



Tiscali Group
Half-yearly condensed interim consolidated financial
statements as at June 30, 2017

Date of approval: September 20, 2017

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 € 103,007,322.89

Companies' Register of Cagliari and VAT No. 02375280928 R.E.A. (Economic and Administrative Directory)
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Explanation added for translation to English

This document is a courtesy translation into English from the original version of First-Half Consolidated Financial Report as at June 30, 2017, issued in Italian.

Tiscali Directors decline any responsibility for any misuse of this document.

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1 Highlights

2016	Income statement	1 st semester 2017	1 st semester 2016
	(EUR mln)		
196.9	Revenue	103.6	96.9
27.1	Adjusted Gross Operating Result (EBITDA)	14.4	12.4
(28.4)	Operating Result (EBIT)	(12.9)	(12.6)
(7.0)	Result from held for sale and discontinued operations	43.6	1.5
(45.0)	Net Result	24.5	(17.7)
30 June 2016	Statement of financial position	30 June 2017	31 December 2016
	(EUR mln)		
294.8	Total assets	308.5	285.2
165.5	Net Financial Debt (*)	191.9	187.6
172.6	Net Financial Debt as per Consob (*)	192.4	191.9
(139.8)	Shareholders' equity (**)	(143.0)	(167.6)
17.0	Investments	35.0	56.7
30 June 2016	Operating figures	30 June 2017	31 December 2016
	(Migliaia)		
664.3	Total number of Clients (***)	716.9	681.2
421.6	Broadband Fixed	453.3	440.2
5.7	of which Fiber	22.4	9.8
96.3	Broadband Wireless	61.6	75.0
0.0	of which LTE	35.6	10.0
146.3	Mobile	202.0	166.0

Economic and financial values concerning noncurrent assets held for sale have been appropriately reclassified (included financial values as at June 30, 2016). For further details please refer to Note 9 of the Explanatory Notes.

(*)The financial highlight in question were recalculated, including among the financial debts the loans granted by the Ministry of Industry and by the Ministry of University and Research for a total of EUR 0.8 million, previously not included. The data were recalculated as at December 31, 2016, as well.

(**) The shareholders' equity of the parent company Tiscali Spa amounts to EUR 89.1 million as at June 30, 2017 (EUR 89.7 million as at December 31, 2016). At that date, the Company is not falling in the specific provisions as at Art. No. 2446 of the Italian Civil Code.

(***) It is specified that, as at the present Financial Report, the Company has adopted a new way to classify its customer portfolio, in order to take into account the impact of the sale of the Business branch to Fastweb, and the refocusing strategy on core business. In particular, customers of voice and data narrowband – CPS, dialup – being progressively disposed, have been excluded from the classification of its customer portfolio. The same data at December 31, 2016 and at June 30, 2016 were restated as well. It is also specified that "Fixed Wireless" users include as at June 30, 2017, a number of former inactive customers waiting to be activated, amounting to about 12,000 units for which marketing and commercial activities for potential future reactivations are being implemented. As at December 31, 2016, the number of former inactive customers waiting to be activated amounted to approximately 20,000 units.

2 Alternative Performance Indicators

In this report on operations, in addition to the conventional indicators provided for by IFRS, an alternative performance indicator is disclosed (EBITDA) used by the management of Tiscali Group for monitoring and assessing the operational performance of the Group. Such indicator, already disclosed in the previous Financial Statements (both annual and infraannual), should not be considered an alternative measure of the ones disciplined by IFRS.

Since the composition of the EBITDA is not regulated by a specific accounting standards, the calculation and definition criteria applied by the Tiscali Group might not be the same as that adopted by others and, therefore, may not be comparable.

With regard to this indicator, 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 its 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 this indicator are reported as follows.

EBITDA: it is the economic performance indicator not defined by a specific accounting standards and is determined as indicated below:

Pre-tax result

- + Financial charges
- Financial income

Operating Result

- + Restructuring costs
- + Amortization/depreciation

Gross Operating Result (EBITDA) (*)

The management also disclose, below to the income statement, the EBITDA gross of the provisions for bad debts or risk provisions, as it considers this additional information to be particularly significant for understanding the Group's business performance, and an important indicator for reporting the results to the Market.

() Including of the proceeds from the release of the accrued portion of the period of the capital gain realized with the Sale and Lease-Back transaction on the building of Cagliari (Sa Illetta).*

3 Directors and Statutory Auditors

Board of Directors

The Board of Directors was appointed by the Shareholders' Meeting held on February 16, 2016, and shall remain in office until the approval of the Financial Statements for the year 2017.

Chairman: Alexander Okun (4) (5) (6) (#)

Chief Executive Officer: Riccardo Ruggiero (4) (5)

Sergey Sukhanov (**) (2)
Dmitry Gavrilin (**) (2) (4) (5)
Paola De Martini (*) (1) (2) (3)
Anna Belova (*) (1) (2) (3) (5)
Franco Grimaldi (*) (1) (2) (3)
Renato Soru (4) (5)
Alice Soru

(*) Independent directors

(**) Coopted by the Board of Directors held on February 24, 2017, following the resignation of Konstantin Yanakov and Nikolay Katorzhnov, confirmed by the Shareholders Meeting held on May 30, 2017

(#) The Chairman is the legal representative of the Copany, and the CEO has the powers conferred by the Board of Directors held on February 16, 2016

- (1) Control and Risks Committee
- (2) Appointments and Remuneration Committee
- (3) Related Party Transactions Committee
- (4) Investments Committee
- (5) Extraordinary Financial Transactions Committee
- (6) Appointed Chairman by resolution of the Board of Directors dated July 22, 2016

Board of Auditors

The Board of Auditors was appointed by the Shareholders' Meeting held on February 16, 2016, and shall remain in office until the approval of the Consolidated Financial Statements for the year 2017.

Chairman: Paolo Tamponi

Standing Statutory Auditors: Emilio Abruzzese
Valeria Calabi

Substitute Statutory Auditors: Federica Solazzi Badioli
Augusto Valchera

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 27, 2017, and shall remain in office until the approval of the Consolidated Financial Statements for the year 2017.

Independent Audit Firm

Deloitte & Touche S.p.A.

The Independent Audit Firm was appointed by the Shareholders' Meeting held on May 30, 2017, and shall remain in office for a 9-year period from fiscal year 2017 to fiscal year 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 a cutting-edge network based on IP technology, Tiscali provides its customers with a wide range of services, with fixed broadband and fixed broadband wireless Internet access, mobile telephony services and added-value services, together with more specific and hi-tech products. This offer also includes voice services (VOIP and CPS), we-portal and mobile telephone services, thanks to the service supply agreement reached with Telecom Italia Mobile (MVNO). Starting from 2016, thanks to the spectrum acquired following the merger with Aria in December 2015, the Tiscali Group also offers UltraBroadBand LTE Fixed Wireless services on 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 2016 recorded a total traffic exceeding 300 million page views;
- the advertising concessionaire Vevisible S.r.l. (hereinafter referred to also as "Vevisible"), which is responsible for selling advertising spaces on the portal www.tiscali.it and on other major Italian web properties (refer to paragraph 5.11 for more information on the future activities of the subsidiary Vevisible S.r.l.).

Evolution of the Fixed Broadband Market

With regards to the evolution of the broadband access from the fixed network market, Tiscali's main market as at March 2017 (source: AGCOM, latest available update), broadband accesses in Italy reached 15.96 million units, with an increase of about 770,000 accesses since March 2016. Namely, this increase has been driven by broadband accesses developed using alternative technologies to the traditional ADSL, in particular Fiber and Broadband Fixed Wireless, which in March 2017 reached 3.87 million accesses circa, up by 1.37 billion accesses since March 2016. This development is consistent with a general and growing request for bandwidth by users, in line with the evolution of applications – in particular video streaming applications.

The Tiscali Group, during the first half of 2017, adopted a series of actions consistent with the development of the Broadband market as described above:

- progressive focus on High Capacity Fiber offers, up to 1,000 MBps, also thanks to the 2016 agreement signed with Open Fiber (now on also "OF").
- Progressive dissemination of the new Tiscali-branded LTE UltraBroadband Fixed Wireless offer, with capacity up to 100Mbps launched in 2016, thanks to the progressive acceleration of the installation process of LTE antennas process in the first half of 2017 (installed system of about 300 antennas as at June 30, 2017, as compared with around 100 antennas installed in December 2016) and to the progressive migration of WiMax users to LTE.
- New communication strategy focused on the new Tiscali brand, renewed in the first months of 2017, and finalized to support the acquisition process of new clients and a general relaunch of the Tiscali brand.

Concerning the fixed network broadband market, Tiscali's client portfolio increased in June 2017 by over 31,000 units as compared to June 2016 (from 422,000 clients circa to over 453,000): this allowed Tiscali to maintain a substantially stable position with a 3.4% market share. The market is still fundamentally presided by historical operators (Telecom Italia, Wind, Fastweb, Vodafone) with a rebalancing of relative shares between March 2017 and March 2016 and a growth for Vodafone and Wind-3 to the detriment of Telecom Italia and Fastweb.

Dual-play offers (which bundle together internet connectivity and voice services in a single package) are confirmed as the most popular commercial proposal among consumer and business users.

Evolution of the Mobile Market

With regard to Mobile Services, the Italian market has remained substantially stable in terms of total number of customers (97.9 million in March 2017, as compared to 97 million in March 2016 – source: AGCOM). In this context, the number of mobile virtual network operator (MVNO) customers' share has remained stable as well, representing in March 2017 about 7.3% of the total market complexively.

On the mobile market, in which it operates as an MVNO, Tiscali recorded a good performance in the first half of 2017, thanks to a competitive voice-sms and data offer. The customer base for Mobile reached 202,000 units circa in June 2017, recording a 38% increase in the number of MVNO clients as compared to June 2016.

This result has been possible for Tiscali also thanks to the launch of the new Open suite, with offers conceived for the different communication needs of customers, simple and without either hidden costs or recharge obligations, with an extremely competitive pricing and offering clients the possibility to freely access the Internet from any technological platform with the highest performances.

Furthermore, the exponential growth on the market of Data traffic on Mobile network continues to grow, with an increase by about 48% in March 2017 year-over-year, driven by the diffusion of smartphones, tablets and Wi-Fi 3G/4G modems, in addition to the increasing development of video application on mobile devices.

Evolution of the Online Advertising Market

In the first half of 2017, the Online Advertising Market recorded a negative overall result amounting to -1.7%, notwithstanding a significant growth of the sector dedicated to mobile devices (according to FCP (Association of Advertising Sales Companies) data, the total market recorded EUR 222 million in the first half of 2017 as compared to 226 million in the first half of 2016).

The mobile online advertising sector grew by +76%, and only partially made up for the decline in income from the traditional fixed network web segment.

Mobile Advertising remains the main driver of future growth, currently still under-valued (today it represents only 17% of the total market), in view of the now prevalent importance of the audience generated through the use of mobile devices as compared to traditional PCs (Audiweb, April 2017: 13.5 million single mobile users on the average day, as compared to 10.2 million single PC users, again on the average day).

The long-term outlook remains confirmed then, with growth forecast over the coming years, particularly thanks to the growth expected for the mobile advertising, native advertising and video advertising segments, sectors that with different weights are in any case driving the advertising sales in the digital market.

At the beginning of 2017, the “Media and added-value services line” underwent a significant internal restructuring which, with the simultaneous crisis of the market that in 2017 Q1 recorded a decrease by 2.6% (source: FCP), implied a -10.7% performance in the first semester of 2017 year-over-year. However, the internal restructuring allowed the achievement of progressively improved results in the first half of 2017: the second quarter of 2017 marks in fact an increase in revenues by 50.7% as compared to sales of first quarter 2017. In order to tackle the market even more effectively, a strategic agreement with Sky was signed in July 2017 for the joint management of the business of on-line advertising sales.

4.2 2017 First Half Main Results

During the first half of 2017, the company completed the finalization of some operations started during FY 2016 and proceeded with the path of growth and refocusing on core business started last year,

starting to take advantage of the benefits deriving from the operations undertaken. Namely, in the first half of 2017 the company has focused on the following actions:

- **Continuation of the growth on the core business** in order to consolidate the trend reversal realized in 2016 concerning the growth of customers:
 - Further growth in the Fixed BroadBand portfolio thanks to the new distribution and marketing strategy. Fixed BroadBand's customers are increasing from about 422,000 customers in June 2016 to over 453,000 customers in June 2017, marking a growth of about 31,000 customers, or +8% year-over-year.
 - In particular, the growth in Fixed BroadBand focused on Fiber deals, also thanks to the 2016 agreement with Open Fiber aimed at developing highly capable offers up to 1,000 MBps, particularly in urban areas, as a completion of the development strategy of UltraBroadband services already pursued in the Extended Digital Divide areas with the LTE Fixed Wireless offer. In June 2017, Tiscali has a portfolio of more than 22,000 Fiber customers as compared to around 6,000 in June 2016.
 - Progressive diffusion of the new Tiscali-branded LTE UltraBroadband Fixed Wireless offer in the "Extended Digital Divide" areas, thanks to the acceleration of the installation process of LTE antennas process in the first half of 2017 (installed system of about 300 antennas as at June 30, 2017, as compared with around 100 antennas installed in December 2016) and to the progressive migration of WiMax users to LTE. Thanks to this, the LTE customer portfolio of Tiscali has increased from about 10,000 customers in December 2016 to over 35,000 in June 2017. Taking on Huawei's innovative technology, Tiscali has become the first operator in Italy to develop a Wireless Fiber To The Home (WFTTH) Service with an LTE 4G+ technology using the latest generation 3.5GHz Huawei 8T8R antennas, which already today provide capacity up to 100Mbps.
 - Management of the migration of Fixed Wireless' customers from Fixed from WiMax to LTE technology. This process has led to a reduction in the WiMax customers' portfolio, resulting from the termination due to the impossibility to complete the WiMax migration process to LTE, as well as from the termination of the sale of WiMax services in areas where the LTE service is still unavailable, less than compensated by the growth of LTE customers with higher value (about 35,000 LTE customers in the portfolio as compared to about 10,000 in December 2016). This trend led Broadband Fixed Wireless customers portfolio to approximately 62,000 units in June 2017 (down by about 13,000 units as compared to December 2016).
 - Progressive further acceleration of the Mobile customer base growth, also thanks to the development of Open, the new innovative modular mobile offer of Tiscali. Mobile customers in fact increased from 146,000 units as at June 2016 to about 202,000 units as at June 2017.
- **New communication strategy** culminated in the June 2017 communication campaign after years of absence from Italian media. The campaign is focused on the renewed Tiscali brand and on the use of a new international testimonial (Mr. Jeff Bridges), and aimed at:
 - Supporting the process of acquisition of new customers through "pull" channels for a future reduction of the average cost of acquisition for client;
 - Relaunching the visibility of the Tiscali brand on the market.
- **Efficiency in operating costs.** During the first half of 2017, the process of making operating costs more efficient was continued. In particular, Tiscali has completed its revision of its business scope, bringing the number of employees (FTE) from 948 units in December 2016 to 688 units in June 2017, through the final implementation of the actions already undertaken in 2016 (Divestment of the Business branch to Fastweb, outsourcing of IT activities to

Engineering, Rationalization of Over The Top activities), as well as a further rationalization of the workforce.

- **Further strengthening of the Group's economic and financial structure**, which in the first half of 2017 continued thanks to:
 - Share capital increase reserved to Otkritie Capital International Limited (OCIL) and Powerboom Investment Limited for a maximum total value of EUR13 million. The transaction, resolved by the Board of Directors of Tiscali dated June 27, 2017, took place on August 7, 2017, with the issue of 314,000,000 shares equally subscribed by OCIL and Powerboom Investment Limited (fully-owned by ICT), which paid EUR 5,903,200 each (for further information please refer to paragraph 5.11), with a total amount paid of EUR 11,806,400. At present, negotiations are in progress in order to obtain loans from the aforementioned parties allowing to reach a total cash in equal to the EUR 13 million forecasted.
 - Continuation of the negotiations undertaken with Intesa SanPaolo and BancoBPM (formerly named BPM), already disclosed in the financial updates included in the 2016 Consolidated Financial Statements, in order to reach a standstill agreement on payments due to these two banks in the next twelve months (for more information please refer to paragraph 4.7).
 - Continuation of the negotiations with Mediocredito Italiano and Unicredit Leasing (together mentioned as "Pool Leasing" and, together with Intesa SanPaolo and BancoBPM, the "Financial Institutions"), already disclosed in the financial updates included in the 2016 Consolidated Financial Statements, in order to redefine the overall amortization plan of the debt for leasing loan concerning to Sa Illetta's property (for more information please refer to paragraph 4.7).
 - Collection, on March 31, 2017, of the payment for the sale of the Business branch to Fastweb, amounting to EUR 20 million, following the finalization of sale contract, on February 10, 2017. The gain realized equal to EUR 43.8 million resulted in a strengthening of the capitalization of Tiscali, which at June 30, 2017 amounted to EUR 89.1 million (EUR 89.7 million at December 31, 2016).

The above-mentioned financial operations have allowed (and will allow in the coming months) an increase in the financial resources available to the Company, which will be used to support the Company itself in the implementation of the Business Plan, as well as to allow for the reduction of overdue (commercial and fiscal) payables.

4.3 Regulatory background

The main areas subject to regulatory intervention in the first half of 2017 are summarized below.

Reference Offers by Telecom Italia

In January 2016, AGCOM launched a public consultation process concerning the guidelines for the evaluation of the activation and deactivation contributions of unbundling access services for the purpose of the approval of the related Telecom Italia reference offers for the year 2015 and 2016 (Resolution No. 170/15/CIR).

By virtue of this resolution, a slight reduction in the contributions for activation and deactivation was expected together with a slight reduction in other contributions, as well as the extension of the principles set forth in TIM's other Wholesale offers (in particular, Bitstream and WLR), resulting in reductions in the relevant contributions.

At the closure of the above described procedure, AGCOM confirmed the expectations by adopting:

- i. In January 2017, Resolution No. 653/16/CONS, which defines the ULL (unbundling access services) activation and deactivation contributions for the years 2015 and 2016, for which a reduction has been

established as compared to the previous years for the adjustment, decreasing, of the underlying costs. The contribution for cessation in case of migration, proposed during the consultation, has not been confirmed. There are also reductions in site disposal costs (collocation) compared to Telecom Italia's offer proposal.

The retroactive positive economic impact of this resolution with regard to fiscal years 2015 and 2016 had already been accounted during fiscal year 2016, while these reductions result in a total reduction in business costs for such activities starting from January 2017, which had in any case already been expected in Tiscali Business Plan.

ii. In March 2017, Resolution No. 78/17/CONS, which approved, similarly to what was defined for ULL services, an activation and deactivation contribution for Bitstream decreasing as compared to previous years, according to the decalage of the underlying costs.

In addition, bandwidth costs, both ATM and Ethernet, are approved with significant annual reductions. Finally, the applicability conditions for the so-called administrative migration from ATM to Ethernet have been defined, for which the ATM band is valued at the (lower) price of the Ethernet for the entire completion time of the Ethernet network by TIM (this benefit is applicable from April 12, 2016).

As already described above, retroactive positive economic impact of this resolution had already been accounted during FY 2016, while these reductions result in a total reduction in business costs for such activities starting from January 2017, which had in any case already been expected in Tiscali Business Plan.

Replication test for Telecom Italia's offers

In the course of the proceeding initiated by Resolution No. 537/13/CONS, in November 2013, AGCOM launched a study phase aimed at evaluating the procedures and terms of the pricing tests and the instruments to be used in order to ensure the economic replicability of the retail offers of the operator with significant market power, i.e. Telecom Italia.

At the end of December 2016, the Authority issued a final decision concerning the updating of the replication testing methodology, by adopting new guidelines for non-discrimination checks to be applied to Telecom Italia's retail services. The new guidelines for replication verifications require Telecom Italia's retail offers to be subjected to a single, *Discounted Cash Flow* check, carried out prior to the launch, with differentiated application methods between copper network deals and bids on fiber network. This measure does not cause substantial impacts on the actual and prospective results of Tiscali.

Market Analysis of Fixed Network Access Services

AGCOM, in the framework of the latest analysis of wholesale access to fixed networks markets (Resolution No. 623/15/CONS), applicable for the period 2015-2017, launched a series of proceedings and consultations aimed at following-up the measures implemented with that analysis. In particular, in May 2016, a public consultation was launched with deliberation 122/16/CONS, in order to evaluate the proposal made by Telecom Italia regarding:

i. modalities of disaggregating and outsourcing the provisioning and assurance activities of ULL and SLU services: this process has not yet been concluded.

ii. measures to strengthen the guarantees of equal treatment in the provision of regulated fixed wholesale access services.

Namely, Telecom Italia proposed the implementation of an advanced *equivalence* model, the so-called New Equivalence Model (NME), which, for SLU, ULL and VULA FTTB/H access services – the so-called basic services – should lead to the complete assimilation of TIM retail (*TIM Retail*) business functions to an alternative infrastructured operator in its relationship with the TI business and technical interfaces (i.e. the *Wholesale* management).

The NME establishes the provision of wholesale access services regulated by OAO and *TI Retail* to be made through the same organizational unit and processes, systems and databases, and thus, by implementing a so-called model of *Full Equivalence*.

At the beginning of January 2017, with Resolution No. 652/16/CONS, AGCOM has essentially accepted Telecom's proposal, considering that it is in the direction of its guidelines and that the assimilation of *TI Retail* to an Infrastructured OAO eliminates, structurally and with reference to *basic access services*, the asymmetries in the order *workflow*.

The main measures by which the NME will be implemented, according to the method and timing indicated by the Authority, are:

1. Migration to the New Delivery Chain (NCD) of wholesale access services that must be completed by December 2017.
2. Elimination of asymmetries between databases using a single database for Alternative Operators and Telecom Italia Retail, called NetMap.
3. Simplification of retention clauses.

Such measures should simplify how to manage information with TIM by improving customer activation and management processes.

In February 2017, with Resolution No. 43/17/CONS, the Authority initiated a new analysis cycle of fixed wholesale access market services for the purpose of assessing the degree of competitiveness of these markets and the maintenance or amendment of the existing regulatory obligations.

In the course of this proceeding, AGCOM advanced to all interested parties a request for qualitative and quantitative information, which will provide the basis for a subsequent consultation on this subject.

Market analysis of voice call termination on individual mobile networks

In February 2017, with Resolution No. 45/17/CONS, the Authority initiated a new market analysis cycle of the mobile termination market in order to assess the existence of operators with significant market power; as well as the maintenance, modification or integration of existing regulatory obligations.

In the course of this proceeding, AGCOM advanced to all interested parties a request for qualitative and quantitative information, which will provide the basis for a subsequent consultation on this subject.

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

The Authority also has power of intervention regarding the use of the radio spectrum for the electronic communications systems, with the aim of facilitating the development of broadband and ultrabroadband services. Among other significant activities in this area, the adoption in late 2015 of Resolution No. 659/15/CONS, which establishes the "Procedures and rules for the assignment and use of available frequencies in the 3,600-3,800GHz band for ground-based electronic communications systems".

The provision identifies different assignment batches in compliance with the geographic areas, with the aim of reducing the *digital divide* in broadband and ultrabroadband in less dense and poorly served areas of the country and represent an important innovation which, in the near future, will open up some very interesting scenarios for both *fixed wireless* services and *Lte* and *Lte-Advanced* applications.

The assignment procedures (a competitive and comparative call for tenders – *beauty contest*) should have been already started by the Ministry for the Economic Development, but the call for tenders hasn't been published yet and should not be called for, given the latest technical and law developments, which established the use of the spectrum concerned in the context of the new 5G platform/services. This said, it could be subject to a different, new, call for tenders.

The possible impacts on Tiscali of such regulatory activities are to be assessed after the final decision on how to allocate 3.4-3.8GHz frequency bands in view of the 5G service development. The Business

Plan, on this regard, foresees the ownership of the 3.5 GHz licence until the natural expiring date on 2023.

Inquiry on the 5G

In December 2016, the Authority published Resolution No. 557/16/CONS with which it launched a survey on the development prospects of *wireless* and mobile systems towards the fifth generation (5G) and the use of new spectrum portions above 6GHz. The process aims at analyzing the evolution of network architectures, the main applications, the spectrum usage development plans, and the market interest degree for frequency bands candidate for the 5G.

In the context of this process, which will end 180 days from its start, the Authority requested interested operators to contribute to the issue with a view to defining regulatory issues and adopting the first guidelines, with particular reference to issues related to the use of the spectrum in the bands of interest identified for that new technology. Namely, the survey deals with the technological developments of the 5G and the evolution of network architectures, with particular reference to implications on spectrum use, business models and the development markets in view of the 5G.

The results of the analysis are not available yet.

Licensed Shared Access (LSA)

In May 2016, with Resolution No. 121/16/CONS, AGCOM, the first European regulator to launch a systematic verification on the matter, started a public consultation aimed at obtaining comments, information and documentation concerning the possible introduction of spectrum shared access mechanisms, "Licensed Shared Access "(LSA) type, for ground-based electronic communication systems, in order to verify the degree of the market interest and to identify possible scenarios of application as well.

In the case of the LSA, the individual rights of use of a spectrum portion already assigned to an incumbent user may be issued to one or more new subjects (so-called LSA licensees) for the use of the same spectral resources while respecting the shared protection conditions, possibly also dynamic in use.

The process is still ongoing.

Database of all Internet access networks

In January 2016, with Resolution No. 7/16/CONS, the Authority initiated a pilot project for the creation of a database of all public and private owned Internet access networks in the national territory (pursuant to the "Destination Italy" Law Decree).

The project involves the creation of a small-scale system with the participation of operators, in which exchange formats, measurement metrics, methods of acquisition, conferencing and updating of information will be defined and tested. The pilot project will last for up to six months. At the end of the pilot project, all public and private stakeholders in network infrastructure will be required to provide the information.

