISP). This is selling of Internet services purchased wholesale from an Internet Service Provider (ISP) that has the network infrastructure.
VoD	Acronym for Video On Demand. It is the supply of television programs on request by a user for payment of a subscription or of a sum for each programme (a film, or a football match) purchased. Broadcast in a special way by satellite TV and for cable TV.
VoIP	Acronym for Voice over internet Protocol, a digital technology that enables the transmission of voice packets through Internet, Intranet, Extranet and VPN networks. The packets are carried according to H.323 specifications, which are the ITU (International Telecommunications Union) standard that forms the basis for data, audio, video and communications on IP networks.
VPN	Acronym for Virtual Private Network, which can be 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 unauthorised persons.
Virtual local loop unbundling or VLLU	Procedure for accessing a local analogue network by which, even in the absence of physical infrastructures, the conditions and terms of access under LLU terms are replicated. This is a temporary access system that is usually replaced by LLU.

xDSL	Acronym for Digital Subscriber Lines, a technology that, by means of a modem, uses the normal telephone twisted pair and transforms the traditional telephone line into a high speed digital connection for the transfer of data. ADSL, ADSL 2, and SHDSL etc. belong to this family of technologies.
WI-FI	Service for connection to the internet at high speed wirelessly.
Wi-Max	Acronym for Worldwide Interoperability for Microwave Access: it is a technology that enables wireless access to broadband telecommunications networks. It has been defined by the WiMAX forum, a world-wide consortium made up of the largest companies in the fixed and mobile telecommunications field that has the purpose of developing, promoting and testing the interoperability of systems based on IEEE standard 802.16-2004 for fixed access and IEEE.802.16e-2005 for fixed and mobile access.
Wholesale	Services that consist of the sale of access services to third parties.
WLR	Acronym for Wholesale Line Rental, selling on by an operator of the telecommunications service for lines affiliated with an Incumbent.

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