Notice of Infratel tender for Operators interested in NGAN networks

In September 2016, Infratel Italia launched a call for tenders for the implementation and management of an ultra-broadband infrastructure in failure market areas (total or partial).

The call concerned six regions (Abruzzo, Molise, Emilia Romagna, Lombardy, Tuscany and Veneto) for a total amount of around EUR 1.4 billion – before the round-up of the tender – had obtained the favorable opinion of AGCOM, of the Competition Authority and Market Authority (AGCM) and of the Energy Authority, and was co-supervised with Anac, also obtaining the latter's positive opinion as well.

In March 2017, Infratel officially attributed the tender to Open Fiber. The award was contested by Telecom Italia at the Regional Administrative Court of the Latium, but the Administrative Judge rejected the appeal on March 20, 2017.

In August 2016, Infratel implemented a second phase of the Banda Ultra Larga (Ultra-Broadband) project, with a second call for tenders concerning to the municipalities located in Piedmont, Valle d'Aosta, Liguria, Friuli Venezia Giulia, Marche, Umbria, Lazio, Campania, Basilicata, Sicily and the Autonomous Province of Trento.

The assignment criteria for both tenders are that of the most economically advantageous offer based on the best value for money. Telecom Italia has publicly stated that it will not participate in this second call for tenders.

Tiscali, in line with the tender regulation on the allocation of resources to non-vertically integrated wholesale operators, has decided not to participate the call for tenders.

Roaming Regulation

In December 2016, the European Parliament, Council and Commission reached a final agreement on wholesale prices that operators apply among themselves to offer roaming services.

This agreement closes a long process of discussion that led, on June 15, 2017, to the complete abolition of additional roaming costs, called "*roam like at home*".

The measures taken by European Institutions concerning "*roam like at home*" strongly penalize virtual mobile operators (MVNOs), without taking due account of the different characteristics in terms of their competitive positioning and market position compared to infrastructured operators, and put them at risk of serious economic losses.

Tiscali advanced, as provided for by the EU Regulation on this subject, a request for authorization to apply a roaming surcharge for a 12-month period in order to ensure the sustainability of its national traffic model.

This request for a derogation made to AGCOM was granted with a date of publication of July 31, 2017 (Decision No. 319/17 / CONS: Authorization to Tiscali Italia SpA to apply a roaming premium in accordance with Article 6 quater, paragraph 2, of Regulation (EU) 2012/531).

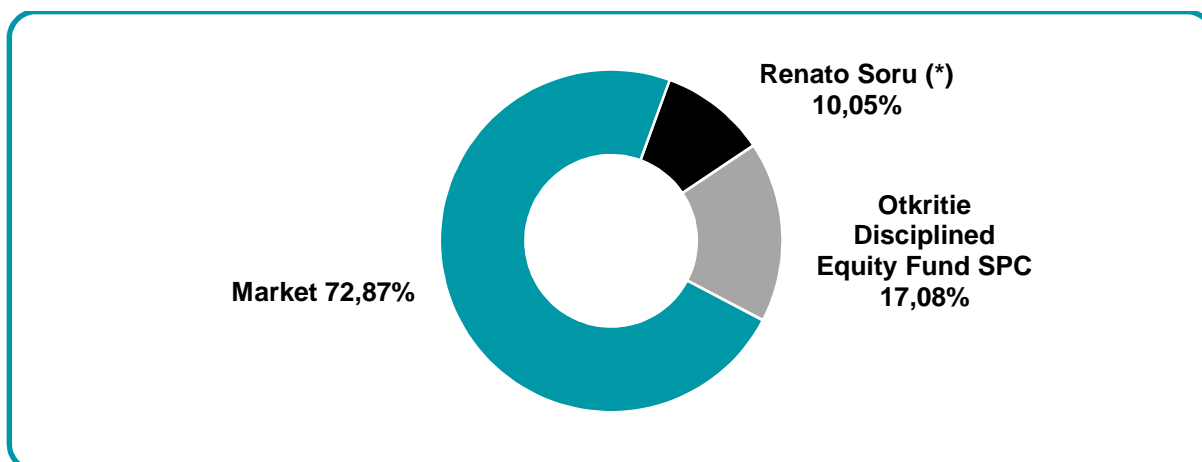
4.4 Tiscali's Shares

Tiscali shares have been listed on the Italian Stock Exchange (Milan: TIS) since October 1999. At June 30, 2017, market capitalization amounted to about EUR 134,932,593 – calculated on the value of EUR 0.0429 per share as at that date.

At June 30, 2017, the number of shares representing the Group's share capital amounted to 3,145,281,893.

The structure of Tiscali's Shareholder Base as at June 30, 2017, follows:

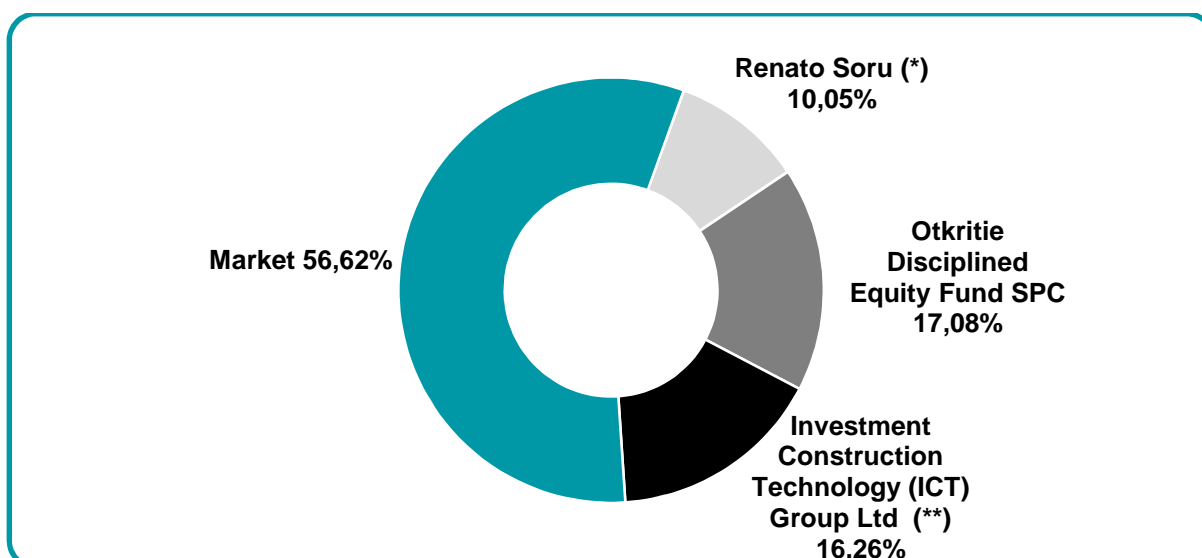
Fig. 1 Shareholding structure: % ordinary share capital



Source: Tiscali

(*) Directly for about 8.44% of shares and, indirectly, through the subsidiaries Monteverdi Srl (0.56%), Cuccureddus Srl (1.05%).

Fig. 2 Shareholding structure: % of voting rights



Source: Tiscali

(*) Directly for about 8.44% of shares and, indirectly, through the subsidiaries Monteverdi Srl (0.56%), Cuccureddus Srl (1.05%).

(**) From the communication made in compliance with the Art. No. 119 of the Regulation on Issuers, the company Investment Construction Technology Group Ltd, through its subsidiary Powerboom Investment Limited, under transfer contracts to securities lending and repurchase for a total number of shares of 16.255%, provides guidance on voting from time to time to the counterpart concerned, as provided for by specific contractual clauses.

Share Capital Structure as at June 30, 2017

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

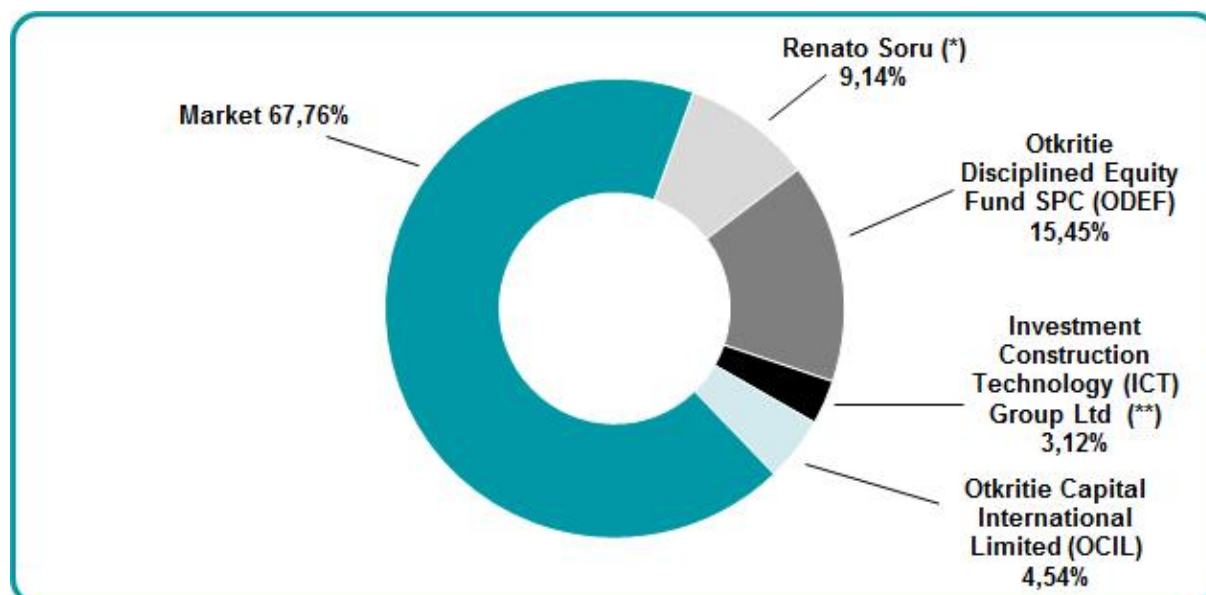
New Share Capital Structure of the Group as at August 8, 2017

Following the implementation of the Capital Increase dated August 8, for total EUR 11,806,400, the share capital structure of the issuer has been amended as follows:

SHARE CAPITAL STRUCTURE – as at August 8 2017		
	No. of Shares	As % of the share capital
Ordinary Shares	3,459,281,893	100%

The current share capital structure of Tiscali, as at August 8, 2017, follows:

Fig. 3 Shareholding structure: % ordinary share capital – as at August 8, 2017

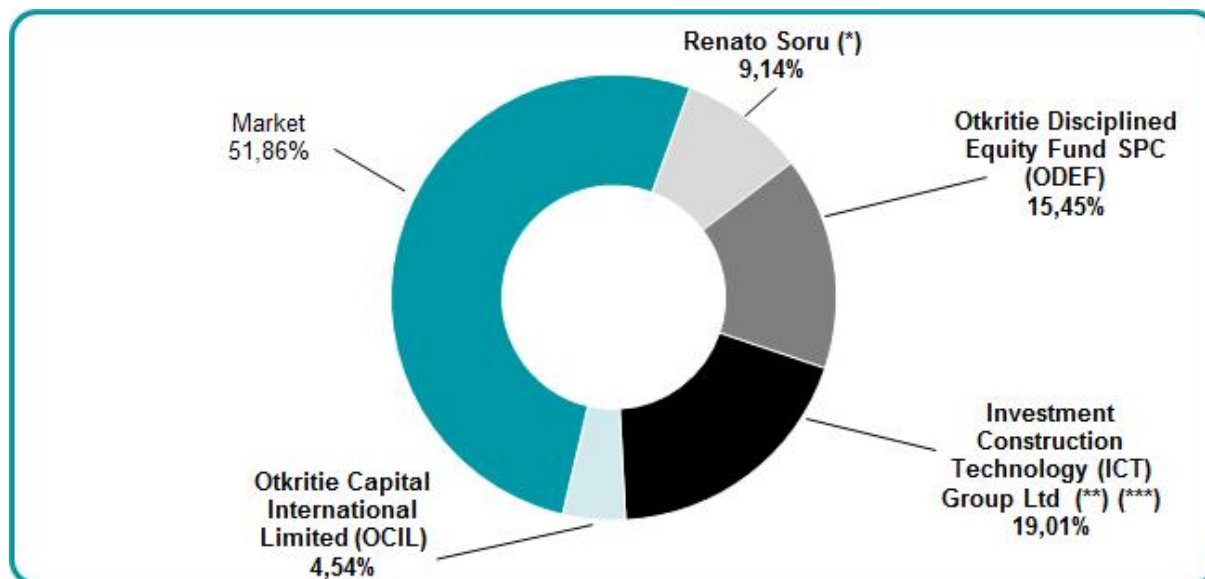


Source: Tiscali

(*) Directly for about 7,67% of shares and, indirectly, through the subsidiaries Monteverdi Srl (0,51%), Cuccureddus Srl (0,96%).

(**) Interests held through its subsidiary Powerboom Investment Limited.

Fig. 4 Shareholding structure: % of voting rights – as at August 8, 2017:



Source: Tiscali

(*) Directly for about 7,67% of shares and, indirectly, through the subsidiaries Monteverdi Srl (0,51%), Cuccureddus Srl (0,96%).

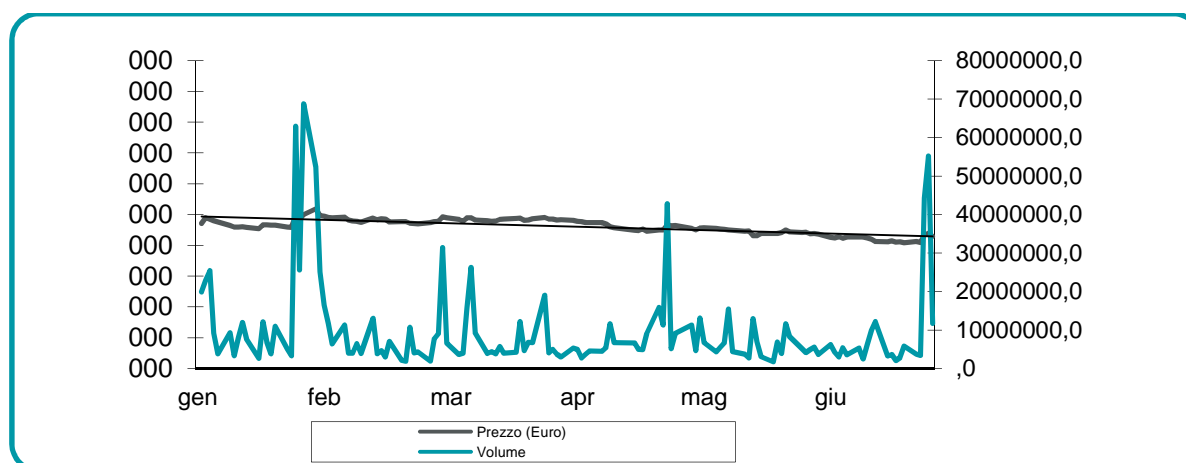
(**)Interests held through its subsidiary Powerboom Investment Limited.

(***)From the communication made in compliance with the Art. No. 119 of the Regulation on Issuers, the company Investment Construction Technology Group Ltd, through its subsidiary Powerboom Investment Limited, under transfer contracts to securities lending and repurchase for a total number of shares of 15.895%, provides guidance on voting from time to time to the counterpart concerned, as provided for by specific contractual clauses.

Performance of the Tiscali stock

The chart below shows the performance of the Tiscali stock during the first half of 2017, characterized by high trading volumes, particularly in January, April and June.

Fig. 5 – Performance of the stock during the first half of 2017



Price (EUR) – Linear trend (EUR Price) – Volume
Source: Processing of Bloomberg data

The average monthly price in the first half of 2017 amounted to EUR 0.046. The maximum price for the period, EUR 0.0519, was recorded on January 30, 2017, while the minimum, EUR 0.0408, was recorded on June 23, 2017.

Trading volumes amounted to a daily average of about 9.7 million units, with a daily average value of EUR 0.4 million.

Average exchanges of Tiscali stock on the Italian Stock Exchange during the first half of 2017		
	Price (EUR)	Number of stocks
January	0.047	18,201,131
February	0.048	6,420,203
March	0.048	8,571,688
April	0.046	8,855,386
May	0.045	6,732,615
June	0.042	9,260,974
Average	0.046	9,673,666

With reference to the trend of Tiscali Ordinary Shares on the "STAR" segment managed by Borsa Italiana SpA, it is important to note that the total market capitalization of Tiscali at June, 30, which provides a valorisation of effective net asset value of the assets of the Group, was Euro 134.9 million, against a negative equity Group value, at the same date, of EUR 143 million and a positive net equity of the Company equal to EUR 89.1 million.

In relation to the above, it is believed that achieving the goals of the Plan, as confirmed by the actual figures for the first half of 2017, will allow the transfer of a large part of the value, "incorporated" in the income statement and into the cash flows, into the balance sheet, with a gradual alignment of net equity value to stock market capitalization.

4.5 Significant events during the first half of 2017

January 25, 2017 – A partnership agreement with Open Fiber has been signed for the realization and marketing of the ultra-broadband telecommunications network in Italy

On January 25, 2017 – Tiscali and Open Fiber, jointly owned by Enel and Cdp, signed an agreement that strategically integrates and in a complementary manner to the roll out by Tiscali of the latest generation ultra-broadband LTE Fixed Wireless access network, which will develop with particular focus on areas of significant digital divide. The agreement for the 10 cities (Perugia, Cagliari, Bari, Catania, Firenze, Genova, Napoli, Padova, Parlemo and Venezia) establishes considerable targets of Tiscali customers on OF Fiber by the spring of 2019. The migration will be in parallel with the roll-out plan for the Open Fiber's Optic Fiber Network. The Open Fiber's work schedule establishes the supply of the cabling of at least 80% of real estate units, with the timing indicated in the roll-out plan. This agreement is crucial for achieving the targets of customers with Tiscali Fiber Optics offers included in the Plan and for achieve the efficiencies of the network operating costs also provided for in the Plan. It should be noted that the contract concluded with OF has some "take or pay" clauses requiring the purchase of certain minimum quantities per period. As at June, 30 2017, also on the basis of supplementary agreements signed by the parties resulting from OF's delays in infrastructure development, the minimum quantities established have been exceeded and therefore there are no additional costs associated with the application of these clauses.

January 25, 2017 - Appointment of a Common Representative by the Bondholders' Meeting

On January 24, 2017, the Bondholders' Meeting holding the loan called "Tiscali conv 2016-2020" (ISIN code: IT 0005214827) appointed as a common representative for the three-year period 2017-2019 the

bondholder Rigensis Bank AS, in the person of Ms. Natalja Jevdokimova, also ruling on her remuneration.

February 1, 2017 – Suspension of Solidarity Contracts

On February 1, 2017 – Tiscali suspended the solidarity contract following the extraordinary operations carried out in 2016 and in early 2017. Furthermore, two incentivized voluntary retirement programs were concluded in March 2017 and in June 2017 with impacts that had already been reflected in the Group provision for risks as at December 31, 2016 and with expected effects on labor costs considered in the development of the 2017-2021 Plan.

February 3, 2017 – Notarial deed for the rent of the IT business branch

On February 3, 2017, the Engineering Group and Tiscali signed the definitive contract for the “full outsourcing” of Tiscali Information Technology Services. The positive cost reduction impacts resulting from this outsourcing contract have already been considered in the 2017-2021 Business Plan.

10 February 2017 – Signature of the Notarial Act for the Sale of the Branch Tiscali Business to Fastweb

On February 10, 2017 – Tiscali and Fastweb signed the notarial deed for the sale of the Tiscali Business Branch.

The total value of the transaction amounted to EUR 45 million, of which EUR 25 million in cash and EUR 20 million through Service Voucher. In accordance with the provisions of the Disposal Agreement, at the Closing date Fastweb paid Tiscali Italia the Provisional Price, for a total of EUR 12.5 million (out of which, EUR 5 million in cash and EUR 7.5 million through Service Voucher). The payment of the remaining EUR 32.5 million was subject to the performance of the SPC Litigation between Consip S.p.A. and Telecom Italia S.p.A., pending before the Council of State, a dispute resolved by a judgment rejecting the appeal, issued on March 24, 2017 (see next event – March 24, 2017). As a result of this, the final price of the divestment of the branch was confirmed at EUR 45 million, with a capital gain of EUR 43.8 million recognized in the income statement under the item “Result from held for sale and discontinued operations” in application of the International Accounting Standard IFRS 5. The income statement for the first half of 2016 was consequently restated for comparative purposes according to the provisions of IFRS 5. Until February 10, 2017, the date of the sale, the Fastweb business unit contributed to the Group’s revenues and operating margin for EUR 0.9 million and EUR 0.3 million respectively.

February 24, 2017 - Approval of New Directors and Approval of the Information Document concerning the Transfer of the Tiscali Business Branch to Fastweb

On February 24, 2017 – The Board of Directors took note of the resignation of Konstantin Yanakov (ICT Group) and Nikolay Katorzhnov (Otkritie-Capital) from the Board of Directors and coopted, following a favorable opinion by the Board of Statutory Auditors and the Appointments and Remuneration Committee, Dmitry Gavrilin, ICT Group’s Managing Director and Sergey Sukhanov, Otkritie-Capital’s Executive Director.

The Board of Directors also approved the Information Document concerning the sale of the Tiscali Business Branch to Fastweb S.p.A., prepared in accordance with Art. 71, Paragraph 1 of the Issuers’ Regulations.

The Shareholders’ Meeting, held on May 30, 2017, confirmed the appointment of the two above-mentioned Directors.

March 9, 2017 - Tiscali presents the new brand and the new “mission”

Tiscali launched its new image and mission to the market: to bring the ultra-broadband bandwidth anywhere, both in fiber and in wireless proprietary network with LTE technology (WFTTH Wireless Fiber To Home) using 3.5GHz frequencies to rapidly reach even places hard to reach by cable. In order to achieve this goal, Tiscali invests in networking, innovation and also in the return to advertising, starting from the relaunch of its brand with a new logo.

March 24, 2017 – The new Tiscali returns to television advertising

Tiscali announced its return on television and WEB advertising, presenting its new brand identity and new ultrabroadband deals to the audience.

The commercials, launched in June on television, fully reflect the brand identity presented in March and launch new products with an exceptional testimonial: Jeff Bridges.

March 24, 2017 – Publication of the Judgment concerning the appeal No. 4604/2016 promoted by TIM Spa at the Council of State on the SPC Contract

On March 24, 2017 – The Council of State in court (Fifth Chamber) delivered the judgment ruling on appeal No. 4604/2016 promoted by TIM Spa at the Council of State on the SPC Contract, by rejecting the main appeal and declaring the incidental appeals inadmissible.

This ruling has made it possible to finalize the agreement with which Tiscali has transferred to Fastweb the Tiscali Business Branch, which includes, in addition to customers in the Top Client segment of Tiscali, the same SPC contract.

March 31, 2017 – Payment by Fastweb of the additional price component for the sale of the Tiscali Business Branch

On 31 March, 2017 – In compliance with this agreement, Fastweb paid to Tiscali the balance of payment due, being an earn-out deal, concerning the acquisition of the business branch, amounting to EUR 32.5 million, of which EUR 20 million in cash and EUR 12.5 million in connectivity services.

As at June 30, 2017, the residual amount of connectivity services available to Tiscali is EUR 14.6 million.

June 27, 2017 – Proposed paid share capital increase reserved to OCIL Ltd and Powerboom Investment Ltd

The Board of Directors of Tiscali approved the proposed increase in share capital, payable in one or more times, also in separate issues, by December 31, 2017, with the exception of the option right pursuant to Art. 2441, paragraph 4, of the civil Code, to be reserved to Otkritie Capital International Limited and Powerboom Investment Limited (a wholly owned subsidiary of ICT – Investment Construction Technology Group Ltd) for a total maximum value of EUR 13,000,000.00 to be released one or more times, by issue, even in several tranches, of a maximum number of 314,000,000 ordinary shares with the same characteristics as ordinary shares outstanding with no nominal value.

The transaction ended on August 7, 2017 with the issue of 314,000,000 shares subscribed jointly by OCIL and ICT, who simultaneously paid EUR 5,903,200 each.

The subscription price of the new Shares was determined on the basis of the official weighted average prices recorded in a 10-day open-ended trading day prior to the date of the Board of Directors which have set the above-mentioned price, net of the application of one 10% discount.

From an economic and financial point of view, the transaction had the typical effects of a capital increase with the exclusion of option rights, further strengthening the equity structure by reducing total debt and ensuring the stability of the shareholding and the renewed and strengthened involvement of the same shareholding, without involving a dilution of the current shareholders of more than 9.99%.

That capital increase was executed without the prior publication of an offer and quotation prospectus, pursuant to the exemptions provided for by Articles 34ter, paragraph 1, letter a) and b) and 57, paragraph 1, letter a) of the Issuers' Regulations.

May 19, 2017 – Liquidation of the subsidiary company Tiscali Poland

On May 19, 2017, Tiscali Poland, non-operative company owned by Tiscali, was liquidated.

4.6 Analysis of the Group's economic, equity and financial position

Main risks and uncertainties for Tiscali S.p.A. and the Group

Risks relating to the general economic situation

The Group's economic, equity and financial position is affected by several factors, which compose the macro-economic scenario – such as, for instance, the variations in GDP (Gross Domestic Product), the savers' confidence in the economic system and the trends in interest rates. The progressive weakening of the economic system, together with a reduction in households' disposable income, has resized the general level of consumption, with a depressive impact on the capacity for a quick recovery.

The Tiscali Group's activities, strategies and outlook are influenced by the macro-economic context concerned and, as a result, this also affects the Group's economic, equity and financial position.

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

The Tiscali Group operates in the market of telecommunication services, characterized by high competitiveness.

With regard to the two main markets in which Tiscali operates, it should be noted that on the basis of AGCOM assessment for June 2017, Tiscali's market share at the end of 2016 in the broadband Internet-access sector, considering also the contribution of the Fixed Wireless Broadband client acquired following the merger with Aria amounts to about 3.4%, while in the mobile virtual operator (MVNO) sector, Tiscali's share of the market is not significant.

Tiscali's main competitors are Internet Service Providers owned or controlled by national telecommunications operators, which used to hold the monopoly over telecommunications services before the liberalization of the sector (so-called Incumbents). These competitors possess a strong brand awareness in their own counties, a consolidated customer base and high levels of financial resources, which allow them to make huge investments, namely in the research sector aimed at the development of technologies and services.

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

In order to take on its competitors, the strategy deployed by Tiscali aimed at supplying high-quality Internet access services at competitive prices, in addition to starting to supply high-quality LTE BroadBand services on a proprietary access network with higher marginality thanks to the acquisition of the 3.5GHz spectrum following the merger with Aria on December 2015. The possible inability of the Group to compete successfully in the sector in which it operates, with respect to its current or future competitors, could negatively affect the Group's market position with consequent loss of clients and negative effects on the economic, equity and financial situation of the Company and of the companies of the Group.

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

The ability of the Tiscali Group to attract and maintain clients will still depend heavily on the operation of its own network and information systems and, in particular, on the continuity and security of the same as well as of its servers, both *hardware* and *software*.

The Group, which operates in a highly complex market from a technological point of view, is exposed to a high risk concerning the IT and ICT systems. With regard to the management of risks connected with the malfunctioning and malfunctioning of said systems, on which the business management is based, the Group invests adequate resources aimed at protecting all IT instruments and processes.

The core-business systems are all highly reliable; the datacenter, located in the Cagliari headquarters, is equipped with safety systems such as fire-prevention and anti-flood systems.

The Programme Security System Policy is drawn up on an annual basis, and it details safety measures (technical, IT, organizational, logistical and procedural tools) aimed at reducing the risks of destruction or loss, even accidental, of this data, and of unauthorized access or handling of the same.

The possible lack of electricity or the possible interruptions in telecommunications, breaches in the security system and other similar unforeseeable negative events (such as the complete destruction of the data center) could cause interruptions or delays in the performance of services, with consequent negative effect on the activity and economic, equity and financial situation of the Group.

Cyber Risk

Business IT infrastructures are kept constantly up to date based on the needs arising from the rapid evolution of technology and the need to propose new products on the market.

Given that the IT performance is critical for business continuity, technical and procedural solutions for datacenter security have been set up.

Logic protection is entrusted to controllers specialized in protection from intrusion and denial of service and at support of leading market-leading companies coordinating an onsite team of security professionals.

Operating methodologies are defined by formal procedures deriving from the implementation of the ISO-27001 management system, whose certification is renewed annually along with the relative Disaster Recovery plan.

The Company constantly collaborates on the subject with a number of institutions such as the National CERT, working at the Ministry of Economic Development, also carrying out activities of detecting and contrasting computer threats.

At the date of this Half-Year Financial Report, no violation of third party Tiscali information systems has been reported.

Even though Tiscali has adopted rigid protocols to protect all data acquired in the course of its operations, and the fact that it operates in strict compliance of the legislation in force in terms of data protection and *privacy*, it cannot be excluded that intrusions in its systems might occur in future, with consequent negative impact on the economic, financial and equity results on the Group.

Finally, it should be noted that the companies of the Group stipulated specific insurance policies in order to cover the damages which its infrastructures might suffer as a consequence of the aforesaid events. Nevertheless, in case such damaging events should occur, which are not covered by insurance policies or, even though covered, these events cause damages exceeding the maximum amounts insured, or due to breaches of their systems, the reputational damage suffered should lead to the loss of customers, these circumstances could have a significantly negative impact on the activity and on the economic, equity and financial situation of the Group and on the forecasted figures..

Risks relating to the evolution of technology and to the commercial offer

The sector in which the Tiscali Group operates is characterized by deep and sudden technological changes, by a very high level of competitiveness and also by the rapid obsolescence of products and services. The future success of the Group will also depend on its capacity to anticipate any such technological changes and on its ability to adapt very quickly via the development of products and services suitable to meet its clients' needs.

It should be noted that, in particular with regard to Broadband LTE offers, Tiscali can count on:

- Enjoying greater flexibility in using the price leverage th providing the proprietary wireless access network service, allowing the payment of no rent of the for the "last mile copper to TIM.

- Being able to rely on future-proof LTE technology thanks to the strategic agreement with Huawei, the world leader in the production of 3.5GHz LTE devices, allowing Tiscali to have access to the latest generation technology.

The potential inability to adapt to new technologies and therefore to changes in customers' needs could lead to negative effects on the activity and on the economic, equity and financial situation of the Group companies.

Risks concerning the developments within the regulatory environment in the sector in which the Group operates

As anticipated in the previous paragraph "4.3 – Regulatory Background", the telecommunications sector in which the Group operates is a highly-regulated field regulated by extensive regulations and legislations, stringent and comprehensive, especially with regard to the concession of licences, competitiveness, attribution of frequencies, fixing tariffs, interconnection agreements and leased lines. Amendments to legislation, regulations, or changes of political nature that concern the activities of the Group, as well as sanctions issued by AGCOM, could have negative effects on the activity and on the reputation and, consequently, on the economic, equity and financial situation of the Issuer and of Group companies.

In particular, such amendments might involve the introduction of greater burdens, in terms of both direct cash outflow and of the additional cost of adjustments, as well as of new liability profiles and regulatory barriers concerning the supply of services. Furthermore, any changes in the legislative framework, or the adoption of provisions by AGCOM, could make it more difficult for the Group to obtain services from other operators at competitive rates or might restrict access to the systems and services necessary for the implementation of the activities of the Group.

In addition to this, taking into account the dependency of the Group's companies on the services provided by other operators, the Group might not be in a position to adopt and/or adapt timeously to possible measures amending the current legislation and/or regulation in force, with consequent negative effects on the activity and on the economic, equity and financial situation of Group companies.

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

The evolution of the financial situation of the Group relies on several factors and, in particular, on the achievement of the objectives provided for in the Business Plan, the trend in the general conditions of the economy, of financial markets and of the sector in which the Group operates.

The actions undertaken by the group in FY 2016 (subscription of the new agreement of refinancing of senior bank debt with Intesa San Paolo and BPM, and subscription of the convertible bond by Rigensis Bank and Otkritie Capital International Limited), resulted in an improvement in the financial indebtedness structure in the long term, and in a reduction in overall cost.

The Business Plan, indeed, reflected the inclusion of some events, despite the uncertainty of the negotiation process with lenders, that lead to a breakeven cash flow generating capacity of the 12-month period following the approval of the 2016 Financial Statements, confirming the recurrence of the going concern assumption.

During the first half of 2017, the Company undertook the following additional actions, aimed at improving the Group's financial structure, in order to enable the Company to achieve a financial structure consistent with the expected cash flows, and to support its development objectives as established in the Business Plan:

- Paid capital increase reserved to Otkritie Capital International Ltd (OCIL) and Powerboom Investment Limited (company of the ICT Group, correlated party), for a maximum total value of EUR 13 million. The transaction, endorsed by the Board of Directors of Tiscali Spa on June 27, 2017, took place on August 7, 2017, with the issue of 314,000,000 shares subscribed equally by OCIL and ICT, which simultaneously paid EUR 5,903,200 each, with a total amount of capital increase

equal to EUR 11,806,400; negotiations are underway to obtain funding from the above mentioned parties to allow the liquidity generated from the above described transaction to reach the amount of EUR 13 million.

- Continuation of ongoing negotiations with Intesa San Paolo and BancoBPM (formerly BPM), which has been described in the financial communication relating to the financial statements as at December 31, 2016, in order to reach a standstill agreement on payments due to the two banks in the next 12 months.
- Continuation of negotiations with Mediocredito Italiano and Unicredit Leasing ('Pool Leasing'), which has been described in the financial communication relating to the financial statements as at December 31, 2016, in order to redefine the overall amortization plan for the lease of the Sa Illetta site.
- Collection, on March 31, 2017, of the payment due for the sale of the Business Branch to Fastweb, amounting to EUR 20 million, following the completion of the sale, on 10 February 2017.

The performance of the first half of 2017, aligned with the Business Plan forecasts, the compliance with agreed postponement plans with suppliers and the definition of new postponement plans consistent with cash-generating capacity reflected in the Business Plan, as well as considering the positive developments of the negotiations of the bank debt, the leasing financial liabilities and the capital increase, encourage management to hold, and to a greater extent, confirm - irrespective the situation of material uncertainties at the date of the approval of the 2016 Financial Statements - the existence of a financial breakeven over the horizon of twelve months after the approval of this Half-yearly condensed interim consolidated financial statements.

Risks associated with fluctuations in interest and exchange rates

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

In relation to the exposure to the risks associated with interest rate fluctuations, in view of the Group's predominant financing method (financial debt as per the Restructuring Agreement at a fixed rate) the management consider the risk of interest rate fluctuations to be insignificant.

Risks linked to relations with employees and suppliers

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

During the first half of 2017, in line with the Business Plan, the Group implemented two schemes for retirement incentives, joined by 52 staff members. The total charges related to those plans amounted to EUR 1.8 million fully accrued as at June 30, 2107.

The Tiscali Group's business also depends on existing contracts with its strategic suppliers, in particular Telecom Italia, both for the use of network infrastructures and for interconnection.

In particular, there are contracts with Telecom Italia for the provision of direct interconnection services, reverse interconnection, co-location, disaggregated access, single-access ADSL Bitstream, shared access and wireless services.

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

The terms and conditions of such contracts with Telecom Italia are regulatory and there are no elements in the state that may suggest a non-renewal at maturity.

It is to be noted that in the first months of 2017, deferred payment arrangements towards certain some of the major suppliers of the Group have been finalized, such as Telecom Italia and British Telecom and that, with reference to the development of investment, there is an ongoing negotiation for the renewal of the contract with Huawei which allow the company to benefit, given the strategic character of Tiscali for the above-mentioned supplier, from postponement clauses already applied as of today, favourable and consistent with the cash flow generation capacity as indicated in the Business Plan.

Concerning the Group's trade payables, it should be noted that as at June 30, 2017, the net expired net trade payables (net of payment plans agreed with the suppliers, active items and disputes with the same suppliers) amounted to EUR 35.2 million. In particular, payment plans with suppliers amounted to EUR 30.1 million at the same date.

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

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

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

- General authorization for the provision of the “data transmission” service: in case of loss of this authorization – which in turn expires on December 9, 2017 – the Group would no longer be able to provide Internet access services. At present, Tiscali has all the necessary requirements for the automatic renewal of that authorization upon expiry.
- General authorization (individual license) for “voice service accessible to the public on the national territory”, expiring on February 28, 2019: 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.
- General authorization for “electronic communications networks and services”, expiring on January 11, 2032: in case of loss of such authorization, the Group would no longer be able to realize network infrastructure and thus provide connectivity services on proprietary infrastructures.
- General authorization for the provision of the “Enhanced Service Provider” mobile service: in case of loss of such authorization – which is scheduled to expire on June 30, 2028 – the Group would no longer be able to provide services (both voice and data) of mobile type.
- Right of use on the entire the national territory of 42MHz of spectrum on 3.5GHz frequency issued by the Ministry of Communications on May 21, 2008 for a total duration of 15 years

(then until May 21, 2023) – in case of loss of such right the Group would no longer be able to provide Broadband Fixed Wireless services.

Were the above licenses and permissions to be revoked or not renewed or was the Group not to obtain the necessary new licenses and permits or no longer exercise the real rights necessary to operate, the Tiscali Group may not be able to operate its business, with possible adverse effects on the Company's business and on the economic, equity and financial position of the Issuer and of the Group companies.

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

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

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

Going Concern Risk

For this purpose, please refer to paragraph “4.7 Assessment of the business as a going-concern and future outlook”.

Risk related to potential disputes and liabilities

For this purpose, please refer to paragraph “4.9 Disputes, Contingent Liabilities and Commitments”.

Introduction

Founded in 1998, Tiscali is one of the leading alternative telecommunications operators in Italy.

Thanks to a cutting-edge network based on IP technology, Tiscali provides its customers with a wide range of services, with *fixed broadband* and *fixed broadband wireless* Internet access, mobile telephony services and added-value services, together with more specific and hi-tech products. This offer also includes voice services (VOIP and CPS), we-portal and mobile telephone services, thanks to the service supply agreement reached with Telecom Italia Mobile (MVNO). Starting from 2016, thanks to the spectrum acquired following the merger with Aria in December 2015, the Tiscali Group also offers UltraBroadBand LTE Fixed Wireless services on proprietary access network.

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

- (i) *Broadband Access* (LLU, Bitstream, Fixed Wireless, Fiber) including VOIP services;
- (ii) Mobile telephony services (so-called MVNO);
- (iii) "Wholesale services" to other operators;
- (iv) "Services to Businesses" (so-called B2B) which include, inter alia, VPN services, Hosting, concession of domains and *Leased Lines*, which are getting an ever-decreasing importance due to the transfer of the Business Branch to Fastweb;
- (v) "Media and value-added services", which include media, advertising and other services.

As described in Note 9 "Assets transferred and/or to be transferred", the Group reclassified the following business lines in view of the divestments completed in early 2017, or on the basis of the management's intent to transfer them in the year:

- transfer to Fastweb of the Tiscali Business branch, which includes customers in the Tiscali Top segment and the framework agreement for connectivity services (SPC) to the public administration. The transaction was finalized on February 10, 2017;
- transfer of the assets related to Over The Top Stremago and Istella projects. As at the date of this Report, Istella has not yet been sold.

As required by the International Accounting Standards (IFRS 5), the Group reclassified the economic and financial elements in the statement of Income Statement, Balance Sheet and Cash Flow Statement as such activities are "non-core".

As to the Income Statement, in particular, the revenues and costs of the assets concerned have been reclassified to the item "Result from held for sale and discontinued operations", including the gains realized for a total amount equal to EUR 43.8 million.

With regard to the sale of the Tiscali Business Branch (including the SPC contract), in particular, the revenues of the Branch were reclassified partly from the "Business Services" business line for the revenue component concerning B2B services (VN, Hosting, Leased lines...) and partly from the "Access" business line for the revenue component that includes access services (ADSL, VOIP, VoIP, and mobile telephony).

An analogous reclassification was made to the income statement items as at June 30, 2016, for comparative purposes.

Economic Situation of the Group

Consolidated Income Statement (EUR mln)	1 st semester 2017	1 st semester 2016	Change
Revenue	103.6	96.9	6.7
Other income	1.2	1.8	(0.6)
Purchase of external materials and services	70.7	61.4	9.3
Personnel costs	15.9	20.0	(4.2)
Write-downs accounts receivable from customers	3.8	4.8	(1.0)
Gross Operating Result (EBITDA)	14.4	12.4	2.0
Restructuring costs	3.5	0.4	3.2
Depreciation	23.7	24.5	(0.8)
Operating profit (EBIT)	(12.9)	(12.6)	(0.3)
Financial Income	0.0	1.0	0.0
Financial Expenses	6.4	7.7	0.3
Pre-tax profit	(19.21)	(19.2)	0.0
Income taxes	0.02	(0.0)	0.1
Net result from operating activities (ongoing)	(19.2)	(19.3)	0.1
Result from held for sale and discontinued operations	43.6	1.5	42.1
Net result for the period	24.5	(17.7)	42.2
Minority interests	0.0	0.0	0.0
Group Net Result	24.5	(17.7)	42.2

(*) Please note that, with respect to the Annual Financial Report 2016 and to the Consolidated Half-Year Financial Statements 2016, the following changes have been made to the Statement of Income Statement:

- removal of the level of "Adjusted gross EBITDA" (as described in paragraph 2, Alternative Performance Indicators).
- Separation of Financial Income and Financial Expenses items, instead of a single item Net Financial Income (Expense).

The gross operating profit (EBITDA) gross of provision for doubtful accounts amounted to EUR 18,2 million as at June 30, 2017 (EUR 17.2 million as at June 30, 2016).

Revenues from the Tiscali Group during the first half of 2017 amounted to EUR 103.6 million, an increase by 6.9% as compared to EUR 96.9 million recorded in the first half of 2016.

The net change, equal to EUR 6.7 million, is mainly attributable to the following factors:

- Decrease by EUR 1.6 million in the revenues of Broadband Fixed Wireless segment, explained by the following:
 - Increase by EUR 1.1 million (+1.7%) in the revenues from the "Fixed BroadBand" segment, which amounted to EUR 68.4 million (EUR 67.3 million in the corresponding period of FY 2016)) reversing for the first time the negative trend recorded in the semesters of the last two years. This increase is mainly due to the trend of the Fixed BroadBand customer portfolio (+31.7 thousand units in June 2017, as compared to June 2016).
 - Reduction in the revenues from Broadband Fixed Wireless for about EUR 2.7 million due to the increase of LTE customers with higher value (about 35 thousands LTE customers in the portfolio as compared to about 10,000 in December 2016) less than compensated by the reduction of Wimax customer portfolio due to the impossibility to complete the WiMax migration process to LTE, as well as from the termination of the sale of WiMax services in areas where the LTE service is still unavailable. This trend led Broadband Fixed Wireless customers portfolio to approximately 61.6 thousands

units in June 2017 (down by about 13.4 thousands units as compared to December 2016).

- MVNO revenues increased by 33.9%, from EUR 4.9 million in the first half of 2016 to EUR 6.6 million in the first half of 2017, thanks to the significant increase of the Mobile customers' portfolio, from 146.3 thousands units in June 2016 to about 202 thousands units in June 2017.
- "Services to Business and Wholesale" revenues increased by EUR 4.9 million (+63.9%); growth was mainly due to the increase in sales of services and products (EUR 5 million in the first half of 2017).
- "Media & VAS" revenues decreased by EUR 0.8 million (a 10.7% decrease).
- "Other" revenues grew by EUR 2.6 million as compared to the data of the corresponding semester of 2016 (EUR 0.7 billion), as a result of the revenues deriving from the rantale of the IT business to Engineering, from the Fastweb agreement for the management of B2B customers until their definitive physical migration to Fastweb and from the growth of revenues from Sa Illetta Headquarter office renting to third parties.

During the first half of 2017, Internet access – which includes the Fixed Broadband Access and Fixed Wireless components – accounted for approximately 71.9% of the total turnover.

Other income, amounting to EUR 1.2 million as at June 30, 2017, decreased by EUR 0.6 million as compared to June 30, 2016.

Costs for purchases of materials and services amounted to EUR 70.7 million increased by EUR 9.3 million year-over-year thanks to the increased activity volumes, also deriving from the costs associated with IT outsourcing activities at Engineering.

The significant reduction of EUR 4.2 million in personnel costs, amounting to EUR 15.9 million in the first half of 2017, is linked to the actions aimed to recover efficiency implemented and, in particular, as a result of the outsourcing of IT activities to Engineering, of the sale of B2B branch to Fastweb and of the incentivized retirement plans carried out during the last 12 months, which led to a significant reduction in the average staff in respect to the first six months of 2016.

The above-mentioned effects, and in particular the positive impact of the reduction of personnel costs, result in a Gross Operating Profit (EBITDA) of EUR 14.4 million, increasing by EUR 2 million year-over-year (EUR 12.4 million). The total impact of non-recurring items in the first half of 2017 on the adjusted gross operating profit (EBITDA) was positive by 1.9 million euros, compared to a positive EUR 1.5 million impact in the first half of 2016.

Depreciation and amortization costs for the first half 2017 amount to EUR 23.7 million, in slight reduction if compared to the EUR 24.5 million accounted for the first half 2016.

Moreover, during the first half 2017, restructuring costs have been accounted for EUR 3.5 million, as compared to EUR 0.4 million in the first half of 2016. The increase is mainly attributable to restructuring costs incurred by the company relating to the reorganization and downsizing of the workforce (including the costs incurred for the incentivized retirement plans made during the first half of 2017 for EUR 1.8 million).

As result of the above mentioned items, the net operating result (EBIT), net of provisions, write-downs and restructuring costs, was negative for EUR 12.9 million, recording a decrease by EUR 0.3 million compared to the result for the first half of 2016, which was negative by EUR 12.6 million.

The impact on the EBIT of the non recurring items in the first half 2017 is negative for EUR 1,6 million, compared to positive EUR 1.0 million accounted in the first half 2016.

The Result of operating activities (ongoing), negative for EUR 19.2 million, is in line with the comparable figure for the first half of 2016, down by EUR 19.3 million.

The Result from held for sale and discontinued operations includes the capital gain on the sale of the BTB business branch to Fastweb (including the SPC Contract) accounted for upon completion of the

transfer contract, on February 10, 2017, equal to EUR 43.8 million, in addition to the period result for the same assets held for sale (for further details please refer to Note 9 of the paragraph 5.14).

The Net Result of the Group is positive for EUR 24.5 million, improving compared to the comparable figure for the previous six months, negative for EUR 17.7 million.

The improvement in the Group's Net Result, as compared to the first half of 2016, is mainly due to the positive impact of the capital gain on the sale of the BTB business segment to Fastweb.

Operational Income Statement of the Group

The Profit and Loss Statement of the Group (*)	1 st semester 2017	1 st semester 2016
<i>(EUR mln)</i>		
Revenue	103.6	96.9
Access Broadband revenues	74.5	76.1
<i>of which fixed Broadband</i>	68.4	67.3
<i>of which Broadband FWA</i>	6.1	8.8
Revenues from MVNO	6.6	4.9
Business service revenues and Wholesale	12.6	7.7
<i>of which business service & Wh revenues</i>	7.6	7.7
<i>of which revenues from reselling of products</i>	5.0	0.0
Media and value-added service revenues	6.7	7.5
Other revenues	3.2	0.7
Gross operating margin	46.8	47.4
Indirect operating costs	29.7	31.9
Marketing and sales	6.3	3.7
Personnel costs	15.9	20.0
Other indirect costs	7.6	8.2
Other (income) / expenses	(1.2)	(1.7)
Write-down of receivables	3.8	4.8
Gross Operating Result (EBITDA)	14.4	12.4
Restructuring costs	3.5	0.4
Depreciation	23.7	24.5
Operating profit (EBIT)	(12.9)	(12.6)
Net Result pertaining to the Group	24.5	(17.7)

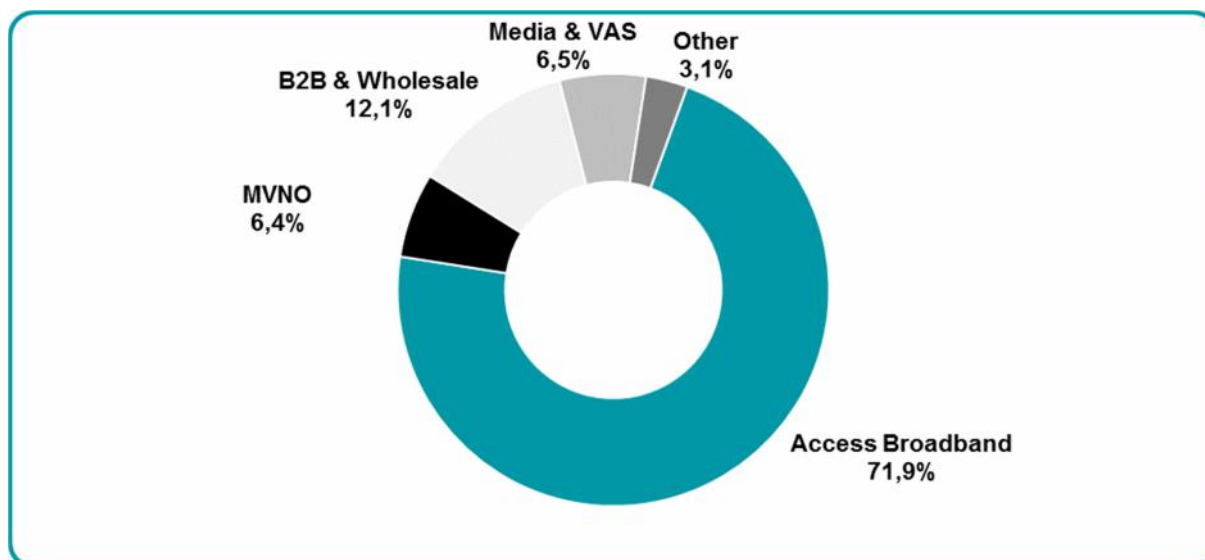
(*) Please note that, as compared to the Consolidated Half-Year Financial Statements 2016, the following change has been made to the Statement of Income Statement:

- removal of the level of "Adjusted EBITDA" item (as described in paragraph 2, Alternative Performance Indicators).

Please note that gross operating profit (EBITDA) gross of provision for doubtful accounts amounted to EUR 18.2 million as at June 30, 2017 (EUR 17.2 million as at June 30, 2016).

Revenue by business segment

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



Source: Tiscali

Broadband access

The segment concerned, which includes Internet access services, generated revenue for the first half of 2017 for approximately EUR 74.5 million (EUR 68.4 million from “Fixed Access” and EUR 6.1 million from “Fixed Wireless Access”), down by 2.1% as compared to the corresponding figure for the first half of 2016 (EUR 76.1 million).

This revenue item includes the following two components:

- Fixed Access, amounting to EUR 68.4 million, increasing by 1.7% as compared to June 2016, reversing for the first time the negative trend recorded over the last two years as a result of the growth of the customer portfolio (+ 31,600 BroadBand Fixed users in June 2017 as compared to June 2016).
- Fixed Wireless Access, amounting to EUR 6.1 million as at June 30, 2017, decreasing by 30.9% as compared to June 2016, as a result of the decrease in WiMax customer, resulting from termination for the impossibility to complete the migration process from WiMax to LTE services and also from the termination of WiMax services sales in areas where the LTE service is still unavailable, less than compensated by the growth of higher-value LTE customers (about 35,000 LTE clients in the portfolio against approximately 10,000 in December 2016). This trend led to a total reduction in the Fixed Wireless customer portfolio of approximately 34.700 units during the period June from June 2017 to June 2016.

As at June 30, 2017, total active clients amounted to 716.8 thousand units, increasing by about 52.6 thousand units as compared to the figure as at June 30, 2016 (664.3 thousand units) of which clients from “BroadBand Access” amounting to 453.3 thousand units, increasing by about 31.6 thousand units, clients from “Fixed Wireless” amounting to 61.6 thousand units (of which over 35.6 thousand clients of UltraBroadBand LTE Fixed Wireless), decreased respect to the figure at June 30, 2016 by about 34.7 thousands unit, and mobile clients amounting to 201.9 thousand units, with a significant growth by 55.6 thousand units as compared to the comparable data as at June 30, 2016.

Evolution of the customer base (lines)

Customer base	30 June 2017	31 December 2016	30 June 2016
Total Broadband Fixed	453,332	440,151	421,649
of which Fiber	22,352	9,838	5,741
Total Broadband Wireless	61,601	75,003	96,346
of which LTE	35,604	10,029	0
Mobile	201,953	166,021	146,324
Total Customers	716,886	681,175	664,319

It should be noted that the Company has adopted a new representation of its customer portfolio, as of this Financial Report. In line with the strategy of focusing on the core business, only core service users are represented: fixed broadband, wireless broadband and mobile. Users of CPS, Narrowband, and users of BTB services, which are being progressively discontinued, have not been represented. Users were redetermined as at December 31 and June 30, 2016, as well.

It is also noted that Fixed Wireless users do include as of June 30, 2017 a number of former inactive customers waiting to be activated by about 12,000 units for which the company is performing marketing and commercial activities for potential future reactivations. As of December 31, 2016, the number of former inactive customers expected to be activated was approximately 20,000.

MVNO

The MVNO segment grew by 33.9%, from EUR 4.9 million in the first half of 2016 to EUR 6.6 million in the first half of 2017, thanks to a 55,600 units' growth recorded in the Mobile customers' portfolio (+38%). In June 2017, the Mobile customers' portfolio of Tiscali amounted to about 202,000 units.

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, which exclude 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 2017 to EUR 12.6 million, up by 63.9% as compared to EUR 7.7 million in the first half 2016.

Media

In the first half of 2017, revenues from the Media and value-added services segment (mainly related to the sale of advertising space) segment amounted to about EUR 6.7 million, down by 10.7% as compared to previous six-month period (EUR 7.5 million); this reduction is connected with the negative performance of on-line advertising sales, more and more affected by concentration phenomena by Over-The-Top (Google, Facebook). In order to tackle this issue more effectively, in July 2017 a strategic agreement with Sky has been signed for a joint management of the business of online advertising sales.

Other revenues

Other revenues in the first half of 2017 amounted to about EUR 3.2 million, up from the corresponding figure for the first half of 2016 (EUR 0.7 million). This growth is due in particular to the revenues from the rent of the IT business to Engineering, to the revenues deriving from the customer service management agreement belonging to the business branch transferred to Fastweb until their definitive

physical migration to Fastweb and to the increase in revenues from Sa Illetta office rented to third parties.

Indirect operating costs in the first half of 2017 amounted to EUR 29.7 million, decreasing as compared to the first half of 2016 (EUR 31.9 million). This reduction is largely due to the sharp reduction in personnel costs due to the significant reduction in average staff over the period, not offset by the growth in marketing costs associated with the advertising campaign made in the first half of 2017 for brand revival and support of the process of acquiring new customers.

The components the indirect operating costs follow:

- **Marketing costs** amounted to about EUR 6.3 million, increasing as compared to the previous six-month period (EUR 3.7 million), as a result of the costs of the communication campaign carried out in the first half of 2017, as well as the increase in costs related to the sale of goods and services.

- **Payroll and related costs** amounted to EUR 15.9 million (15.3% of revenues), decreasing as compared with the first half of 2016 (EUR 20 million, 20.7% of revenues), mainly due to the downsizing of the workforce happened during FY 2016 and in the first six-month period of 2017.

- **Other indirect costs** : amounted to EUR 7.6 million and decrease compared to the first half of 2016 (EUR 8.2 million) as a result of the general cost efficiency policies implemented during the period.

Other income/charges

This voice include net other income amounting to EUR 1.2 million as at June 30, 2017, amount reduced if compared to the first half of 2016 (EUR 1.7 million), mainly includes the recording of the portion of the 2011 financial year gain realized through the Sale and Lease-Back transaction at Cagliari (Sa Illetta), for about EUR 1.1 million in continuity with the figure for the first half of 2016.

Provisions for doubtful accounts

The provisions for doubtful accounts amount to EUR 3.8 million as at June 30, 2017 (3.7% of revenues), a reduction in absolute value and as a percentage of revenues compared to the same figure as at June 30, 2016, equal to EUR 4.8 million (5% of revenues).

The effects of the above items determine a **Gross operating result (EBITDA)** net of write-down of receivables and other provisions amounted to EUR 14.4 million, with an increase by EUR 2 billion as compared to the same figure of the six-month period of 2016 (EUR 12.4 million).

Depreciation for the first half of 2017 amounted to EUR 23.7 million, down slightly from the Euro 24.5 million recorded in the first half of 2016.

Moreover, during the first half 2017, the company accounted restructuring costs for EUR 3.5 million, compared to EUR 0.4 million in the first half of 2016. This increase is mainly attributable to restructuring costs incurred by the company in terms of reorganization and downsizing of the staff (including costs incurred for incentive schemes implemented in the first half of 2017 for EUR 1.8 million).

Considering the above mentioned itmes, the net operating result (EBIT), net of provisions, write-downs and restructuring costs, is negative for EUR 12.9 million, decreasing by EUR 0.3 million as compared to the first half of 2016, negative for EUR 12.6 million.

The total effect for the first half 2017 of non recurring items on EBIT is negative for EUR 1,6 million, compared to positive EUR 1.0 million for the first half 2016.

The Result of continuing operations, negative for EUR 19.2 million, is in line with the comparable figure for the first half of 2016, negative for EUR 19.3 million.

The Result from held for sale and discontinued operations includes the capital gain on the transfer of the BTB business branch (including the SPC contract) accounted for upon completion of the transfer contract, dated February 10, 2017, equal to EUR 43.8 million, in addition to the period result of the same assets held for sale (for more details please refer to Note 9).

The improvement in the Group's Net Result, as compared to the first half of 2016, is mainly due to the positive impact of the capital gain on the sale of the BTB business branch.

Equity and Financial Position

Consolidated Statement of Equity and Liabilities (*)	30 June 2017	31 December 2016
<i>(EUR mln)</i>		
Non-current assets	226.3	219.0
Current assets	81.7	59.9
Assets held for sale	0.5	6.2
Total Assets	308.5	285.2
Net equity of the Group	(143.0)	(167.6)
Net equity attributable to minority interests	0.0	0.0
Total net equity	(143.0)	(167.6)
Non-current liabilities	199.8	171.3
Current liabilities	251.3	277.9
Liabilities directly associated with assets sold	0.4	3.6
Total Net equity and Liabilities	308.5	285.2

(*) It has to be noted that, compared with the Consolidated Balance Sheet included in the Annual Financial Report 2016, the long-term portion of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for a total of Euro 0.9 million at December 31, 2016 has been reclassified from Current Liabilities to Non-Current Liabilities (for 0.2 million Euros). The "Non-current assets" have also been restated due to a reclassification of EUR 5.4 million through the Provision for liabilities and charges.

Assets

Non-current assets

Non-current assets as at June 30, 2017 amounted to EUR 226.3 million. The net change is mainly due to investments in the period net of the depreciation charge on intangible and tangible fixed assets in the first half of 2017. Investments, including fixed assets in progress concerning in particular the purchase of LTE materials still to be taken into operation, amounted in the first half of 2017 to about EUR 33.5 million, and essentially refer to investments concerning the proprietary LTE access network, the connection and activation of new (Fixed and Wireless) Broadband customers, and to the extension and development of the network to support the growth in bandwidth volumes to be managed. With regard to LTE investments, it is recalled that they are based on a supply agreement with Huawei that extends the payment of the supply to five years, allowing a better correlation of cash outflow to regulate supply with flows of expected revenues. The amount of payables to Huawei as at June 30, 2017 is equal to EUR 18.2 million (of which EUR 13.7 million due beyond the fiscal year).

Current assets

Current assets as at June 30, 2017 amounted to EUR 81.7 million (EUR 59.9 million as at December 31, 2016), and mainly include receivables from customers which, as at June 30, 2017, amounted to EUR 46.2 million, as compared to EUR 38.3 million as at December 31, 2016. In addition to cash and cash equivalents, amounting to EUR 1.8 million, the item concerned also includes other receivables and other current assets, amounting to EUR 33.7 million, represented by advances to suppliers, prepaid expense for service costs and other receivables.

Shareholder's Equity

The consolidated shareholders' equity amounted to a deficit of EUR 143 million as at June 30, 2017, and recorded an increase of EUR 24.7 million as compared to December 31, 2016, due to:

- Increase in the Result for the first six months of 2017 amounting to EUR 24.5 million;
- Increase in the stock option reserve amounting to EUR 0.3 million.

Liabilities

Non-current liabilities

Non-current liabilities as at June 30, 2016, amounted to EUR 199,8 million, down as compared to restated December 31, 2016 figure (EUR 177,5 million). The item includes, in addition to the items concerning the financial position, with reference to which reference is to be made to the matters detailed below, the provision for risks and charges amounting for EUR 4.5 million, the provision for employee severance indemnities amounting to EUR 5.7 million and EUR 32.3 million of payables due to suppliers beyond the fiscal year.

Current Liabilities

Current liabilities amounted to EUR 251,3 million as at June 30, 2017 (as compared to EUR 271.7 million as at December 31, 2016, restated figure) and include mainly the current portion of financial payables, the payables to suppliers, the accrued expenses concerning the purchase of access and rental services and the tax liabilities.

As at June 30, 2017, the net expired trade payables (net of payment plans agreed with suppliers, active and contested assets against the same suppliers) amounted to EUR 35.2 million. At the same date, financial payables (net of credit positions) amounted to approximately EUR 3.7 million. There are also expired tax payables of about EUR 11.2 million and debts owed by employees to employees for social security contributions amounting to EUR 0.2 million.

However, there is no indication of suspension on supplier relationships that would affect the ordinary running of the business. As at June 30, 2017, payment claims were received under ordinary administrative management. At that date, the most relevant payment claims received by the Company and not paid as they were in negotiation or opposition, totaled EU 5.8 million, while the total received orders amounted to EUR 8.7 million.

Financial Situation of the Group

As at June 30, 2017, the Tiscali Group can count on cash, cash equivalents and bank accounts amounting to EUR 1.8 million in total, with a net financial position at the same date amounting to EUR 191.9 million (EUR 187.6 million as at December 31, 2016).

Net Financial Position (*)	Notes	30 June 2017	31 December 2016
<i>(Thousands of Euro)</i>			
A. Cash and Bank deposits		1.8	1.3
B. Other cash equivalents		0.0	0.0
C. Securities held for trading		-	-
D. Liquidity (A) + (B) + (C)		1.8	1.3
E. Current loan receivables		0.0	0.0
F. Non-current financial receivables	(1)	0.5	4.3
G. Current bank payables	(2)	13.3	14.7
H. Current accounting of bonds issued	(3)	0.3	0.4
I. Current accounting of non-current debts	(4)	10.3	13.5
J. Other current financial debts	(5)	13.5	10.1
K. Current financial debt (G) + (H) + (I)+(J)		37.4	38.6
L. Net current financial debt (K)-(D)-(E)-(F)		35.2	33.0
M. Non-current bank Loans	(6)	83.2	80.6
N. Bonds issued	(7)	18.3	18.4
O. Other non-current intercompany debt	(8)	55.3	55.6
P. Non-current financial debt (M)+(N)+(O)		156.8	154.7
Q. Net Financial Position (L)+(P)		191.9	187.6

(*) The net financial position as at June 30, 2017 (and as at December 31, 2016) has been reclassified from the Net Financial Position included in the Annual Financial Report 2016, as well as that communicated pursuant to art. 114 of the TUIR at the above reference dates for effect of the inclusion of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for EUR 0.7 million as at June 30, 2017 and EUR 0.9 million as at December 31, 2016. Moreover, with reference to the Net Financial Position communicated pursuant to art. 114 of the TUIR at June 30, 2017, some minor additional adjustments on some financial debt has been done.

Notes:

- (1) Includes several guarantee deposits.
- (2) Includes bank payables of Tiscali Italia S.p.A., Tiscali S.p.A., Vevisible S.r.l. and Aria Group.
- (3) Includes mainly the short-term component of the bond loan.
- (4) Includes mainly the short-term component amounting to EUR 5.6 million relating to Senior Lenders' debt (equity shares and interest repayable within 12 months).
- (5) Includes mainly the short-term component of the "Sale & Lease Back Sa Illetta" loan, along with the financial lease concerning the financing of investments on the network. Moreover, this caption includes the short-term portion of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for a total of Euro 0.6 million.
- (6) Includes mainly the long-term component amounting to EUR 80.4 million relating to Senior Lenders' debt.
- (7) Includes mainly the long-term component of the bond loan.
- (8) Includes mainly the long-term component of the "Sale & Lease Back Sa Illetta" loan by Tiscali S.p.A.. Moreover, this caption includes the long-term portion of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for a total of Euro 0.2 million.

The table reported above includes guarantees deposits under "Other cash and cash equivalents" and under "Non-current financial receivables". For the purpose of providing complete information, the indication of the reconciliation of the financial position above with the financial position prepared in

accordance with Consob communication No. DEM/6064293 dated July 28, 2006 and reported in the explanatory notes follows:

(*)	30 June 2017	31 December 2016
<i>(EUR mln)</i>		
Consolidated net financial debt	191.9	187.6
Non-current financial receivables	0.5	4.3
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293	192.4	191.9

(*) The net financial position as at June 30, 2017 (and as at December 31, 2016) has been reclassified from the Net Financial Position included in the Annual Financial Report 2016, as well as that communicated pursuant to art. 114 of the TUIR at the above reference dates for effect of the inclusion of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for EUR 0.7 million as at June 30, 2017 and EUR 0.9 million as at December 31, 2016. Moreover, with reference to the Net Financial Position communicated pursuant to art. 114 of the TUIR at June 30, 2017, some minor additional adjustments on some financial debt has been done.

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

Events and uncertainties concerning the going concern

Tiscali Group closed the first half of 2017 with a consolidated profit amounting to EUR 24.5 million (against a loss of EUR 45 million in the previous year) influenced by the positive effect, amounting to EUR 42 million, of the non-recurring¹ transactions concluded in the period (including the capital gain for the transfer of the BTB Business Branch to Fastweb, amounting to EUR 43.8 million) and with a negative consolidated shareholders' equity amounting to EUR 143 million (EUR 167.6 million as at December 31, 2016). Furthermore, as at June 30, 2017, the Group recorded a gross financial debt amounting to EUR 194.2 million and current liabilities exceeding (non-financial) current assets for EUR 133.9 million (EUR 193.1 million and EUR 181 million as at at December 31, 2016).

During the first six months of 2017 the Company completed the finalization of some operations started during fiscal year 2016 and proceeded with the path of growth and refocusing on the core business started last year.

In particular, during the first half of 2017 the company focused on the following actions:

- **Continuation of the growth on the Core Business** in order to consolidate the trend reversal realized in 2016 on customer growth:
 - Further growth in the Fixed BroadBand portfolio, from about 422,000 customers in June 2016 to more than 453,000 customers in June 2017, marking a growth of approximately 31.6 thousands customers, or +7.5% year-over-year.
 - A particular boost on Fiber offers, which, thanks to the 2016 agreement with Open Fiber to develop highly capable offers of up to 1,000 MBps, led to a growth of the Fiber customers portfolio of Tiscali by some 16,000 units compared to previous year, from approximately 10,000 customers in December 2016 to over 22,000 customers in June 2017.
 - A progressive diffusion of the new Tiscali LTE UltraBroadband Fixed Wireless offer with capacities up to 100MBps in the "Extended Digital Divide" areas thanks to the acceleration of the LTE antennas installation process in the first half of 2017 (installed system of about 300 antennas as at June 30, 2017, as compared with around 100 antennas installed in December 2016) and the progressive migration of WiMax users to LTE. Thanks to this, Tiscali's LTE customer portfolio has gone from about 10,000 customers in December 2016 to more than 35,000 customers in June 2017.

¹ According to the Consob Resolution n. 15519 issued on July 27, 2006

- A progressive further acceleration of Mobile customer base's growth thanks to the development of Open, the new innovative modular mobile offer of Tiscali. Mobile customers have passed from 166,000 units as at December 2016, to about 202,000 units as at June 2017.
- **New communication strategy** culminated in the June 2017 communication campaign after years of absence from Italian media. The campaign is focused on the renewed Tiscali brand and on the use of a new international testimonial (Mr. Jeff Bridges), and aimed at supporting the process of acquisition of new customers through "pull" channels for a future reduction of the average cost of acquisition for client, and at relaunching the visibility of the Tiscali brand on the market.
- **Efficiency in operating costs.** During the first half of 2017, the process of making operating costs strongly efficient was continued. In particular, Tiscali has completed its revision of its business scope, bringing the number of employees (FTE) from 948 units in December 2016 to 688 units in June 2017, through the final implementation of the actions already undertaken in 2016 (Divestment of the BTB Business branch to Fastweb, outsourcing of IT activities to Engineering, Rationalization of Over The Top activities), as well as a further rationalization of the workforce.
- **Further strengthening of the Group's economic and financial structure**, which in the first half of 2017 continued thanks to:
 - Share capital increase reserved to Otkritie Capital International Limited (OCIL) and Powerboom Investment Limited for a total value of EUR 11.8 million. The transaction, resolved by the Board of Directors of Tiscali dated June 27, 2017, took place on August 7, 2017, with the issue of 314,000,000 shares equally subscribed by OCIL and Powerboom Investment Limited (fully-owned by ICT), which paid EUR 5,903,200 each, with a total amount paid of EUR 11,806,400.
 - Continuation of the negotiations undertaken with Intesa SanPaolo and BancoBPM (formerly named BPM), already disclosed in the financial updates included in the 2016 Consolidated Financial Statements, in order to reach a standstill agreement on payments due to these two banks in the next twelve months.
 - Continuation of the negotiations with Mediocredito Italiano and Unicredit Leasing (together mentioned as "Pool Leasing"), already disclosed in the financial updates included in the 2016 Consolidated Financial Statements, in order to redefine the overall amortization plan of the debt for leasing loan concerning to Sa Illetta's property.
 - Collection, on March 31, 2017, of the payment for the sale of the Business branch to Fastweb, amounting to EUR 20 million, following the finalization of sale contract, on February 10, 2017.

With reference to the reserved share capital increase, it has enabled the equity structure to be further strengthened through the reduction of total indebtedness. From an economic and financial point of view, the transaction has the typical effects of a capital increase with the exclusion of option rights, further strengthening the equity structure by reducing total debt and ensuring the stability of the shareholding and the renewed and strengthened involvement of the same shareholding, without involving a dilution of the current shareholders of more than 9.99%.

In view of the above, and considering the above mentioned positive effects of the operations already carried out and underway over the next few months on the Group's financial structure, the management analyzed the results for the first half of 2017 and, considering these results in line with the provisions of the Plan prepared for the financial statements as at December 31, 2016 and approved by the Board of Directors on April 29, 2017 ("Business Plan" or "Plan 2017-2021"), did not consider necessary to update the Plan.

In this context, the management confirmed the validity of the Plan itself and expressed a positive opinion on the feasibility of achieving the targets set out in the Plan for the next 12 months, which

allowed the management to positively conclude on the ability to meet the expected payment obligations in the aforementioned period on the basis of existing debt payment rescheduling agreements and the reasonable expectation that it will remain unchanged the ability to flexibly manage any new payment rescheduling requirements with suppliers, not currently affected by debt renegotiation.

In this context, however, management stated that the achievement of a Group's economic and financial breakeven is generally subordinated to the achievement of the results set out in the 2017-2021 Business Plan - including the positive finalization of agreements with financial institutions expected in a timely manner consistent with the requirements of going concern and, therefore, to realize the forecasts and assumptions contained therein regarding the evolution of the telecommunications market, to the achievement of the growth objectives set in a market context characterized by strong competitive pressure.

With regard to the ongoing negotiations with the Financial Institutions for the purpose of obtaining the standstill on payments due in compliance with the Second Facility Agreement, the negotiations with Banca Popolare di Milano (formerly BancoBpm) and Intesa SanPaolo continued.

Tiscali has formalized the standstill request to the Banks for payments owed to them in September 2017, and in March 2018 for capital and interest (BancoBpm was due about EUR 6.6 million, of which EUR 5.2 million of share capital and EUR 1.4 million of interest, while Intesa SanPaolo about EUR 5.7 million, of which EUR 3.5 million of capital and EUR 2.2 million of interest).

On September 15, Tiscali received two additional comfort letters from such Banks where the Financial Institutions stated that, even without taking irrevocable commitments, they started the assessment process (*iter istruttorio*) and that at the end of the same, the standstill requests made by Tiscali will be submitted to the competent credit committee. Similarly, on September 19, Mediocredito Italiano and Unicredit Leasing sent a similar content communication with reference to renegotiation of the leasing contract.

In the light of these new developments, and in particular the achievement of the Plan results forecasted for the first half of the year, the completion of the capital increase operation, the finalization of the sale of the B2B Branch to Fastweb and the outsourcing of IT services to Engeneering, which were prerequisites for the successful conclusion of the negotiations, the management considers reasonable that the standstill asked for senior loan payments and the renegotiation of the leasing contract will be obtained in a timely manner consistent with the requirements of going concern, thus allowing the Group to release financial resources that may be used for management operational and supporting the implementation of the Business Plan.

Final Assessment by the Board of Directors

In summary, and with particular reference to the going concern, these transactions have granted and will grant Tiscali some significant benefits:

- Further strengthen the balance sheet structure through the reduction of total indebtedness.
- Benefit from a significant injection of new financial resources into the company and from a significant reduction in cash outflows over the next twelve to months for the payment of financial charges and the repayment of principal amount to the banks, guaranteeing the development of the Business Plan approved on April 29, 2017.
- Furtherly reduce the base of operating costs by improving the size of the company in terms of staffing and putting in use the outsourcing of IT services to Engeneering.
- Consolidate the virtuous path of customer and revenue growth, which is a key element in the implementation of the Business Plan.

All above considered, with reference to the applicability of the going concern assumption and to the use of the accounting principles proper of a company operating in the preparation of this first half 2017 financial report, the Board of Directors pointed out that the Group, in line with Business Plan:

- generated in the first half of 2017, before working capital changes, cash and cash equivalents from operating activities amounting to approximately EUR 12.5 million;
- realized and accelerated the growth on Tiscali's core business (which records a growth by 31.7 thousand units in June 2017 as compared to June 2016);
- realized a progressive focusing on high-capacity Fiber offers (up to 100Mbps), realizing an incremental diffusion of the new LTE offer thanks to the progressive acceleration of the installation process of LTE antennas process in the first half of 2017 (installed system of about 300 antennas as at June 30, 2017).
- Finalized the transfer of the Business Branch to Fastweb, cashing in the second tranche of the transfer price, amounting to EUR 20 million, and finalized the outsourcing of IT activities to Engineering as well as the transfer of Stremago.
- Finalized the paid capital increase reserved to OCI and ICT for a total value of EUR 11.8 million, subscribed on August 7, 2017, further strengthening the balance sheet structure.
- Positively continued the negotiations aimed at obtaining the standstill until September 2018 on payments to be made both to Intesa SanPaolo and BancoBpm regarding the senior loan, obtaining the start-up of the procedures prodromic to the approval of the standstill by the Financial Institutions.
- Positively continued the negotiations with the Pool Leasing aimed at redefining the amortization plan of the real estate leasing, receiving a specific comfort letter.
- confirmed the growth strategy of the Group focused on the development of Core Business (Broadband Fixed, Fiber, LTE Broadband Fixed Wireless and Mobile) activities, in the light of the positive results of the first half of 2017.

The Directors, nonetheless, acknowledge that at present there are some material uncertainties about events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern. The above uncertainties are related to the evolution of the telecommunications market and the achievement of the growth targets set for Ultrabroadband LTE services, the main development area envisaged in the Business Plan, in a market context characterized by strong competitive pressure as well as the finalization of the standstill procedure by the Financial Institutions.

In light of the above, after having carried out the necessary verifications and assessing the significant uncertainties identified in the light of the above elements, having taken into account the improvement of financial exposure and the status of relations with the Financial Institutions, they are also confident: (i) in the ability to implement the provisions of the 2017-2021 Business Plan even in a market context characterized by a strong competitive pressure; ii) in the positive finalization of the granting of standstill agreements by the Financial Institutions in a timely manner consistent with the requirements of going concern; iii) in maintaining the Banks and suppliers's financial support so far recognized and having reasonable expectation that the Group has adequate resources to keep up with payment obligations in the next twelve months and to continue operating in the foreseeable future, thus leading to the assumption of going concern in preparing of the half-yearly condensed interim consolidated financial statements as at June 30, 2017.

This assessment is, of course, the result of a subjective judgment, which considered the likelihood of fulfillment of such events with respect to the opposite situation. It must be emphasized that the prognostic judgment underlying the determination of the board is likely to be contradicted by the evolution of the facts. Being aware of the intrinsic limits of its determination, the Board of Directors will keep a constant monitoring of the evolution of the events considered (as well as of any further circumstantial evidence) so that it can take promptly the necessary measures.

Business Outlook

Consistent with the above and in line with the objectives of the Business Plan, the company will also commit itself to refocus on core business activities in the coming months to strengthen the Italian fixed and mobile broadband market. This thanks to:

- the progressive acceleration in the installation process of LTE antennas, to increase the coverage of the ULtraBroadBand Fixed Wireless service, with the expectation of having about 500 LTE antennas installed by the end of 2017;
- the gradual consolidation of the growth trend of the Fixed BroadBand customer base, in particular by focusing on high-capacity Fiber offers, leveraging the agreement with Open Fiber;
- the consolidation of the new communication strategy focused on the new Tiscali brand, renewed in early 2017, and launched through an advertisement campaign, even on tv, with the new testimonial (Jeff Bridges) during the course of the first half 2017. This new strategy aimed at supporting the process of acquisition of new customers and a general re-launch of the Tiscali brand;
- the progressive acceleration in the growth of the mobile customer base also thanks to the development of specific Fixed-Mobile integrated offer solutions.

In addition, further attention will be given to identify all the actions necessary to increase the company's overall efficiency and, consequently, cost reduction.

4.8 Other events after the fiscal year end

Please refer to Note 5.11 "Other events after the fiscal 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 July 28, 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.

4.12 Related-party transactions

Please refer to the Paragraph "Related-party transactions" of the Explanatory Notes.

Cagliari, September 20, 2017

Chief Executive Officer

Riccardo Ruggiero

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

Daniele Renna

**Half-yearly condensed interim consolidated financial
statements as at June 30, 2017**

5 Consolidated financial statements and explanatory notes

5.1 Income Statement

Consolidated income Statement (*)	Notes	1 st semester 2017	1 st semester 2016
<i>(Thousands of Euros)</i>			
Revenues	1	103,616	96,900
Other incomes	2	1,177	1,760
Purchase of materials and external services	3	70,750	61,430
Personnel cost	4	15,860	20,029
Other operating charges (incomes)	3	1	19
Write-downs of receivables from customers	5	3,820	4,829
Restoration costs and other write-downs	6	3,537	367
Amortizations	12-13	23,693	24,540
Operating income		(12,867)	(12,554)
Financial Income	7	41	1,046
Financial Expenses	7	(6,386)	(7,729)
Result before taxes		(19,212)	(19,237)
Income tax	8	24	(34)
Net Result of current activities (continued)		(19,188)	(19,271)
Result from held for sale and discontinued operations	9	43,646	1,537
Net result for the fiscal year	10	24,457	(17,734)
To be attributed to:			
- Result pertaining the Parent Company		24,457	(17,734)
- Result pertaining Third Parties		0.00	0.0
Profit (loss) per share			
Profit per share from current and transferred activities:			
- Base		0.008	(0.006)
- Diluted		0.006	(0.004)
Profit per share from current activities:			
- Base		(0.006)	(0.006)
- Diluted		(0.005)	(0.005)

(*) Please note that, with respect to the Annual Financial Report 2016 and to the Consolidated Financial Statements 2016, the following change has been made to the Income Statement:

- Separation of Financial Income and Financial Charges, instead of the one net financial income (charges)

It should be noted that the economic values related to the assets transferred and/or held for sale have been appropriately reclassified. For further details, please refer to the note 9.

5.2 Comprehensive Income Statement

Comprehensive Income Statement	Notes	1 st semester 2017	1 st semester 2016
<i>(Thousands of Euros)</i>			
Result for the period		24,457	(17,734)
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	(535)
<i>(Loss)/profit from revaluation on plans with defined benefits</i>		0	(535)
Total of other elements for the comprehensive Income Statement:		0	(535)
Total result of the comprehensive Income Statement		24,457	(18,269)
To be attributed to:			
<i>Shareholders of the Parent Company</i>		24,457	(18,269)
<i>Minority Shareholders</i>		0	0
		24,457	(18,269)

5.3 Statement of Assets and Liabilities

Statement of Assets and Liabilities	Notes	30 June 2017	31 December 2016
<i>(Thousands of Euros)</i>			
<i>Non-current assets</i>			
Intangible assets	12	107,907	98,749
Immovable properties, plants and machinery	13	113,895	112,065
Other financial assets	14	4,524	8,180
Deferred tax assets		4	10
		226,329	219,005
<i>Current assets</i>			
Stock in hand	15	0	360
Receivables from customers	16	46,180	38,296
Other receivables and other current assets	17	33,721	19,848
Other current financial assets	18	62	63
Liquid assets	19	1,764	1,346
		81,727	59,914
Assets directly related to held for sales	9	473	6,237
Total assets		308,530	285,156
<i>Capital and reserves</i>			
Capital		91,201	91,201
Stock option reserve		1,668	1,402
Reserve related to assets held for sale		88	2,626
Results from previous fiscal years and other reserves		(260,395)	(217,890)
Results for the fiscal year pertaining to the Group		24,457	(44,959)
Net assets pertaining to the Group	20	(142,981)	(167,620)
Third party interests		0	0
Net assets pertaining to third parties		0	0
Total net assets		(142,981)	(167,620)
<i>Non-current liabilities</i>			
Convertible Bond	21	18,254	18,429
Payables to banks and other financing parties	21	83,201	80,888
Payables for property leases	21	55,331	55,339
Other non-current liabilities	22	32,309	5,479
Payables for pension plans and severance pays	23	5,687	5,945
Provisions for liabilities and charges	24	4,544	4,638
Provisions for deferred taxes	25	493	538
		199,819	171,256
<i>Current Liabilities</i>			
Convertible bond	21	297	375
Payables to banks and other financing parties	21	23,598	28,783
Payables for property leases	21	13,533	9,239
Trade payables	26	137,987	163,947
Other current liabilities	27	75,893	75,566
		251,308	277,910
Payables directly related to held for sale	9	385	3,610
TOTAL NET ASSETS AND LIABILITIES		308,530	285,156

It should be noted that the economic values related to the assets transferred and/or held for sale have been appropriately reclassified. For further details, please refer to the note 9.

() It should be noted that, compared to the Consolidated Balance Sheet included in the 2016 Annual Report, balances as at December 31, 2016 the balance of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for a total of EUR 0.9 million as at December 31, 2016, have been reclassified from the caption Other current liabilities to the caption Payables to banks and other financial parties (short term) for the short term portion, equal to EUR 0.3 million, and to the caption Payables to banks and other financial parties (long term) for the long term portion, equal to EUR 0.6 million. The "Non-current assets" have also been restated due to a reclassification of EUR 5.4 million of the relevant Provision for liabilities and charges.*

5.4 Cash Flow Statement

(Thousands of Euro)	Note	1 st semester 2017	1 st semester 2016
OPERATING ACTIVITIES (*)		(19,188)	(17,734)
<i>Adjustments for:</i>			
Amortization of tangible assets	12-13	7,629	7,641
Amortization of intangible assets	12-13	16,064	17,011
Provision for write-downs accounts receivables from customers	5	3,820	4,863
Gain on disposal of non-current assets	2	(1,054)	(1,054)
Stock Option figurative cost		266	559
Income taxes	8	(24)	34
Release of provisions for risks	6	236	(996)
Write-offs and settlement agreements with suppliers		(1,650)	(1,486)
Other changes	23	85	1,176
Financial Charges / income	7	6,345	6,684
Cash flows from operating activities before changes in working capital		12,528	16,698
Changes in receivables	16	(11,703)	(3,902)
Change in inventories	15	360	85
Changes in payables to suppliers	26	919	20,866
Change in payables to long-term suppliers		14,465	1,466
Net change in provisions for risks and charges	22		
	24	(284)	(626)
Net change in provisions for TFR	23	(1,162)	(212)
Changes in other liabilities	25-27	2,186	(1,069)
Changes in other assets	17	(13,873)	(11,291)
Changes in working capital		(9,092)	5,317
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		3,436	22,015
INVESTMENT ACTIVITY			
Change in other financial assets	14	3,531	521
Acquisitions of Fixed Tangible Assets	12-13	(8,673)	(2,663)
Acquisitions of Intangible assets	12-13	(26,326)	(14,376)
Change in payables related to acquisitions of Assets		6,118	0
AVAILABILITY OF CASH AND CASH EQUIVALENTS FOR INVESTMENT ACTIVITIES		(25,351)	(16,518)
FINANCIAL ASSETS			
Changes in payables to banks	21	(6,464)	(1,532)
of which:		0	0
<i>Repayment of share capital and interest Senior debt</i>		(3,392)	250
<i>Increase/Decrease in current accounts overdrafts</i>		(3,072)	(1,782)
Changes in bond		(668)	0
Repayment/acceptance of financial leasing	21	3,328	(1,896)
Exchange rate effect	20	(47)	5
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		(3,852)	(3,423)
		(25,766)	2,074
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD			
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE	9	26,184	0
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,346	4,770
CASH AND CASH EQUIVALENTS AT YEAR-END		1,764	6,844

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

5.5 Net assets variations

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

<i>(Thousands of Euros)</i>	Capital	Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority ownership	Total
Balance as of January 1, 2016	169			(2)	(289)	(121)		(121)
Other movements	(78)		559		77,187	(130)		(130)
Reclass value for opening of OCI Aria reserve				(108)	108			
Total result of the comprehensive Income Statement				(535)	(17,734)	(18,269)		(18,269)
Balance as of June 30th, 2016	91,201		559	(2,166)	(229,413)	(139,820)	0	(139,820)

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

Consolidated income Statement (*)	Notes	1 st semester 2017	of which related parties	1 st semester 2016	of which related parties
<i>(Thousands of Euros)</i>					
Revenues	1	103,616	33		
Other incomes	2	1,177			
Purchase of materials and external services	3	70,750	1,260		1,417
Personnel cost	4	15,860	874		1,270
Other operating charges (incomes)	3	1			
Write-downs of receivables from customers	5	3,820			
Restoration costs and other write-downs	6	3,537			
Amortizations	12-13	23,693			
Operating income		(12,867)	(2,100)		(2,687)
Financial Income	7	41			
Financial Expenses	7	6,386	(208)		
Result before taxes		(19,212)	(2,308)		(2,687)
Income tax	8	24			
Net Result of current activities (continued)		(19,188)	(2,308)		(2,687)
Result from held for sale and discontinued operations	9	43,646			
Net result for the fiscal year	10	24,457	(2,308)		(2,687)
To be attributed to:					
- Result pertaining the Parent Company		24,457			
- Result pertaining Third Parties					
Profit (loss) per share					
Profit per share from current and transferred activities:					
- Base		0.008	0.000	0.000	
- Diluted		0.006	0.000	0.000	
Profit per share from current activities:					
- Base		(0.006)	0.000	0.000	
- Diluted		(0.005)	0.000	0.000	

(*) Please note that, with respect to the Annual Financial Report 2016 and to the Consolidated Financial Statements 2016, the following changes have been made to the Statement of Income Statement:

- Separation of Financial Income and Financial Expenses, instead of the one net financial income (expense).

It should be noted that the economic values related to the assets transferred and/or held for sale have been appropriately reclassified. For further details, please refer to the relevant note.

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

Statement of Assets and Liabilities	Notes	30 June 2017	of which related parties	31 December 2016	of which related parties
<i>(Thousands of Euros)</i>					
<i>Non-current assets</i>					
Intangible assets	12	107,907		98,749	
Immovable properties, plants and machinery	13	113,895		112,065	
Other financial assets	14	4,524		8,180	
Deferred tax assets		4		10	
		226,329		219,005	
<i>Current assets</i>					
Stock in hand	15			360	
Receivables from customers	16	46,180	33	38,296	17
Other receivables and other current assets	17	33,721		19,848	
Other current financial assets	18	62		63	
Liquid assets	19	1,764		1,346	
		81,727	33	59,914	17
Assets directly related to held for sales	9	473		6,237	
Total assets		308,530	33	285,156	17
<i>Capital and reserves</i>					
Capital		91,201		91,201	
Stock option reserve		1,668	1,668	1,402	1,402
Reserve related to assets held for sale		88		2,626	
Results from previous fiscal years and other reserves		(260,395)		(217,890)	
Results for the fiscal year pertaining to the Group		24,457		(44,959)	
Net assets pertaining to the Group	20	(142,981)	1,668	(167,620)	1,402
<i>Third party interests</i>					
Net assets pertaining to third parties					
Total net assets		(142,981)		(167,620)	
<i>Non-current liabilities</i>					
Convertible Bond	21	18,254	9,127	18,429	9,214
Payables to banks and other financing parties	21	83,201		80,888	
Payables for property leases	21	55,331		55,339	
Other non-current liabilities	22	32,309		5,479	
Payables for pension plans and severance pays	23	5,687		5,945	
Provisions for liabilities and charges	24	4,544		4,638	
Provisions for deferred taxes	25	493		538	
		199,819	9,127	171,256	9,214
<i>Current Liabilities</i>					
Convertible bond	21	297	148	375	187
Payables to banks and other financing parties	21	23,598		28,783	
Payables for property leases	21	13,533		9,239	
Trade payables	26	137,987	452	163,947	501
Other current liabilities	27	75,893	590	75,566	659
		251,308	1,190	277,910	1,347
Payables directly related to held for sale	9	385		3,610	
TOTAL NET ASSETS AND LIABILITIES		308,530	11,985	285,156	11,963

It should be noted that the economic values related to the assets transferred and/or held for sale have been appropriately reclassified. For further details, please refer to relevant the note.

5.8 Explanatory Notes

Tiscali S.p.A. (hereinafter “Tiscali” or the “Company” and jointly with its subsidiaries the “Tiscali Group” or the “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 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 half-yearly condensed interim consolidated financial statements (hereafter also 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 Financial Statements according to the principles detailed in the explanatory notes that follow.

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.

5.9 Considerations regarding going concern and foreseeable development of the management

Events and uncertainties concerning the going concern

Tiscali Group closed the first half of 2017 with a consolidated profit amounting to EUR 24.5 million (against a loss of EUR 45 million in the previous year) influenced by the positive effect, amounting to EUR 42 million, of the non-recurring² transactions concluded in the period (including the capital gain for the transfer of the BTB Business Branch to Fastweb, amounting to EUR 43.8 million) and with a negative consolidated shareholders’ equity amounting to EUR 143 million (EUR 167.6 million as at December 31, 2016). Furthermore, as at June 30, 2017, the Group recorded a gross financial debt amounting to EUR 194.2 million and current liabilities exceeding (non-financial) current assets for EUR 133.9 million (EUR 193.1 million and EUR 181 million as at at December 31, 2016).

During the first six months of 2017 the Company completed the finalization of some operations started during fiscal year 2016 and proceeded with the path of growth and refocusing on the core business started last year.

In particular, during the first half of 2017 the company focused on the following actions:

- **Continuation of the growth on the Core Business** in order to consolidate the trend reversal realized in 2016 on customer growth:
 - Further growth in the Fixed BroadBand portfolio, from about 422,000 customers in June 2016 to more than 453,000 customers in June 2017, marking a growth of approximately 31.6 thousands customers, or +7.5% year-over-year.
 - A particular boost on Fiber offers, which, thanks to the 2016 agreement with Open Fiber to develop highly capable offers of up to 1,000 MBps, led to a growth of the Fiber customers portfolio of Tiscali by some 16,000 units compared to previous year,

² According to the Consob Resolution n. 15519 issued on July 27, 2006

from approximately 10,000 customers in December 2016 to over 22,000 customers in June 2017.

- A progressive diffusion of the new Tiscali LTE UltraBroadband Fixed Wireless offer with capacities up to 100Mbps in the “Extended Digital Divide” areas thanks to the acceleration of the LTE antennas installation process in the first half of 2017 (installed system of about 300 antennas as at June 30, 2017, as compared with around 100 antennas installed in December 2016) and the progressive migration of WiMax users to LTE. Thanks to this, Tiscali’s LTE customer portfolio has gone from about 10,000 customers in December 2016 to more than 35,000 customers in June 2017.
- A progressive further acceleration of Mobile customer base’s growth thanks to the development of Open, the new innovative modular mobile offer of Tiscali. Mobile customers have passed from 166,000 units as at December 2016, to about 202,000 units as at June 2017.
- **New communication strategy** culminated in the June 2017 communication campaign after years of absence from Italian media. The campaign is focused on the renewed Tiscali brand and on the use of a new international testimonial (Mr. Jeff Bridges), and aimed at supporting the process of acquisition of new customers through “pull” channels for a future reduction of the average cost of acquisition for client, and at relaunching the visibility of the Tiscali brand on the market.
- **Efficiency in operating costs.** During the first half of 2017, the process of making operating costs strongly efficient was continued. In particular, Tiscali has completed its revision of its business scope, bringing the number of employees (FTE) from 948 units in December 2016 to 688 units in June 2017, through the final implementation of the actions already undertaken in 2016 (Divestment of the BTB Business branch to Fastweb, outsourcing of IT activities to Engineering, Rationalization of Over The Top activities), as well as a further rationalization of the workforce.
- **Further strengthening of the Group’s economic and financial structure**, which in the first half of 2017 continued thanks to:
 - Share capital increase reserved to Otkritie Capital International Limited (OCIL) and Powerboom Investment Limited for a total value of EUR 11.8 million. The transaction, resolved by the Board of Directors of Tiscali dated June 27, 2017, took place on August 7, 2017, with the issue of 314,000,000 shares equally subscribed by OCIL and Powerboom Investment Limited (fully-owned by ICT), which paid EUR 5,903,200 each, with a total amount paid of EUR 11,806,400.
 - Continuation of the negotiations undertaken with Intesa SanPaolo and BancoBPM (formerly named BPM), already disclosed in the financial updates included in the 2016 Consolidated Financial Statements, in order to reach a standstill agreement on payments due to these two banks in the next twelve months.
 - Continuation of the negotiations with Mediocredito Italiano and Unicredit Leasing (together mentioned as “Pool Leasing”), already disclosed in the financial updates included in the 2016 Consolidated Financial Statements, in order to redefine the overall amortization plan of the debt for leasing loan concerning to Sa Illetta’s property.
 - Collection, on March 31, 2017, of the payment for the sale of the Business branch to Fastweb, amounting to EUR 20 million, following the finalization of sale contract, on February 10, 2017.

With reference to the reserved share capital increase, it has enabled the equity structure to be further strengthened through the reduction of total indebtedness. From an economic and financial point of view, the transaction has the typical effects of a capital increase with the exclusion of option rights, further strengthening the equity structure by reducing total debt and ensuring the stability of the

shareholding and the renewed and strengthened involvement of the same shareholding, without involving a dilution of the current shareholders of more than 9.99%.

In view of the above, and considering the above mentioned positive effects of the operations already carried out and underway over the next few months on the Group's financial structure, the management analyzed the results for the first half of 2017 and, considering these results in line with the provisions of the Plan prepared for the financial statements as at December 31, 2016 and approved by the Board of Directors on April 29, 2017 ("Business Plan" or "Plan 2017-2021"), did not consider necessary to update the Plan.

In this context, the management confirmed the validity of the Plan itself and expressed a positive opinion on the feasibility of achieving the targets set out in the Plan for the next 12 months, which allowed the management to positively conclude on the ability to meet the expected payment obligations in the aforementioned period on the basis of existing debt payment rescheduling agreements and the reasonable expectation that it will remain unchanged the ability to flexibly manage any new payment rescheduling requirements with suppliers, not currently affected by debt renegotiation.

In this context, however, management stated that the achievement of a Group's economic and financial breakeven is generally subordinated to the achievement of the results set out in the 2017-2021 Business Plan - including the positive finalization of agreements with financial institutions expected in a timely manner consistent with the requirements of going concern and, therefore, to realize the forecasts and assumptions contained therein regarding the evolution of the telecommunications market, to the achievement of the growth objectives set in a market context characterized by strong competitive pressure.

With regard to the ongoing negotiations with the Financial Institutions for the purpose of obtaining the standstill on payments due in compliance with the Second Facility Agreement, the negotiations with Banca Popolare di Milano (formerly BancoBpm) and Intesa SanPaolo continued.

Tiscali has formalized the standstill request to the Banks for payments owed to them in September 2017, and in March 2018 for capital and interest (BancoBpm was due about EUR 6.6 million, of which EUR 5.2 million of share capital and EUR 1.4 million of interest, while Intesa SanPaolo about EUR 5.7 million, of which EUR 3.5 million of capital and EUR 2.2 million of interest).

On September 15, Tiscali received two additional comfort letters from such Banks where the Financial Institutions stated that, even without taking irrevocable commitments, they started the assessment process (*iter istruttorio*) and that at the end of the same, the standstill requests made by Tiscali will be submitted to the competent credit committee. Similarly, on September 19, Mediocredito Italiano and Unicredit Leasing sent a similar content communication with reference to renegotiation of the leasing contract.

In the light of these new developments, and in particular the achievement of the Plan results forecasted for the first half of the year, the completion of the capital increase operation, the finalization of the sale of the B2B Branch to Fastweb and the outsourcing of IT services to Engeneering, which were prerequisites for the successful conclusion of the negotiations, the management considers reasonable that the standstill asked for senior loan payments and the renegotiation of the leasing contract will be obtained in a timely manner consistent with the requirements of going concern, thus allowing the Group to release financial resources that may be used for management operational and supporting the implementation of the Business Plan.

Final Assessment by the Board of Directors

In summary, and with particular reference to the going concern, these transactions have granted and will grant Tiscali some significant benefits:

- Further strengthen the balance sheet structure through the reduction of total indebtedness.

- Benefit from a significant injection of new financial resources into the company and from a significant reduction in cash outflows over the next twelve to months for the payment of financial charges and the repayment of principal amount to the banks, guaranteeing the development of the Business Plan approved on April 29, 2017.
- Furtherly reduce the base of operating costs by improving the size of the company in terms of staffing and putting in use the outsourcing of IT services to Engineering.
- Consolidate the virtuous path of customer and revenue growth, which is a key element in the implementation of the Business Plan.

All above considered, with reference to the applicability of the going concern assumption and to the use of the accounting principles proper of a company operating in the preparation of this first half 2017 financial report, the Board of Directors pointed out that the Group, in line with Business Plan:

- generated in the first half of 2017, before working capital changes, cash and cash equivalents from operating activities amounting to approximately EUR 12.5 million;
- realized and accelerated the growth on Tiscali's core business (which records a growth by 31.7 thousand units in June 2017 as compared to June 2016);
- realized a progressive focusing on high-capacity Fiber offers (up to 100Mbps), realizing an incremental diffusion of the new LTE offer thanks to the progressive acceleration of the installation process of LTE antennas process in the first half of 2017 (installed system of about 300 antennas as at June 30, 2017).
- Finalized the transfer of the Business Branch to Fastweb, cashing in the second tranche of the transfer price, amounting to EUR 20 million, and finalized the outsourcing of IT activities to Engineering as well as the transfer of Stremago.
- Finalized the paid capital increase reserved to OCI and ICT for a total value of EUR 11.8 million, subscribed on August 7, 2017, further strengthening the balance sheet structure.
- Positively continued the negotiations aimed at obtaining the standstill until September 2018 on payments to be made both to Intesa SanPaolo and BancoBpm regarding the senior loan, obtaining the start-up of the procedures prodromic to the approval of the standstill by the Financial Institutions.
- Positively continued the negotiations with the Pool Leasing aimed at redefining the amortization plan of the real estate leasing, receiving a specific comfort letter.
- confirmed the growth strategy of the Group focused on the development of Core Business (Broadband Fixed, Fiber, LTE Broadband Fixed Wireless and Mobile) activities, in the light of the positive results of the first half of 2017.

The Directors, nonetheless, acknowledge that at present there are some material uncertainties about events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern. The above uncertainties are related to the evolution of the telecommunications market and the achievement of the growth targets set for Ultrabroadband LTE services, the main development area envisaged in the Business Plan, in a market context characterized by strong competitive pressure as well as the finalization of the standstill procedure by the Financial Institutions.

In light of the above, after having carried out the necessary verifications and assessing the significant uncertainties identified in the light of the above elements, having taken into account the improvement of financial exposure and the status of relations with the Financial Institutions, they are also confident: (i) in the ability to implement the provisions of the 2017-2021 Business Plan even in a market context characterized by a strong competitive pressure; ii) in the positive finalization of the granting of standstill agreements by the Financial Institutions in a timely manner consistent with the requirements of going concern; iii) in maintaining the Banks and suppliers's financial support so far recognized and having reasonable expectation that the Group has adequate resources to keep up with payment obligations in the next twelve months and to continue operating in the foreseeable future, thus leading to the assumption of going concern in preparing of the half-yearly condensed interim consolidated financial statements as at June 30, 2017.

This assessment is, of course, the result of a subjective judgment, which considered the likelihood of fulfillment of such events with respect to the opposite situation. It must be emphasized that the prognostic judgment underlying the determination of the board is likely to be contradicted by the evolution of the facts. Being aware of the intrinsic limits of its determination, the Board of Directors will keep a constant monitoring of the evolution of the events considered (as well as of any further circumstantial evidence) so that it can take promptly the necessary measures.

5.10 Business Outlook

Please refer to Paragraph 4.7.

5.11 Other events after the fiscal year end

July 26, 2017 – Tiscali and Sky Italia announce a digital partnership

On July 26, 2017, the partnership between Tiscali and Sky Italia was announced; the two companies established a partnership to maximize online business opportunities and consolidate their digital audience through new editorial synergies. The Tiscali Group has chosen to entrust online advertising exclusively to Sky Italia that, starting from August, will take care of the sale of advertising on the Tiscali.it portal and the websites that the Tiscali Group's Vevisible concessionaire has in its portfolio and that will continue to develop, consolidating its role as an aggregator of quality publishers. The agreement will also give rise to new editorial synergies. Tiscali.it, currently the eighth news site in Italy, will enrich the content proposal of its platform with the inclusion of a selection of Sky videos that includes various thematic areas, from SkyTG24 to Sky Sports news, to the great entertainment with contributions from Sky Atlantic, Sky Uno and Sky Cinema.

August 7, 2017 – paid capital increase reserved to OCIL and ICT

On August 7, 2017, the reserved share capital increase was realized with the issue of 314,000,000 shares subscribed equally by OCIL and ICT, which simultaneously paid EUR 5,903,200.

Following the capital increase dated August 7, 2017, the new shareholding asset is as follows:

Investment Construction Technology (ICT):	19.01%
Otkritie Disciplined Equity Fund SPC:	15.45%
Renato Soru:	9.14%
Otkritie Capital International Ltd (OCIL):	4.54%
Market:	51.86%

Please refer to paragraph "4.4 Tiscali's Shares" for further details. With the completion of the capital increase, Tiscali's share capital increased from EUR 91,200,922.89 to EUR 103,007,322.89.

Potential write offs of payables amounts

It should be noted that are under negotiation – the formalization of the agreements are expected to occur in the second half of 2017 – some write offs of payables amount due for advisory services rendered in previous years for a total amount of approximately EUR 1.8 million.

5.12 Preparation Principles

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

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

Notes have been drawn up in an abridged form, applying the option provided by IAS 34 and therefore they do not include all the information required for an annual financial statement prepared in accordance with IFRSs; since the following interim management report, following the logics provided for by IAS 34 is intended to provide an update of the economic position and financial position as compared to the Consolidated Financial Statements as at December 31, 2016. It should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

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.

In the present Condensed Six-Month Consolidated Financial Report, the accounting principles and consolidation policies adopted are consistent with those used in the preparation of the consolidated financial statements for the year 2016, to which reference is made for a timely illustration; also the accounting principles and consolidation criteria adopted are consistent with those adopted in the preparation of the Condensed Six-Month Consolidated Financial Report as at June 30, 2016

In order to allow for a better comparison, data for comparison periods have been reclassified, where necessary. In particular:

- With regard to Net Financial Position, it should be noted that the Company has included in the Net Financial Position two financial loans granted by the Ministry of Development and the Ministry of University and Research for a total of EUR 0.9 million as at December 31, 2016.
- EUR 5.4 million have been reclassified from Provision for risks and charges through a reduction in the Tangible Assets.

The preparation of the Six-month 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. As part of the preparation of the Half-Year Financial Report, significant corporate governance assessments regarding the application of the accounting principles and the main sources of estimation uncertainty correspond to those applied in the preparation of the Consolidated Financial Statements for the fiscal year ended December 31, 2016; if in the future such estimates and assumptions, which are based on the best judgment by the Directors, differ from actual circumstances, will be appropriately modified when the circumstances change.

5.13 Accounting Principles

IFRS ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS APPLIED FROM JANUARY 1, 2017

Since the new accounting standards, amendments and IFRS interpretations have not entered into force since January 1, 2017, the Tiscali Group has drawn up the half-yearly condensed interim consolidated financial statements as at June 30, 2017, using the same accounting principles adopted for the consolidated financial statements as at December 31, 2016.

IFRS AND IFRIC EMPLOYMENT, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT COMPULSORY AND NOT EARLY ADOPTED BY THE GROUP AS AT JUNE 30, 2017

On May 28, 2014, the IASB published the **IFRS 15 – Revenue from Contracts with Customers** principle, which, together with further clarifications published on April 12, 2016, is intended to replace the IAS 18 – *Revenue* and IAS 11 – *Construction Contracts* principles, as well as the IFRIC Interpretations 13 – *Customer Loyalty Programs*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The principle establishes a new revenue recognition model that will apply to all customer contracts except those falling within the scope of other IAS / IFRS principles

such as leasing, insurance contracts and financial instruments. The key steps for revenue recognition according to the new model are:

- The identification of the contract with the client.
- The identification of the contractual *performance obligations*.
- The determination of the price.
- The allocation of the price to the contractual *performance obligations*.
- The accounting criteria for the revenue when the entity meets each *performance obligation*.

The standard applies from January 1, 2018. Amendments to IFRS 15, *Clarifications to IFRS 15 – Revenue from Contracts with Customers*, published by the IASB in April 2016, have not yet been endorsed by the European Union. It is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis, even though it is surely believed that the new principle will have an impact on the criterion of recognition of revenues and costs.

On July 24, 2014, the IASB issued the final version of IFRS 9 – Financial Instruments. The document welcomes the results of the IASB project to replace IAS 39. The new principle should be applied by financial statements beginning on or after January 1, 2018.

The principle introduces new criteria for the classification and assessment of financial assets and liabilities. With reference to impairment, the new principle requires that the estimate of loan losses be made on the basis of the expected loss model (and not the model of the incurred losses used by IAS 39) using supported information, available without unreasonable burdens or efforts include historical, current and prospective data. The principle provides that this *impairment model* applies to all financial instruments, ie financial assets valued at amortized cost, to those valued at *fair value through other comprehensive income*, to receivables deriving from rental contracts and trade.

It is believed that the new accounting standard should not have significant impacts on the classification and evaluation of the derivative instruments.

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

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

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

The Group is going to review all the contracts and the relevant clauses in order to determine the accounting impact of this new standard.

On January 19, 2016, the IASB issued the document “**Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)**”, which contains amendments to the International Accounting Standard IAS 12. The purpose of this document is to provide some clarifications on the recognition of deferred tax assets on unrealized losses at certain circumstances and on the estimate of taxable income for future periods. These amendments, published by the IASB in January 2016 and applicable from January 1, 2017, have not yet been approved by the European Union and consequently have not been adopted by the Group as at June 30, 2017. At present, Directors are considering the possible effects of these amendments on the consolidated financial statements of the Group.

On January 29, 2016, the IASB published the document “**Disclosure Initiative (Amendments to IAS 7)**” which contains amendments to IAS 7. The purpose of this document is to provide some clarification to improve disclosure of financial liabilities. In particular, the amendments require disclosure to allow users of the financial statements to understand the variations in liabilities arising from financing transactions, including changes in monetary movements and changes resulting from non-monetary movements. The amendments do not include a specific format to be used for the disclosure. However, the amendments introduced require an entity to provide a reconciliation between the initial balance and the final balance for liabilities arising from financial transactions. Presentation of comparative information concerning previous years is not required. These amendments, published by the IASB in January 2016 and applicable from January 1, 2017, have not yet been approved by the European Union and consequently have not been adopted by the Group as at June 30, 2017. The Group will revise the Cash Flow Statement as soon as such new standard will become effective.

On June 20, 2016, the IASB published the document “**Classification and Measurement of share-based Payment Transactions (Amendments to IFRS 2)**” which contains amendments to International Accounting Standard IFRS 2. The amendments provide some clarifications regarding the accounting of the effects of *vesting conditions* in the presence of *cash-settled share-based payments*, the classification of *share-based payments* with *net settlement* characteristics and the accounting for amendments to the terms and conditions of a *share-based payment* that modify its classification from *cash-settled* to *equity-settled*. Amendments will apply from January 1, 2018 but advance application is allowed. Directors are considering the possible effects of these amendments on the consolidated financial statements of the Group.

On December 8, 2016, the IASB published the document “**Annual Improvements to IFRSs: 2014-2016 Cycle**” that incorporates some of the principles in the annual improvement process. The main amendments concern:

- IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters.*
- IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice.*
- IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard.*

These improvements are not expected to have any significant effect on the Group.

On December 8, 2016, the IASB issued the document “**Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)**”. These improvements are not expected to have any significant effect on the Group.

On June 7, 2017, the IASB published the **IFRIC Interpretative Document 23 – Uncertainty over Income Tax Treatments**. These improvements are not expected to have any significant effect on the Group.

On September 11, 2014, the IASB issued an amendment to **IFRS 10** and **IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**. These improvements are not expected to have any significant effect on the Group.

Segment Information

With its Directive (EC) No. 1358/2007 dated November 21, 2007, the European Community Committee 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 regarding the definition of the segment information according to a method consistent with the operating segments in which the Group’s activity is subdivided.

The operating segments are as follows:

- Access (connectivity B2C and B2B);
- Media & Advertising;
- Corporate.

Assets Held for sale and Discontinued Operations

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

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

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

Revenues and costs related to the assets held for sale and/or discontinued operations are posted under the line "Result from held for sale and discontinued operations", whenever the following conditions established by IFRS 5 for such assets occur:

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

Under the income statement line called "Result from held for sale and discontinued operations" under a single line and net of related fiscal effects, the following components are posted:

- The result for the period realized by the subsidiaries held for sale, including any adjustment to their net assets at fair value;
- The result related to the "transferred" assets, including the result for the period realized by the subsidiaries up to the transfer date to third party control, along with profits and/or losses deriving from the transfer.

The analysis of the comprehensive result deriving from the assets under review is reported in the explanatory notes.

The impact on the balance sheet and income statements of the transfers are detailed in the note "Operating Assets disposed of and/or assets held for sale".

On this regard, please refer to the disclosure given in the note 9.

Seasonality of revenues

Tiscali is not significantly affected by seasonality of the business.

Consolidation criteria

The consolidation area includes the Parent Company Tiscali S.p.A. and the companies that it controls, those companies on which it holds the power, directly or indirectly, to establish financial and operating policies or those companies for which it is financially exposed and has a right over the variable results deriving from its involvement in such entities that it influences thanks to the power it can exercise over them. In the specific circumstances related to Tiscali, control coincides with the majority of the voting rights that it can exercise on occasion of the ordinary shareholders' meeting of the companies part of

the consolidation area. With regard to December 31, 2016, the consolidation area was not affected by significant variations as detailed below.

Please refer to the annual financial report as at December 31, 2016 for the detailed presentation of the consolidation criteria and the criteria for aggregation of the companies and determination of goodwill

Investments not consolidated in other listed companies that are not joint ventures or an indirect investment, for which the fair value is not reliably determinable, are accounted at cost less value losses.

Variations of the consolidation area

The fully consolidated companies are reported below and on the note *List of Controlled Companies included in the consolidation area*.

It should be noted that the subsidiary 'Tiscali Poland' was liquidated in the first half of 2017. The impact of the liquidation on the income statement was negligible as the valuation as at December 31, 2016, unchanged from June 30, 2016, approximated the settlement value actually realized.

Foreign exchange operations

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

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

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

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

The main exchange rates used to translate into Euro the financial statements as at June 30, 2017 and December 31, 2016 of the foreign companies were as follows:

	June 30, 2017		December 31, 2016	June 30, 2016
	average	final	final	average
Pound Sterling	0.87724	0.8799	0.85618	0.79049

As mentioned earlier, please refer to the annual financial report for the detailed presentation of the accounting principles used for the valuation of the financial statements.

It should also be noted that certain valuation processes, in particular the more complex ones, such as the determination of any impairment losses on non-current assets, are generally fully carried out only when the annual financial statements are drawn up, when all the information that may be required, unless there are impairment indicators that require an immediate valuation of any impairment.

In this context, the assessment of recoverability of the main assets is based on the estimate of the income and financial flows that the Group believes will be able to generate in the future. As outlined in the note *"Going Concern Assessment and Expected Business Development"*, the achievement of the

results set out in the Industrial and Financial Plan referred to for this assessment is subordinated to the realization of the forecasts and assumptions contained therein, in a market context characterized by strong competitive pressure; In addition, the Directors consider, for the reasons stated in the aforementioned note, that the Business Plan is feasible and consequently did not update the impairment test carried out at December 31, 2016 confirming the recoverability of the assets.

The process of assessing assets / liabilities linked to defined benefit plan obligations is only executed on a straight-line basis at the end of the financial year unless there are indicators indicating that an estimation update is necessary during the year . As of June 30, 2017, the update of actuarial estimates did not have any impact on net equity.

5.14 Notes to the consolidated financial statements

Revenues (Note 1)

Revenues	1 st semester 2017	1 st semester 2016
<i>(EUR 000)</i>		
Revenues	103,616	96,900
Total	103,616	96,900

Revenues during FY 2017 increased as compared to those realized in FY 2015. For further details on the increase in revenues, their composition and their performance in relation to the Plan, please refer to the Management Report.

Other income (Note 2)

Other Income	1 st semester 2017	1 st semester 2016
<i>(EUR 000)</i>		
Other Income	1,177	1,760
Total	1,177	1,760

Other income includes mainly the issue of the portion of the year's profit for 2016 of the capital gain realized with the Sale and Lease-Back transaction at Cagliari (Sa Illetta), for approximately EUR 1.1 million (EUR 1.1 million in the first six months of 2016).

Purchase of materials and outsourced services (Note 3)

Purchase of materials and outsourced services and other operating costs (income) (EUR 000)	1 st semester 2017	1 st semester 2016
Line/traffic rental and interconnection costs	37,290	35,901
Costs for use of third party assets	2,448	2,294
Portal services costs	2,472	2,797
Marketing costs	6,264	3,725
Cost of goods to be sold	4,995	0
Other services	17,280	16,713
Other operating expenses (income)	1	19
Totale	70,750	61,449

The item "Costs for use of third party assets" includes primarily voice and broadband fixed services (ADSL). The increase in this item is mainly attributable to ADSL fees, in relation to the increased number of users of fixed broadband compared to the first half of 2016 (an increase of 31.6 thousand units).

The increase in marketing costs, amounting to EUR 2.5 million, was mainly due to the communication campaign launched in the first half of 2017 for the brand revival and to support the acquisition of new customers (EUR 1.2 million) and the increase in barter costs on the subsidiary Vevisible (+ EUR 1.3 million).

The caption "Cost of goods to be sold" includes costs for purchase of hardware and software for the resale. The increase compared to June 2016 is equal to EUR 5 million.

The item "Other services" includes maintenance costs and management of industrial sites and administrative offices, rentals, consultancy and professional charges, billing costs, postal charges, travel expenses and other general costs.

The increase compared to the first semester of 2016, equal to EUR 0.5 million, is mainly due to the following items:

- costs related to the IT services invoiced by Engineering for EUR 2 million, effective from February 2017 in relation to the rental of IT business to Engineering;
- a decrease in consultancy and professional charges of around EUR 1 million, of which about EUR 0.6 million due to the withdrawal of some debt positions towards consultants;
- decrease of other general services by EUR 0.5 million.

Personnel costs (Note 4)

Staffing cost (EUR 000)	1 st semester 2017	1 st semester 2016
Wages and salaries	9,818	13,497
Other staffing costs	6,043	6,532
Total	15,860	20,029

As described in the Management Report, the decrease in personnel costs is mainly attributable to the actions focused to reorganize and reduce staffing put in place during the year 2016 and continued during the first semester 2017, which allowed a better reorganization of resources and a decrease in

the number of units, with a reduction of 260 units as compared to December 31, 2016, as shown in the following table:

Number of Employees

	30 June 2017	31 December 2016
Executives	19	25
Managers	51	86
Employees	613	831
Blue-collars	5	6
Total	688	948

In particular, the reduction in the number of employees is, as already mentioned in note 3 above, mainly attributable to the following extraordinary operations:

1. the rental of the IT business branch to Engineering, which led to the transfer of about 170 employees;
2. the sale of the Fastweb business unit, which led to the transfer of 45 employees;
3. the sale of the Streemago branch, which led to the transfer of 8 employees.

Write-downs of receivables from customers (note 5)

Write-downs of receivables from customers (EUR 000)	1 st semester 2017	1 st semester 2016
Provisions for bad debts	3,820	4,829
Total	3,820	4,829

The item "Write-downs of receivables from customers" amounts to a total of EUR 3.8 million and includes the provisions for bad debts.

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

Restructuring costs (note 6)

Restructuring costs (EUR 000)	1 st semester 2017	1 st semester 2016
Restructuring costs	3,537	367
Total	3,537	367

The item "Restructuring costs and other write-downs" mainly includes provisions for group restructuring costs related to the reduction of the staff.

Net financial income (charges) (note 7)

A breakdown of net financial charges for the period, negative for an overall amount of 6,3 million, is provided below:

Net financial income (charges)	1st semester 2017	1st semester 2016
<i>(Thousands of EUR)</i>		
Financial income		
Interest on bank deposits	1	9
Other financial income	40	1,037
Total	41	1,046
Financial charges		
Interest and other charges due to banks	2,798	4,855
Other financial charges	3,588	2,874
Total	6,386	7,729
Net financial income (charges)	(6,345)	(6,683)

The item "Other financial income", amounting to EUR 40,000 in the first half of 2017, included in the first half of 2016 mainly the proceeds from the recognition of the Rigensis Financing at amortized cost (approximately EUR 1 million), due to the anticipated closing of the named loan. The Rigensis loan was replaced by the convertible and converting bond Rigensis-Otkrite, signed in September 2016.

The item "Financial charges" amounting to about EUR 6.4 million mainly includes the following elements:

- interest expense, relating to the loan from Senior Lenders amounting to EUR 2.1 million (2.8 EUR million in the first half 2016);
- financial charges on Tiscali S.p.A.'s convertible bond loan amounting to EUR 0.4 million;
- interest expense on bank current accounts amounting to EUR 0.3 million related to Tiscali Italia S.p.A. and Aria Group (1.2 EUR million in the first half 2016);
- default interests amounting to EUR 0.5 million (0.8 EUR million in the first half 2016);
- interest expense on finance leases and IRU for about EUR 1 million (0.6 EUR million in the first half 2016);
- bank charges for EUR 1.3 million (1.4 EUR million in the first half 2016);
- impairment losses and financial receivables from non-controlling companies (Janna) for EUR 0.1 million.

Income taxes (note 8)

Income taxes	1st semester 2017	1st semester 2016
<i>EUR 000</i>		
Current taxes	15	65
Deferred taxes	(38)	(31)
Total	24	(34)

The balance of current taxes includes the IRAP tax due by the Italian companies for the year.

Group cumulated losses as at December 31, 2016, amount to EUR 279.3 million, in addition to the cumulated losses of Aria Group matured up to the merge into Tiscali Group, amounting to EUR 145.7 million

The uncertainties associated with the achievement of the results of the Business Plan and the achievement of future taxable profit, better described in the previous section "Considerations

regarding going concern and foreseeable development of the management", prompted the Directors not to record early taxation.

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

Transfer to Fastweb

In December 2016, two strategic agreements between Fastweb and Tiscali were signed: an agreement to transfer the Tiscali Business Branch (including the framework contract for public-service connectivity services - SPC Contracts), and an agreement by which Tiscali makes available to Fastweb the use of part of Tiscali's 3.5 GHz frequencies for the development of a converged network of the latest generation in major Italian cities.

The economic value of the transfer agreement of the BTB branch amounts to EUR 45 million, of which EUR 25 million in cash and EUR 20 million of service vouchers to be used in the ordinary business and by February 2022. It is noted for the sake of completeness that on the basis of the most current information, it is estimated that such vouchers will be used within the next 12 months.

The payment of the transfer price was made in two tranches during the first half of 2017, according to the provisions of the transfer agreement:

- a) the first tranche (Provisional Price) was paid at the closing date on February 10, 2017. On that date, EUR 12.5 million were paid, including EUR 5 million in cash and EUR 7.5 million in service vouchers.
- b) The second tranche (Earn Out), amounting to EUR 32.5 million, of which EUR 20 million per cash and EUR 12.5 million in service vouchers, was paid on March 31, 2017, after the completion of the transfer contract, following the sentence of rejection by the Council of State of the appeal of Telecom Italia against the award of the SPC contract to Tiscali.

The completion of the contract and the consequent collection of the remaining price allowed the Company to strengthen its financial and industrial structure. The proceeds of the sale were used for the repayment of past commercial and fiscal debts and for the investments required by the Business Plan.

The capital gain on the sale, amounting to EUR 43.8 million, accounted for in the "Result of assets held for sale and discontinued operations", was determined as the difference between the transfer price (EUR 45 million) and the net carrying amount of the assets transferred at the date of completion of the contract (February 10, 2017), amounting to EUR 1.2 million.

Streamago

On December 20, 2016, an agreement was signed for the sale of Streamago, subsidiary of Tiscali Italia Inc. in favor of Docler Holding Sarl. This agreement provides for the sale of all tangible and intangible assets of Streamago Inc. for a total value of EUR 1 million, plus US \$ 240,000 to cover the costs of the interim period. The transfer took effect from January 1, 2017.

From the point of view of accounting, the sale did not give rise to any capital gain/loss from the transfer in the first half of 2017, as the Company, as at December 31, 2016, had already aligning the net book value of the assets at the sale price.

Furthermore, the agreement provided for the transfer to Docler (on April 1, 2017) of 8 resources previously employed by Tiscali Italia.

The company Streamago Inc., which became non-operative due to the aforementioned transfer of assets, was liquidated on March 8, 2017.

Istella

During 2016 and in the first months of 2017, the management initiated actions aimed at the sale of the Istella branch.

Istella's business includes the remaining value of hardware for the search engine, receivables versus to the publisher Treccani for the service contract for the same Encyclopedia, and liabilities related to suppliers of asset and liabilities towards the personnel dedicated to the Istella project (10 resources).

These net values are lower than the fair value.

At the date of this financial report Istella has not been transferred yet, however, as required by IFRS 5, given the high probability of a transfer in the short-term, the assets and liabilities of the same branch continue to be reclassified among the Assets held for Sale, in line with the approach followed on December 31, 2016.

As required by International Accounting Standard (IFRS) 5, the economic and financial assets held for sale (Business Branch) have been reclassified, as per the income statement, from the specific revenue/cost lines to the line "Result of assets held for sale and discontinued operations" and for the balance sheet, from the specific lines of assets/liabilities to the item "Assets directly related to held for sale", "Liabilities directly related to held for sale" and "Reserve for assets held for sale", respectively.

The economic and financial values of assets held for sale are reported below:

Profit and Loss HFS IFRS 5				Total 1 st semester 2017	Total 1 st semester 2016
<i>(Thousands of Euro)</i>	Fastweb	Istella	Streamago		
Revenues	865	70	2	938	5,029
Cost	311	247	121	679	1,806
Gross Margin	554	(177)	(119)	259	3,222
Costi operativi indiretti	265	333	104	702	1,539
Marketing & Sales	36			36	47
Personell	230	333		562	1,218
Other indirect costs		0	104	104	274
Other (income) / costs		0	0	1	
Receivables write downs					34
EBITDA	289	(510)	(223)	(444)	1,649
D&A	16			16	112
Income from sale of assets to Fastweb	43,826			43,826	
Non recurring costs (income)		(217)	(62)	(279)	
EBIT	44,099	(293)	(161)	43,646	1,537
Net Income	44,099	(293)	(161)	43,646	1,537

Assets and Liabilities HFS IFRS 5	Fastweb	Istella	Streamago	Total 30 June 2017	Total 31 December 2016
<i>(Thousands of Euro)</i>					
Non current assets	0	317	0	317	3,523
<i>o/w</i>					
Intangible Assets		0		0	2,961
Tangible Assets		317		317	561
Other non current assets		0		0	1
Current assets	0	156	0	156	2,714
<i>o/w</i>					
Receivables		140		140	2,571
Other receivables and current assets		1		1	0
Cash and cash equivalents		15		15	142
Total Assets	0	473	0	473	6,237
Non current liabilities	0	56	0	56	295
Current liabilities	0	328	0	328	3,315
<i>o/w</i>					
Trade payables		186		186	2,517
Personnel debt		46		46	571
Other current liabilities		96		96	228
Total liabilities	0	385	0	385	3,611
Net assets held for sale	0	88	0	88	2,626

Earnings (Loss) per share (note 10)

The result per share of “operating assets” was equal to EUR -0.006 and calculated by dividing the loss from continuing operations for the first semester 2017 attributable to the ordinary shareholders of the Parent company, amounting to EUR 19.2 million, by the weighted average number of ordinary shares in circulation during the year, totaling 3,145,281.893.

The diluted result per share of “operating assets” was equal to EUR- 0.005 and calculated by dividing the loss from continuing operations for the year attributable to the ordinary shareholders of the Parent company, amounting to EUR 19,2 million, by the weighted average number of potential shares in circulation during the year, totaling 3,994,765.966.

In order to calculate the weighted average number of potential shares, the following number of potential shares have been considered: i) potential number of stock options in circulation (equal to 566,150,740); ii) potential shares of the convertible bond (equal to 283,333,333).

Verification of possible reductions in the value of assets - “Impairment Test” (note 11)

In consideration of the absence of impairment indicators, the impairment test has not been carried out in the period, in accordance with IAS 36.

In order to assess the lack of impairment indicators, the Company performed:

- a comparison of actual results for the first half of 2017 with respect to the results set out in the Business Plan 2017-2021 for the same period. This analysis has resulted in a substantial alignment of economic and financial values with the Plan.

- a verification of the Compatibility and Exercise of the Business Plan 2017-2021 In the light of the results of the first half of 2017. Management believes, based on the considerations summarized in the paragraph “Considerations regarding going concern and foreseeable development of the management”, also considering the uncertainties therein mentioned, that the Business Plan should be considered consistent with the actual results and fully executable.

-a verification of the existence of trigger events in the period that could result in a impairment of the Group assets. Management believes that during the period there have been no events, in the telecommunication market or in the Italian regulatory context, which could be considered representative of any trigger event.

In view of the above, management believed that there are no impairment indicators and therefore did not conduct the *impairment test* at the end of the semester as allowed by IAS 36.

Intangible assets (note 12)

Intangible assets (EUR 000)	Computers, software and development costs	Concessions and similar rights	Broadband service activation costs	Other intangible assets	Intangible assets under development and advances	Total
HISTORICAL COST						
1 January 2017	4,715	195,033	187,742	27,965	2,163	417,619
Increases		4,441	16,577	1,728	3,581	26,326
Other changes		(1,181)	(429)			(1,609)
Reclassifications		254	17	1,248	(2,311)	(793)
30 June 2017	4,715	198,547	203,906	30,941	3,433	441,542
ACCUMULATED AMORTIZATION						
1 January 2017	4,715	131,635	156,866	25,654		318,870
Increases in amortization		5,684	9,912	468		16,064
Other changes		(1,181)	(110)			(1,291)
Reclassifications		(5)		(3)		(8)
30 June 2017	4,715	136,133	166,668	26,119		333,635
NET BOOK VALUE						
31 December 2016	()	63,398	30,876	2,312	2,163	98,749
30 June 2017	()	62,414	37,239	4,822	3,433	107,907

Movements in intangible assets that occurred in the first half of 2017 are as follows.

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

The balance of *Concessions and Similar Rights* is equal to EUR 62.4 million, and includes:

- EUR 35 million for licenses, of which EUR 30.4 million related to the WiMax license and related charges incurred by the Aria Group; The rest of the item includes costs related to LTE base station design tools, to the remote activation and management of customer-installed equipment, to the licenses related to the VOIP platform utilization, and to the software or the customers management (billing, customer care) and ERP systems;
- EUR 25.9 million for fees and costs associated with the purchase of transmission capacity on a multi-annual basis, in the form of concession contracts for the use of the same capacity (IRU - *Indefeasible Right of Use*). They are IRU accounted in the subsidiary Tiscali Italia, whose main suppliers are Telecom Italia, Interoute, Fastweb, Infracom;
- EUR 1.5 million for software costs.

The overall increase in the first six months of 2017, amounting to EUR 4.4 million, of which EUR 2 million is attributable to software licenses and EUR 2.4 million to costs incurred for the purchase of multi-annual rights for the use of the fiber optic network (IRU - *Indefeasible Right of Use*). Amortization of the period, calculated on the basis of the criteria set out in the annual financial report, amounted to EUR 5.7 million.

The "Other changes" for EUR 1.2 million of historical cost decrease, to be read alongside the corresponding decrease in the accumulated depreciation, are due to the partial closure of the historical cost of an IRU for which Tiscali Italia exercised a renewal option before the expiration of the contract. The company has therefore created a new asset determined by adding the residual value of the previous one and the value of the renewal option, while the portion already depreciated has been reversed against the corresponding accumulated depreciation.

In addition, this item includes reclassifications of EUR 0.2 million. These are reclassifications of assets from the category "Intangible assets under development and advances", relating to assets for which the amortization process started during the period.

The item *Broadband Service Activation Costs* amounts to EUR 37.2 million, of which EUR 35.4 million are related to the subsidiary Tiscali Italia S.p.A. and EUR 1.8 million to the Aria Group. The increase in the first six months of 2017 amounting to EUR 16.6 million relates to the acquisition costs and customer activation for the ADSL service. Amortization of the period, calculated on the basis of the criteria set out in the annual financial report, amounted to EUR 9.9 million.

The "Other changes" for negative EUR 0.4 million included in this item is related to an asset write off following the reassessment of the value of the asset, following a deal with the supplier occurred in the first half of 2017. Such reassessment, in addition to the aforementioned decrease of the asset by EUR 0.4 million, a decrease of the related accumulated depreciation of EUR 0.1 million.

In addition, this item includes reclassifications of EUR 17 thousands. These are reclassifications of assets from the category "Intangible assets under development and advances", relating to assets for which the amortization process started during the period.

Other Intangible Fixed Assets amount to EUR 4.8 million mainly attributable to the subsidiary Tiscali Italia S.p.A. Investment costs are mainly related to the *LTE core network* installation services. The six-month increase amounts to EUR 1.7 million.

This item includes reclassifications of EUR 1.2 million. These are reclassifications of assets from the category "Intangible assets under development and advances", relating to assets for which the amortization process started during the period.

Intangible Assets under development and Advances, amount to EUR 3.4 million.

During the first six months of 2017, the amount of EUR 2.3 million of assets was reclassified from the category in question to the categories "Concessions and similar rights" for EUR 0.3 million, to the category "Broadband service activation costs" for EUR 17 thousands, to the category "Other Intangible Assets" for EUR 1.2 million, in relation to assets entered into amortization during the period. In addition, EUR 0.8 million was reclassified to the category "Plant and machinery", relating to assets that have been incorrectly classified under "Intangible assets under development and advances", as at December 31, 2016.

Property, Plant and Machinery (note 13)

The following table shows the changes occurred in the first semester 2017:

Tangible assets (EUR 000)	Property	Plant and machinery	Other tangible assets	Tangible assets under construction	Total
HISTORICAL COST					
1 January 2017	64,260	343,743	6,320	7,825	422,149
Increases		369	11	8,293	8,673
Reclassifications		1,421		(627)	793
30 June 2017	64,260	345,533	6,332	15,491	431,615
ACCUMULATED DEPRECIATION					
1 January 2016	21,174	283,915	4,994		310,083
Increases in depreciation	921	6,627	81		7,629
Reclassifications		8			8
30 June 2017	22,095	290,550	5,075		317,720
NET BOOK VALUE					
31 December 2016	43,086	59,828	1,326	7,825	112,065
30 June 2017	42,165	54,982	1,257	15,491	113,895

The item *Property*, amounting to EUR 42.2 million, mainly relates to the Cagliari office (Sa Illetta), which was subject to a Sale & Lease back financial transaction in 2007. The decrease in the year is related to the amortization of the period for EUR 0.9 million, calculated according to the criteria outlined in the annual financial report. Please note that the pro rata portion of the gain realized with lease back operation, equal to EUR 1.1 million, is accounted in the line Other Income.

Plant and machinery, amounting to EUR 54.9 million, includes specific network equipment such as routers, DSLAM, servers, and transmission devices installed at the LLU sites.

This item includes EUR 23.4 million relating to the Aria Group and concerning the purchase of materials and accessories for the assembly and commissioning of the various sites with Hyperlan and WiMax technology, which were necessary to the WiMax network for the concentration and management of Internet traffic in terms of utilities and service profiles.

This item also includes reclassifications for EUR 1.4 million. These are in particular reclassifications of assets from the category of "Tangible assets under construction" for EUR 0.6 million related to assets entered into amortization during the first half of 2017 and reclassifications from "Intangible assets under development and advances" of EUR 0.8 million related to assets classified incorrectly in the "Intangible assets under development and advances" as at December 31, 2016.

Amortization of the period, calculated according to the criteria outlined in the annual financial report, amounted to EUR 6.8 million.

The balance of *Other Tangible Assets* equals EUR 1.3 million and includes furniture and furnishings, electronic and electromechanical office equipment as well as vehicles. The decrease in the year is related to the depreciation of the period, calculated according to the criteria outlined in the annual financial report, for EUR 81,000.

The balance of *Tangible Assets under construction and Advances* equal to EUR 15.5 million is mainly represented by investments in the network infrastructure.

Other non-current financial assets (note 14)

Other non-current financial assets (EUR 000)	30 June 2017	31 December 2016
Guarantee deposits	510	4,321
Other receivables	273	
Equity investments in other companies	3,740	3,859
Total	4,524	8,180

Guarantee deposits mainly relate to guarantee deposits paid for the business activities related to long term contracts. The decrease is explained by the release of the pledge for the Consip tender, amounting to EUR 3.8 million as at December 31, 2016, due to the sales of the Business branch division to Fastweb.

Other receivables are vested in the same consortium company Janna S.c.p.a..

The investments in other companies are classified as assets available for sales and mainly comprise the investment in Janna S.c.p.a. (for an amount equal to EUR 3.7 million), a consortium company involved in the management of underwater fiber optics cables located between Sardinia and the mainland and between Sardinia and Sicily.

In the first half of 2017, Janna's share was written down for a total of EUR 119,000.

In addition, the financial receivables have been written down to the same company for EUR 7,000.

Inventories (note 15)

As at June 30, 2017, inventories are equal to nil; the services that generated such inventories have been concluded and invoiced during the first half 2017.

Trade receivables (note 16)

Trade receivables (EUR 000)	30 June 2017	31 December 2016
Trade receivables	84,074	73,994
Write-down provision	(37,894)	(35,698)
Total	46,180	38,296

As at June 30, 2017, trade receivables totaled EUR 46.1 million, net of write-downs of EUR 37.9 million, were mainly generated by sales of Internet services, billing of Internet access services, inverse interconnection traffic, advertising revenues, as well as business customer and telephony services provided by the Group.

The analysis of the recoverability of receivables is carried out on a regular basis, adopting a specific policy for calculating the write-down provision by reference to experience and historical trends.

Since the Group's credit exposure is spread over a very large customer base, there is no particular credit concentration risk. In particular, it is to be noted that the credit risk assessment is already made at the time of the recognition of the receivables, taking into account the general risk of uncollection of credits not expired at the reference date, which can be inferred from historical experience. The provision for the half-year is equal to EUR 3.8 million.

The following table shows movements of the write-down provision occurred during the first half 2017 and 2016:

Bad debt allowance variations	30 June 2017	31 December 2016
<i>(EUR 000)</i>		
Bad debt allowance BoP	(35,698)	(32,393)
Provision	(3,820)	(11,278)
Utilizations	1,623	7,974
Bad debt allowance Eop	(37,894)	(35,698)

Other Receivables and other Current Assets (note 17)

Other Receivables and other Current Assets	30 June 2017	31 December 2016
<i>EUR 000</i>		
Other receivables	24,446	12,058
Prepaid expenses	9,275	7,790
Total	33,721	19,848

Other Receivables amounting approximately to EUR 24,4 million, mainly include the following:

- in the amount of EUR 0.5 million, other receivables of the Aria Group, owed by another telecommunications operator for a contract relating to the use of frequency;
- advances to suppliers of EUR 23.7 million (EUR 10.3 million as at December 31, 2016);
- receivables towards the tax office and other social security institutions amounting to EUR 0.1 million.

The line "Advance payments to suppliers", which increased by EUR 13.4 million compared with the first half of 2016, includes the recording of the Service Vouchers issued by Fastweb as part of the price of the sale of the BTB business branch. This amount was booked on the sale (net of VAT) for EUR 16.3 million and was subsequently discounted in relation to invoices actually issued by Fastweb when purchasing the services themselves.

Prepaid expenses equal to EUR 9.3 million include costs already incurred pertaining to following years, mainly associated with multi-year line rental contracts, hardware and software maintenance costs, insurance and advertising costs.

Other current financial assets (note 18)

Other current financial assets	30 June 2017	31 December 2016
<i>EUR 000</i>		
Guarantee deposits	60	60
Other receivables	2	3
Total	62	63

Guarantee deposits, equal to EUR 60,000, are attributable to the Dutch subsidiary Tiscali International BV. They are accounted for as current assets as they will be disposed of shortly in connection with the liquidation of the same company, expected within 12 months.

Cash and Cash Equivalents (note 19)

At June 30, 2017, cash and cash equivalents amounted to EUR 1.8 million and include the Group's cash, essentially held in bank current accounts. There are no restricted deposits.

Shareholders' equity (note 20)

Shareholders' equity	30 June 2017	31 December 2016
<i>EUR 000</i>		
Share capital	91,201	91,201
Stock Options Reserve	1,668	1,402
Accumulated losses and other reserves	(260,307)	(215,264)
Profit/(loss) for the year	24,457	(44,959)
Minority interest	-	-
Total Shareholders' equity	(142,981)	(167,620)

Changes in the various shareholders' equity items are detailed in the relevant table.

As at June 30, 2017, the share capital amounted to EUR 91.2 million, corresponding to 3,145,281,893 ordinary shares without nominal value.

The increase in accumulated losses and other reserves is mainly attributable to the losses carried forward matured in 2016, and for the residual amount, to the translation reserve resulting from the conversion of the balances of the subsidiary Stremago, liquidated in March 2017.

It is reminded that in June, the share capital increase was approved up to a maximum of EUR 13 million, completed at the end of July as best described in the Management Report in paragraph "Significant events during the first half of 2017".

Current and non-current financial liabilities (note 21)

Current financial liabilities	30 June 2017	31 December 2016
<i>(EUR 000)</i>		
Convertible bond	297	375
Payables to banks and other financing parties	23,598	28,783
Payables for finance leases (short term)	13,533	9,239
Total	37,427	38,397

Payables to banks and other financial parties

The item "Payables to banks", amounting to approximately EUR 23.6 million, mainly accounts for the debts incurred by the Italian subsidiary Tiscali Italia S.p.A. for EUR 18.6 million, of which EUR 5.6 million related to the short-term component of the Senior loan (for details, see paragraph in the continuation of this note), in addition to the debts of Vevisible S.r.l. (EUR 0.9 million) and the Aria Group (EUR 4 million). The amount as at December 31, 2016, has been reclassified in order to consider the short term portion of two loans granted by the Ministry for Development and by the Ministry of University and Research for an amount equal to EUR 0.6 million, amount reclassified from the voice Other current liabilities.

Payables for financial leases

Liabilities for finance leases amount to EUR 13,5 million, referring to the short-term portion of the lease payments for leasing companies for leasing contracts belonging to Tiscali Italia SpA. For details, see paragraph in the continuation of this Note.

Non Current financial liabilities (EUR 000)	30 June 2017	31 December 2016
Convertible bond	18,254	18,429
Payables to banks and other financing parties	83,201	80,888
Payables for finance leases (long term)	55,331	55,339
Total	156,786	154,656

Convertible bond

The item "Convertible bond", equal to EUR 18.3 million, refers to the bond issued by Rigensis Bank and OCIL on September 7, 2016.

Payables to banks and to other financial parties

The item "Payables to banks", amounting to about EUR 83.2 million, mainly accounts for the long-term component of the Senior loan for EUR 80.4 million (for further details please see the section in this note), to the long-term portion of the Group's debts of EUR 2.8 million. The amount as at December 31, 2016, has been reclassified in order to consider the short long portion of two loans granted by the Ministry for Development and by the Ministry of University and Research for an amount equal to EUR 0.2 million, amount reclassified from the voice Other current liabilities.

Payables for financial leases

Liabilities for finance leases amounting to EUR 55.3 million refer to the long-term portion of the debts to leasing companies for leasing contracts belonging to Tiscali Italia S.p.A.. For details see the following paragraph in this note.

Net financial position

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

Net Financial Position (*)	30 June 2017	31 December 2016
<i>(EUR 000)</i>		
A. Cash and bank deposits	1,764	1,346
B. Cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	1,764	1,346
E. Current financial receivables	2	3
F. Non-current financial receivables		
G. Current bank payables	13,321	14,683
H. Current portion of bonds issued	297	375
I. Current part of long-term loans	9,631	13,454
J. Other current financial payables	14,179	10,117
K. Current financial indebtedness (G) + (H) + (I)	37,427	38,628
L. Net current financial indebtedness (K)-(D)-(E)-(F)	35,661	37,279
M. Non-current bank loans	82,972	80,601
N. Bonds issued	18,254	18,429
O. Other non-current financial payables	55,560	55,626
P. Non-current financial indebtedness (M)+(N)+(O)	156,786	154,656
Q. Net financial indebtedness (L)+(P)	192,447	191,935

(*) The net financial position as at June 30, 2017 (and as at December 31, 2016) has been reclassified against the Net Financial Position included in the Annual Financial Report 2016, as well as that communicated pursuant to art. 114 TUIR at the above reference dates for effect of the inclusion of two financial debts granted by the Ministry for Development and by the Ministry of University and Research for EUR 0.7 million at June 30, 2017 and EUR 0.9 million at December 31, 2016. In addition, with reference to the Net Financial Position disclosed in accordance with article 114 of the TUIR at June 30, 2017, there are also some additional adjustments in the amounts of some financial payables at the date.

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 2017	31 December 2016
<i>(EUR mln)</i>		
Consolidated net financial debt	191.9	187.6
Non-current financial receivables	0.5	4.3
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July	192.4	191.9

(*) The net financial position as at June 30, 2017 (and as at December 31, 2016) has been reclassified against the Net Financial Position included in the Annual Financial Report 2016, as well as that communicated pursuant to art. 114 TUIR at the above

reference dates for effect of the inclusion of two financial debts granted by the Ministry for Development and by the Ministry of University and Research for EUR 0.7 million at June 30, 2017 and EUR 0.9 million at December 31, 2016. In addition, with reference to the Net Financial Position disclosed in accordance with article 114 of the TUIR at June 30, 2017, there are also some additional adjustments in the amounts of some financial payables at the date

The gross financial debt (current and non-current), amounting to EUR 194,2 million, is mainly composed of the items shown in the following table:

Breakdown of current and non-current debt

Breakdown of current and non current debt	30 June 2017	Current portion	Non-current portion
<i>(EUR 000)</i>			
Senior debt	85,931	5,561	80,370
Bonds issued	18,551	297	18,254
Bank payables	19,993	17,391	2,602
Total Senior debts and other bank payables	124,474	23,249	101,225
Payables to leasing companies			
<i>Sale & Lease back Sa Illetta</i>	52,129	8,604	43,525
<i>Other finance leases</i>	16,734	4,929	11,806
Total payables to leasing companies	68,863	13,533	55,331
Other financial payables	876	646	230
Total payables to leasing companies and other financial payables	69,739	14,179	55,560
Total indebtedness	194,213	37,427	156,786

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

- senior debt pursuant to the Restructuring Agreement signed on June 29, 2016 with Intesa San Paolo and BPM for EUR 85.9 million;
- payables associated with the convertible and converting debenture loan amounting to EUR 18.6 million (nominal amount of EUR 17 million) subscribed by Rigensis Bank and Otkritie Capital International Ltd, on September 7, 2016;
- other bank payables totaling EUR 20 million;
- payables for finance leases, totaling EUR 68,9 million, mainly represented by the “Sale and Lease Back” agreement signed by reference to the Cagliari office (Sa Illetta) of the Company for EUR 52.1 million.
- Loans from Italian Ministries for EUR 0.9 million.

Here below is reported a table showing the monetary and non-monetary variations of the financial liabilities occurred in the first half of 2017:

Cash and no cash variations of Financial liabilities	31 December 2016	Cash movements (repayments/ new debt)	Accrued Interests	Reclass	30 June 2017
<i>(EUR 000)</i>					
Senior debt	87,301	(3,392)	2,021		85,930
Bonds issued	18,804	(669)	416		18,551
Bank payables	21,436	(1,443)			19,993
Sale & Lease back Sa Illetta	51,767		361		52,128
Other finance leases	12,812	3,848	75		16,735
Other finance liabilities	1,164	(288)			876
Financial liabilities	193,284	(1,944)	2,873		194,213

Senior Loan (GFA)

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

The senior loan, with an initial nominal value of EUR 88 million (EUR 53 million to Intesa San Paolo and EUR 35 million to BancoBpm), amounted to Euro 85.3 million at June 30, 2017 after the payment of the share capital of EUR 2.9 million as at March 31, 2017 at BancoBpm.

During the first half of 2017, the Company negotiated two standstill agreements with BancoBpm and Intesa San Paolo respectively. It has to be noted that the two banks has not completed the assessment process (*iter istruttorio*) for such agreements yet, but they have sent to the Company two confort letter where they confirm their commitment to submit the matter to the competent deliberative bodies once positively concluded the assessment process.

The first ongoing negotiation with Intesa San Paolo, provides for the standstill of payment of capital and interest for the period from September 2017 to March 2018, for a total amount of EUR 5.7 million, of which EUR 2.3 million of interest and EUR 3.5 million of capital. Share capital and interests, subject to the standstill approval, will be due at the end of the financial plan, which expires on March 31, 2022 and will be added to the capital and interest due on that date. The installment not paid as at March 31th, 2017 will be reimbursed by March 2018.

The second ongoing negotiation with BancoBpm, provides for the standstill of the payment of share capital and interest for the period from September 2017 to March 2018, for a total amount of EUR 6.6 million (of which EUR 5.2 million of capital and EUR 1.4 million of interest). Capital and interest charges will be due at the end of the financial plan, which expires on March 31, 2022, and will be added to the capital and interest due on that date. The stanstill agreements described above have led to a different distribution of payments during the financial plan, so the actual rate of financing has changed slightly from 5.16% to December 31, 2016 to 4.94%.

In the first half of 2017, the Company made a payment to BancoBpm for the share capital and interest expiring on March 31, 2017, as per the financial plan (EUR 2.6 million of share capital and EUR 0.8 million of interest).

Covenants

The new senior loan requires the Company to comply with certain financial requisites (so-called "Financial covenants").

The covenants included in the agreement are: (i) net indebtedness/EBITDA; (ii) Debt service Cover Ratio; (iii) EBITDA/Net interest; (iv) investment thresholds (CAPEX). Additional covenants were also defined with regard to non-financial data (i.e. No. of registered/active users, ARPU blended, No. of LTE antennas installed/ in the process to be installed). There also are additional operating covenants.

In the current standstill negotiation phase, the management will not proceed with disclosure of compliance with these covenants, although respected at June 30, 2017.

In particular, it should be noted that the delay in paying the loan installments is caused by a potential right for acceleration by the lenders. The loan agreement, however, provides for remedies for payment of the installments which, if activated, will result in the lapse of the acceleration right by the lending institutions; in relation to the unpaid installments of the loan pending the completion of the above mentioned negotiation, it is confirmed that it would be possible to implement the contractual remedies required to avoid the acceleration of the repayment and consequently the classification of the debit position between the short and long term is not affected by the delayed payments. With reference to the future expectations of covenants overcoming the forward data, ongoing negotiations with the Financial Institutions include, inter alia, the requirement to update the covenants in line with the new Business plan.

Convertible bond

On September 7, 2016, Rigensis Bank and OCIL signed a Convertible and Converting Bond Loan.

This bond, with a nominal value of Euro 17 million, includes among the regulatory provisions the possibility for the Company to reimburse in advance the bond with cash ("Issuer's call") and the possibility, for the bond holders, to require the reimbursement of the bond in shares ("holder's call"); in such a case the amount of share received by the bond holder will be fixed and determined using a settlement value of 0.06 Euro per share ("Conversion Ratio"). In the absence of such events, the bond debt will be settled at maturity by issuing a fixed number of Tiscali shares determined through the application of the Conversion Ratio defined in the Settlement. Management considered not to disclose the financial asset related to the valuation of the issuer's call because, on the basis of the cash forecasts, the likelihood of exercising the Issuer's call would be remote. With reference to the holder's call, the fair value of the option was calculated after calculating the fair value of the bond instrument net of this option, attributing the difference to its nominal value. The value of the holder's call calculated as a counterpart in equity is equal to EUR 1.8 million. As required by IAS 32, the fair value will not be restated at year end.

As provided by the Financial Plan, on April 7, 2017, the Company made payments of interest matured from September 7, 2016 to March 31, 2017, amounting to EUR 0.7 million.

Payables for finance leases

The Group's financial leases refer to agreements signed by the subsidiary Tiscali Italia S.p.A. and the Aria Group, and concern:

- the Sales & Leaseback finance lease on the Sa Illetta property, the Company's main office, the balance of which at the reporting date was EUR 52.1 million;
- other finance leases totaling EUR 16,7 million.

As regards other lease contracts, the considerable increase in payables to leasing companies compared to FY 2016 is mostly attributable to the signing of new contracts relating to the financing of investments in the network infrastructure.

Other non-current liabilities (note 22)

Other non-current liabilities	30 June 2017	31 December 2016
<i>(EUR 000)</i>		
Trade payables	31,089	3,998
Other payables	1,220	1,481
Total	32,309	5,479

The item "payables to suppliers" relates to the long-term component of payables to suppliers (see note 26). These debts are accounted at their nominal value.

The item Other payables, amounting to EUR 1.2 million, basically includes:

- EUR 0.15 million for tax payables relating to the Aria Group;
- EUR 0.3 million for guarantee deposits to clients of Tiscali Italia S.p.A.;
- EUR 0.7 million due to Janna S.c.p.a. (which is involved in the management of an underwater fiber optics cable between Sardinia and the mainland and between Sardinia and Sicily), attributable to Tiscali Italia S.p.A..

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

The table below shows the changes during the period:

Severance Indemnities (EUR 000)	31 December 2016	Accruals	Utilization	Payments to Funds (*)	30 June 2017
	5,945	904	(343)	(819)	5,687
Total	5,945	904	(343)	(819)	5,687

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

The severance indemnity fund includes the indemnities accrued for employees, opportunely revalued.

Provisions for risks and charges (note 24)

Provision for risks and charges (EUR 000)	31 December 2016	Increases in provision	Utilisations	30 June 2017
	4,638	486	(580)	4,544
Total	4,638	486	(580)	4,544

As at June 30, 2017, the provision for risks and charges amounted to EUR 4.5 million and mainly includes:

- EUR 2 million for penalties for late payment of tax debts from previous years, to Italian subsidiaries, actually subject to appeal by the Group (at the date of approval of this Report the appeal is still pending). For additional details, please refer to the following paragraph on "Disputes, contingent liabilities and commitments".
- EUR 1.6 million for other provisions, of which EUR 1 million related to the Aria Group, EUR 0.3 million related to Tiscali Italia and EUR 0.4 million to Tiscali S.p.a; such provisions are mainly related to disputes with suppliers.
- EUR 0.9 million related to provisions for employee disputes.

Please refer to to the following paragraph on "Disputes, contingent liabilities and commitments" for an update of the status of all the main litigation, against which, the provisions accrued represent the best estimate of the Group potential losses on the basis on the information available.

Provision for deferred taxes (note 25)

Provision for deferred taxes (EUR 000)	31 December 2016	Increases in provision	Utilisations	30 June 2017
	538		(45)	493
Total	538		(45)	493

The provision for deferred taxes amounted to EUR 0.5 million and refers to the tax effect of capital gains arising on the allocation of the consideration paid for the acquisition of the Aria Group.

Trade payables (note 26)

Trade payables (EUR 000)	30 June 2017	31 December 2016
Trade payables	137,987	163,947
Total	137,987	163,947

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 June 30, 2017, the net expired trade payables (net of payment plans agreed with suppliers, active items and disputes against the same suppliers) amounted to 35.2 million Euros

Other current liabilities (note 27)

Other current liabilities (EUR 000)	30 June 2017	31 December 2016
Accrued expenses	3,191	3,234
Deferred income	34,630	34,733
Other payables	38,072	37,599
Total	75,893	75,566

Accrued expenses mainly relate to personnel costs.

Deferred income of EUR 34.6 million mainly relate to:

- the capital gain on the disposal relating to the Sale & Leaseback transaction on the Sa Illetta property, amounting to approximately EUR 9.6 million, which is issued on a pro-rata basis corresponding to the term of the lease agreement (EUR 10.7 million as at December 2016);
- the deferral of the revenues deriving from the sale of transmission capacity (IRU) pertaining to future financial years, for approximately EUR 6.5 million (EUR 5.5 million as at December 2016);
- the deferral of the revenues for the activation of the ADSL and VoIP services relating to other accounting periods for approximately EUR 16.9 million (EUR 16.2 million as at December 2016);

- the deferral of revenues accruing in future years, pertaining to the Aria Group, for EUR 1.5 million (EUR 2.2 million as at December 2016).

The item Other payables, amounting to EUR 38.1 million, mainly includes:

- tax and social security institutions payables for about EUR 21.6 million (EUR 23.8 million as at December 31, 2016). As of June 30, 2017, the portion of outstanding payables amounted to EUR 11.2 million, while the portion of social security debts expired at the same date amounted to EUR 0.1 million;
- amounts due to personnel for EUR 4 million (EUR 2.2 million as at December 2016);
- other payables totaling EUR 12.4 million (EUR 11.5 million as at December 2016) mainly include debts towards other public institutions.

Stock Options

On February 16, 2016, the Ordinary and Extraordinary Shareholders' Meeting of Tiscali, 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 approved the 2016-2021 Stock Option Plan regarding ordinary shares of Tiscali reserved to the CEO and the Management of the Group, and the following proposal of Capital Increase, also in separate issues, through the issuance of 314,528,189 ordinary shares maximum with no nominal value, to the service of maximum 314,528,189 options valid for the subscription of ordinary shares of the Company to be reserved to the CEO and the Management of the Group as beneficiaries of the 2016-2021 Stock Option Plan, with the exclusion of option right in compliance with the Article 2441, Paragraph 5 and 6 of the Civil Code. The ensuing amendment of the Article 5 of the Articles of Associations, related and consequential resolutions, delegation of powers.

During the first half of 2017, in connection with the termination of four executives originally beneficiaries of the plan, 56,385,123 options were terminated. The total number of options provided in the Second Plan is then reduced to 258,143,066 options as at June 30, 2017.

The Stock Option Plans were evaluated at the time of the first measurement, with the recognition of the cost share during the vesting period with the counterpart of the equity reserve.

Disputes, contingent liabilities and commitments

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

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

Civil and administrative proceedings

TeleTu dispute

In June 2011, Tiscali Italia sued, at the Court of Milan, TeleTu S.p.A., demanding compensation for damages of approximately EUR 10 million caused by illegal conduct carried out by the defendant in the transfer of users in the period January 2009 – April 2011. The defendant filed a counterclaim for alleged similar acts carried out by Tiscali Italia, demanding, in turn, compensation for damages of over EUR 9 million. In June 2017, the technical assessment requested by the judge (CTU) was performed, and following its outcome the judgment has been postponed to October 2017 for the personal appearance of the parties. The outcome of the trial cannot be foreseen.

Appeal at the TAR against the AGCM PS10027 sanction

In June 2017, AGCM notified the PS10027 sanction amounting to EUR 1 million for having Tiscali adopted unlawful conduct in breach of the Consumer Code for the Receipt of the Consumers' Rights Directive, in the field of distance marketing of fixed telephony and/or mobile services. The Company has put in place the necessary corrective actions in order to eliminate potentially incorrect conduct and in July submitted an appeal at the TAR of Lazio to obtain the annulment of the sanction after its suspension. On August 2, 2017, TAR made a precautionary decision by denying the suspension of the effects of the sanction, but ruling on the suspension of the judgment, as it was adjourned to the merits. The Company is awaiting the fixing of the next hearing.

At the moment, the Directors, based on the opinions received from legal advisors, find the outcome of the dispute unpredictable.

Opposition to the Injunctive Decree Porzio & Partners srl

On July 5, 2017, the Porzio & Partners Company issued an injunction ordering payment of bills related to a professional consultancy provided to Tiscali under the Consip SPC tender. The company has opposed complaining numerous contractual failures as well as an unjustified disproportion between the initial remuneration for Porzio and the actual business provided. At this stage it is not possible to give an estimate of the outcome of the case. The amount of the liability is recognized among the payables to service providers.

Criminal proceedings

In September 2013, Tiscali S.p.A. received from the Public Prosecutor at the Court of Cagliari, pursuant to Legislative Decree 231/2001, a notice of conclusion of the preliminary investigations into alleged conduct of false corporate communications relating to the financial statements from 2008 to 2012. The subsidiary Tiscali Italia received the same notice in January 2014. The supposed offences alleged against the company and some directors, set out in Article 2622 of the Italian Civil Code, refer to alleged incorrect accounting entries for provisions for doubtful debts. In June 2016, upon the outcome of the preliminary hearing, the two companies were committed for trial, as were the accused directors.

The trial phase began in October 2016. At the date of this Report the debate is underway, with the excerpt of the various texts and on the basis of the most recent opinion of the legal representatives representing Tiscali Italia, the evolution of the litigation and the outcome of the same are not foreseeable.

Tax dispute on 2013 VAT late payment fines

During the first half of 2017, Tiscali Italia filed an appeal against Equitalia's notification of a fully-calculated penalty payment and interest on the late VAT payment for the 2013 tax year (for a total amount of EUR 3.6 million). The application was lodged because, in the opinion of the Company, that file had not been preceded by communication from the Italian Revenue Agency, notified in compliance

with current regulations. Having learned of the existence of the such communication (as said, not correctly notified as per Company's opinion), the Company first filed a claim for remission in Equitalia. This request was rejected by the local Cagliari Revenue Agency, even though it was evidently double taxation, and therefore, due to the apparent violation of the law, the Company filed an objection. The ruling is currently pending before the Provincial Tax Commission (PTC) in Cagliari and the hearing is scheduled for 16 October.

Meanwhile, Cagliari's PTC itself, at Company's request, has suspended the collection by Equitalia, so that Tiscali was able to continue the payment of the first communication of penalties, for which it received the recognition of a payment plan by the same Revenue Agency. However, contacts were made with the latter in order to reach a settle agreement before the hearing.

In the financial statements as at June 30, 2017, the portion of debt considered due by the Company has been recorded in full with, while the disputed portion of debt (the higher amount of penalties requested for payment by Equitalia, equal to EUR 2 million) has been provisioned (see Note 27), while waiting the pending definition of the dispute.

Fair value

In order to provide the classification of financial instruments at fair value as per IFRS 13, determined on the basis of the quality of the input sources used in the valuation, the Group's financial instruments have been classified in the three levels provided by the' IFRS 7. In particular, the hierarchy of fair value consists of the following levels:

- Level 1: corresponds to quoted prices on active markets;
- Level 2: corresponds to prices calculated through elements derived from observable market data;
- Level 3: Matches prices calculated through other items other than observable market data.

As of June 30, 2017, the only asset / liability recognized at fair value relates to the option embedded in the Convertible Bond. The related fair value, calculated at the inception date, is a level 2 in the fair value hierarchy .

It is noted that during the period there have not been reclassifications between different levels of hierarchy.

Segment reporting

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

- Access (B2C and B2B connectivity);
- Media & Advertising;
- Corporate.

30 June 2017	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Other	Consolidation adjustments	Total
<i>(Thousands of EUR)</i>						
Revenue						
From third parties	97,029	6,553	35	-	-	103,616
Intra-group	4,987	2,555	2,672	-	(10,213)	-
Total revenues	102,016	9,108	2,706	-	(10,213)	103,616
Operating profit	(12,059)	(448)	166,820	(49)	(167,132)	(12,867)
Portion of results of equity inv. carried at equity						-
Net Income (expenses)						(6,345)
Pre-tax result						(19,212)
Income taxes						24
Net result from operating activities (on-going)						(19,188)
Income from held for sale and discontinued operations						43,646
Net operating income						24,457

30 June 2016	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Other	Consolidation adjustments	Total
<i>(Thousands of EUR)</i>						
Revenue						
From third parties	90,067	6,801	32	-	-	96,900
Intra-group	3,606	1,146	2,672	-	(7,423)	-
Total revenues	93,673	7,946	2,704	-	(7,423)	96,900
Operating profit	(11,417)	(667)	(3,857)	(34)	3,421	(12,554)
Portion of results of equity inv. carried at equity						-
Net Income (expenses)						(6,683)
Pre-tax result						(19,237)
Income taxes						(34)
Net result from operating activities (on-going)						(19,271)
Income from held for sale and discontinued operations						1,537
Net operating income						(17,734)

Non-recurring transactions

Pursuant to CONSOB Resolution No. 15519 dated July 27, 2006 it is reported that in the first half of 2017 non-recurring transactions were recorded, with an overall positive effect on the Group's income statement of EUR 42 million. They were considered "non-recurring" to provide the information required by Consob Resolution no. 15519, dated July 27, 2006, those transactions that are not part of the ordinary Group management even when they have been presented in previous years or are believed to be present in the coming years. More in detail, the following non-recurring transactions have been identified:

- capital gain from the transfer of the Business Branch (SPC contracts included) to Fastweb, following the closing of the contract, dated February 10, 2017 (please refer to Note 9 for further information) amounting to EUR 43.8 million;

- staffing downsizing and workforce reduction charges amounting to EUR 3.3 million;
- reversal of debt positions towards suppliers (Tiscali Italia, Tiscali Spa and Gruppo Aria) amounting to EUR 1.9 million;
- accrual of risks provision for Eur 0,2 million;
- other non recurring costs related to held for sale activities for EUR 0,2 million.

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

Non-recurring transactions	1 st semester 2017	1 st semester 2016
Revenue	0.0	0.0
Other income	0.0	0.0
Purchase of external materials and services	-1.5	-1.5
Personnel costs	0.0	0.0
Other operating expense (income)	-0.4	0.0
Write-downs accounts receivable from customers	0.0	0.0
Gross Operating Result (EBITDA)	1.9	1.5
Restructuring costs	3.5	0.5
Operating profit (EBIT)	-1.6	1.0
Financial income	0.0	0.0
Financial expenses	0.0	0.0
Pre-tax profit	-1.6	1.0
Income taxes	0.0	0.0
Net result from operating activities (ongoing)	-1.6	1.0
Income from BTB sale to Fastweb	43.8	0.0
Other charges related to held for sale	0.2	0.0
Net result for the period	42.0	1.0

Atypical and/or unusual transactions

Pursuant to Consob Communication dated July 28, 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

During the period, the Tiscali Group has had some relationships with related parties under conditions deemed normal in their respective reference markets, taking into account the characteristics of the goods and services provided.

The table below summarizes the financial and economic values recorded in the consolidated financial statements of the Tiscali Group as at June 30, 2017 arising from transactions with related parties. The most significant values, as of June 30, 2017, summarized by service provider, are as follows:

Income Statement Values	Notes	1 st semester 2017	1 st semester 2016
<i>(Euro 000)</i>			
Studio Racugno	1		(9)
Monteverdi S.r.l.	2	(15)	(18)
Open Campus	3	33	
Open Campus	3	(33)	
Board of Statutory Auditors and Directors		(1,820)	(2,101)
Convertible Bond	4	(208)	
Stock option	5	(266)	(559)
Total Suppliers of Materials and Services		(2,308)	(2,687)

Asset Values	Notes	30 June 2017	31 December 2016
<i>(Euro 000)</i>			
Studio Racugno	1	(14)	(32)
Monteverdi S.r.l.	2	(12)	(9)
Open Campus	3		17.00
Open Campus	3		(17)
Board of Statutory Auditors and Directors		(1,017)	(1,102)
Convertible Bond	4	(9,275)	(9,402)
Total Suppliers of Materials and Services		(10,317)	(10,545)
Stock Option Reserve	5	(1,668)	(1,402)
Net assets pertaining to the Group		(1,668)	(1,402)
Total		(11,985)	(11,947)

- 1) *Studio Legale Racugno: the former Director Gabriele Racugno, member of the Board of Directors of Tiscali S.p.A. from December 21, 2009 to December 29, 2015, provided to Tiscali Italia S.p.A. with legal, judicial and extrajudicial assistance.*
- 2) *Monteverdi S.r.l.: an investee company of the majority shareholder Renato Soru. The concerned agreement refers to a rental agreement for a space used to store company documents.*
- 3) *Open Campus: company 80% owned by Alice Soru, member of the Board of Directors of Tiscali SpA. Tiscali Italia stipulated two contracts with Open Campus. With the first contract Tiscali Italia acquires from Open Campus brand promotion services, while with the second contract rents an equipped area for the performance of the activities of Open Campus. The two contracts are not correlated.*
- 4) *Convertible Bond Loan: subscribed on September 7, 2016, by Rigensis Bank AS and Otkritie Capital International Limited (OCIL). The portion attributable to OCIL, amounting to 50%, is a related party. The economic effect reported is related to the interests accrued in favor of the issuer OCIL while the financial value is the total debt at the date.*
- 5) *Stock option: the Company has several Stock Option Plans.*

The company has some management incentive plans in the form of a Stock Option. For more information, please see the paragraphs "5.15 Notes to the Consolidated Financial Statements", in the "Stock Option" note.

List of subsidiaries included in the scope of consolidation

Below is a list of the subsidiaries included in the consolidation area:

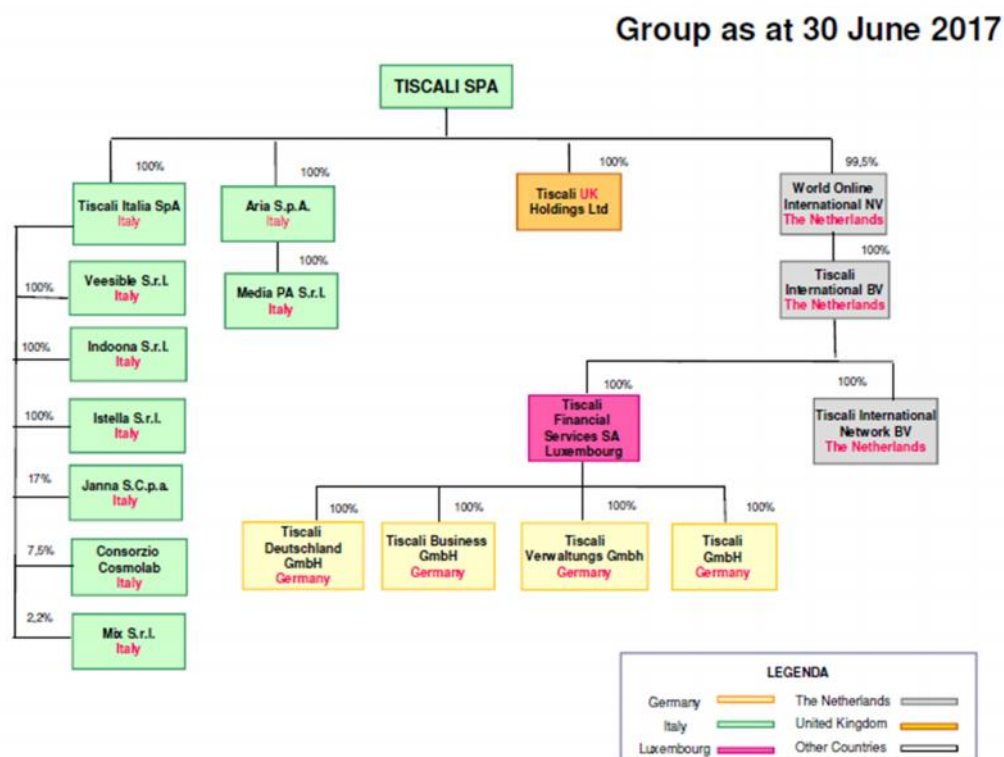
Name	HQ	% of participation
Tiscali S.p.A.	Italy	
Tiscali Italia S.p.A.	Italy	100.00%
Veesible S.r.l.	Italy	100.00%
Indoona S.r.l.	Italy	100.00%
Istella S.r.l.	Italy	100.00%
Aria S.p.A.	Italy	100.00%
Media PA S.r.l.	Italy	100.00%
Tiscali Holdings UK Ltd (*)	The U.K.	100.00%
World Online International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

(*) Company in liquidation or for which Directors will open the liquidation procedure shortly

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

Name	HQ	% of participation
Mix S.r.l.	Italy	2.20%
Janna S.c.p.a.	Italy	17.00%
Consorzio Cosmolab	Italy	7.50%

Group chart as at June 30, 2017:



Events after the end of the six-month period.

Regarding events subsequent to the end of the six-month period, please refer to the similar paragraph in the management report.

Cagliari, September 20, 2017

Chief Executive Officer

Riccardo Ruggiero

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

Daniele Renna

Certification of the Consolidated Financial Report as at June 30, 2017 in compliance with Article 81-ter of the CONSOB Regulation No. 11971 dated May 14, 1999 and subsequent amendments and additions

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

- the adequacy in relation to the Company's characteristics and
- 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, 2017.

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 June 30, 2017:

- 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 half-yearly condensed interim consolidated financial statements as at June 30, 2017, together with a description of the main risks and uncertainties for the six remaining months of the fiscal year. The Interim Management Report includes, as well, a reliable analysis of the information on the relevant transactions with related parties.

Cagliari, September 20, 2017

Chief Executive Officer

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

Riccardo Ruggiero

Daniele Renna

6 Glossary

Shared access	Technique for shared access to a local network in which a former monopoly operator rents part of the capacity to other operators: in that portion of the bandwidth the operator can provide Broadband services, whilst the former monopoly operator on the portion of the bandwidth not hired out, continues to provide telephony services.
ADSL	Acronym for Asymmetric Digital Subscriber Line, (the available bandwidth in reception is greater than that available for transmission) to enable internet access at high speed.
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.
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.
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.
Dual 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.
Ethernet	The standard protocol for cards and cables for high speed connections between a computer and a local network.
Fibre Optic	Thin fibres of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fibre optic cable contains various individual fibres, each capable of carrying a signal (light impulses) over a virtually limitless band length. They are usually used for long distance transmissions, for the transmission of "heavy data" so that the signal arrives protected from interference which it might encounter along its own path. A fibre optic cable's carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.
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.
IRU	Acronym for Indefeasible Right of Use, long term agreements that guarantee the beneficiary the option of using for a long period the grantor's fibre optic network.

Internet Service Provider or ISP	Company that provides Internet access to single users or organisations.
Leased lines	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.
LTE-TDD	Long Term Evolution Time Division Duplex is a mobile data transmission technology that follows international standards developed for LTE and 4G networks. It is a network technology that uses a single frequency to transmit, and it does by alternating between uploading and downloading data with a ratio of dynamic adaptation based on the amount of data exchanged
MAN	Acronym for Metropolitan Area Network, a fibre optic network that extends across a metropolitan area and links a Core Network to an Access Network.
Mbps	Acronym for megabit per second, a unit of measurement that states the capacity (and thus the speed) of data transmission along a computer network.
Modem	Modulator/demodulator. It is a device that modulates digital data in order to permit its transmission along analogue circuits, usually made up of telephone lines.
MNO	Acronym for Mobile Network Operator, an operator of proprietary telecommunications on a mobile network that offers its own services wholesale to all MVNOs (Mobile Virtual Network Operator).
MPF	Acronym for Metallic Path Facility, the pair of copper wires (unscreened twisted pair) that comes from an exchange (MDF -Main Distribution Frame) in an operator's telephone room and arrives at the user's premises (individual or corporate). Connections can be Full or Shared. A Full type connection enables the use of the data service (broadband) in addition to voice traffic. A Shared kind of connection only enables the use of the data service (broadband). In a "shared access" service, the LLU operator (in ungrouped access) provides the ADSL services to the end user, whilst the incumbent operator provides the analogue telephone service using the same access line.
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.

<i>Narrowband</i>	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.
<i>OLO</i>	Acronym for Other Licensed Operators, operators other than the dominant one that operate in a national telecommunications services market.
<i>Opex</i>	Acronym for Operating Expenses which are direct and indirect costs that are recoded in the income statement.
<i>Platform</i>	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).
<i>POP</i>	Acronym for Point of Presence, a site at which telecommunications apparatus is installed and that forms a node on the network.
<i>Portal</i>	Website that forms a point of departure or an entry point for a major group of Internet resources or an Intranet.
<i>Router</i>	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.
<i>Service Provider</i>	Party that provides end users and content providers with a range of service, including that of an owned, leased or third party service centre.
<i>Server</i>	Computer component that provides services to other components (typically client calls) via a network.
<i>SoHo</i>	Acronym for Small office Home office, for small offices, mostly professional offices or small firms.
<i>Local loop unbundling or LLU</i>	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.
VoIP	Acronym for Voice over internet Protocol, a digital technology that enables the transmission of voice packets through Internet, Intranet, Extranet and VPN networks. The packets are carried according to H.323 specifications, which are the ITU (International Telecommunications Union) standard that forms the basis for data, audio, video and communications on IP networks.
VPN	Acronym for Virtual Private Network, which can be realised on Internet or Intranet. Data between workstations and the server of the private network is sent along common public Internet networks, but using protection technologies against any interception by unauthorised persons.
Virtual local loop unbundling or VLLU	Procedure for accessing a local analogue network by which, even in the absence of physical infrastructures, the conditions and terms of access under LLU terms are replicated. This is a temporary access system that is usually replaced by LLU.
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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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**To the Shareholders of
Tiscali S.p.A.**

Introduction

We have reviewed the accompanying half-yearly condensed interim consolidated financial statements of Tiscali S.p.A. and subsidiaries (the "Tiscali Group"), which comprise the statement of financial position as of June 30, 2017, the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended, and the explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed interim consolidated financial statements of the Tiscali Group as of June 30, 2017 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Other Matter

The consolidated financial statement of Tiscali Group for the year ended December 31, 2017, and the interim consolidated financial statement for the period ended June 30, 2016 have been audited and reviewed, respectively by other auditors that expressed an unmodified opinion on the consolidated financial statements on May 8, 2017, as well as an unmodified conclusion on the interim consolidated financial statement on September 29, 2016.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

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Emphasis of Matter

Without modifying our report, we draw attention to the information included in the management report on operations and in the explanatory notes with reference the Directors' evaluation on the persistence of the material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern, linked to weakness of the Group from an equity as well as financial perspective.

As indicated in the paragraph "Assessment of the business as a going-concern and future outlook" in the management report and in the explanatory notes, at June 30, 2017 Tiscali Group figured a consolidated deficit of Euro 143 million (Euro 167,6 million as of December 31, 2016) and a consolidated profit of Euro 24,5 million (a loss of Euro 45 million in the prior comparative period), affected by the positive gain of Euro 43,8 million related to non-recurring operations occurred in the period. Furthermore, on June 30, 2017, Tiscali Group presented a gross financial debt of Euro 194,2 million (Euro 193,1 million at December 31, 2016) and current liabilities greater than current non-financial assets for Euro 133,9 million (Euro 181 million at December 31, 2016).

In this respect, the Directors highlighted in the abovementioned paragraphs that in the first semester 2017 Tiscali Group finalized some operations started on 2016 and has continued to implement the strategy undertook in previous year, affecting the growth path as well as the refocusing on core-business. This considered, Directors concluded that there was no need to update the Business Plan, confirming that the business plan approved on April 28, 2017 is realizable, irrespective the existence of events that could cast the doubt on the Group's ability to continue as a going concern. According to the Directors' view, these doubts refer to the outlook of the telecommunications market and to the achievement of the growth's targets set for the Ultrabroadband LTE services, which represents the main development area of the Business Plan, in a market characterized by a strong competitive pressure, as well as the finalization of the ongoing negotiations with the financial institutions.

With reference to this latter topic, the Directors stated that, with reference to the Senior Loan and the Sa Illetta's financial lease, the negotiations with the financial institutions with the aim to obtain a standstill agreement and the modification of the contractual terms are still in place. The Directors also reported that in September 2017 the Group received from the aforementioned financial institutions and leasing companies some comfort letters that, while not implying an irrevocable commitments of such latter entities, confirmed that the authorization process begun and that, at the end of such a process, the standstill and the modification of the contractual terms requested would be submitted to their committee.

Given such considerations as a background, the Directors considered reasonable that the standstill and the modification of the contractual terms requested will be obtained in a period consistent with the going concern assumption, allowing the Group to have financial resources to be used in the daily operation and to support the implementation of the Business Plan.

Consequently, after having carried out the appropriate analyses as well as assessed the material uncertainties identified in the abovementioned scenario, considering the improvement of the financial indebtedness and the status of the relationship with the financial institutions and leasing companies, the Directors state that they are confident (i) to be able to implement the Business Plan strategy, irrespective the market landscape presents a strong competitive pressure, ii) on the positive completion of the negotiations with the financial institutions as well as the leasing companies in a period consistent with the going concern needs, and iii) about the reconfirmed support by financial institutions and suppliers; based on such consideration, Directors have the reasonable expectation that the Group will have the adequate resources to meet its payment obligations in the next twelve months period and to continue to run its operations in the foreseeable future.

For all of these reasons, Directors considered appropriate to adopt the going concern assumption in preparing the half-yearly condensed interim consolidated financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Ernesto Lanzillo
Partner

Milan, Italy
September 30, 2017

*This report has been translated into the English language solely
for the convenience of international readers.*