
tiscali:

Tiscali Group Half-Year Report as at 30 June 2016

Issue date: 30 June 2016

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Tiscali S.p.A.

Registered office: SS195 Km 2.3, Sa Illetta, Cagliari, Italy

Share Capital €91,200,922.89

Cagliari Companies 'Register and VAT No. 02375280928 Econ. & Admin. Roster No. - 191784

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1 Highlights

Income statement (*)	1st half of 2016	1st half of 2015
<i>(EUR mln)</i>		
Revenues	101.9	103.8
Adjusted Gross Operating Result (EBITDA)	18.9	36.8
Gross Operating Result (EBITDA)	14.0	24.8
Operating Result	(11.0)	7.1
Balance sheet	30 June 2016	31 December 2015
<i>(EUR mln)</i>		
Total assets	294.8	290.5
Net Financial Debt	(165.5)	(165.6)
Net Financial Debt as per Consob	(172.6)	(173.1)
Shareholders' equity	(139.8)	(121.4)
Investments	17.0	38.1
Operating figures	30 June 2016	30 June 2015
<i>(000)</i>		
Total customers	679,9	594.1
<i>of which: ADSL</i>	429.8	457.2
<i>of which: Fixed wireless (**)</i>	96.4	-
<i>of which MOBILE (Voice and Data) (***)</i>	146,3	126.4
<i>of which OTHER</i>	7.4	10.5

(*) The economic figures as at 30 June 2016 are not comparable with the data as at 30 June 2015 as they include the economic figures of the Aria Group, which was integrated into the Tiscali Group on 31 December 2015.

(**) It should be noted that the "Fixed Wireless" customers does include, as at June 30th, 2016, a number of ex clients waiting for the reactivation, amounting to about 22,6 thousand units.

(***) Please note that the Company modified the criterion for determining the number of mobile customers (Voice and Data), in line with the criterion used by other telecommunications operators, including in the total number of Mobile customers the active and operating customers in the last 6 months, instead of the active and operating customers in the last month. Consequently, in order to be able to make a comparison with the 2015 figures, the number of Mobile customers (Voice and Data) at 30 June 2015 has been re-determined using the new criterion, passing from 107,1 thousand units (figures published as at 30 June 2015) to 126,4 thousand units (redetermined figure at the same date).

2 Alternative performance indicators

In this report on operations, in addition to the conventional indicators envisaged by the IFRS, a number of alternative performance indicators are present (EBITDA and Adjusted EBITDA) used by Tiscali Group management for monitoring and assessing the operational performance of the same and given they have not been identified as an accounting measure within the sphere of the IFRS, must not be considered as alternative measures for the assessment of the performance of the Tiscali Group's result. Since the composition of the EBITDA and Adjusted EBITDA is not regulated by the reference accounting standards, the calculation criteria applied by the Tiscali Group might not be the same as that adopted by others and therefore may not be comparable.

About these indicators, on December 3, 2015 Consob issued the communication n.92543 / 15 which refers to the Guidelines issued on October 5, 2015 by the European Securities and Market Authority about their presentation in the regulated information or the prospectus published starting from July 3, 2016. These regulations, which update the previous CESR recommendation (CESR / 05 -178b), are to promote the usefulness and transparency of alternative performance indicators included in the regulated information or statements within the scope Directive 2003/71 / EC in order to improve the comparability, reliability and comprehensibility.

Below, in line with the above communications, are shown the criteria used to calculate these indicators.

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

Pre-tax result

- + Financial charges
- Financial income

Operating Result

- + Restructuring costs and other impairment
- + Amortisation/depreciation

Gross Operating Result (EBITDA)

- + Write-downs of receivables from customers

Gross Operating Result (Adjusted EBITDA)

3 Directors and Auditors

Board of Directors

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

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

Konstantin Yanakov (2)

Nikolay Katorzhnov (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

(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 of 22 July 2016

Board of Auditors

Chairman

Paolo Tamponi

Statutory Auditors

Emilio Abruzzese

Valeria Calabi

Alternate Auditors

Federica Solazzi Badioli

Augusto Valchera

Executive in charge of drafting the corporate financial documents

Pasquale Lionetti

Independent Auditing Firm

Ernst & Young S.p.A.

tiscali:

Interim report on operations

4 Interim Report on Operations

4.1 Tiscali's position within the market scenario

Tiscali S.p.A. (hereinafter also "Tiscali", the "Company" and, jointly with its subsidiaries the "Group" or the "Tiscali Group") is one of the leading alternative telecommunications operators in Italy offering a wide range of services to its private and business customers: internet access in Fixed Broadband and Broadband Fixed Wireless mode, Voice, VoIP, media, added-value services, mobile telephone services, communication services and Over the Top services (hereinafter also "OTT").

In addition, Tiscali is active in the digital media and on-line advertising segment via:

- its www.tiscali.it portal, one of Italy's most important portals, which recorded total traffic in 2015 in excess of 300 million page views;
- the concessionary agent Vevisible S.r.l. (hereinafter also "Vevisible"), which is responsible for selling advertising spaces on the portal www.tiscali.it and other major Italian web properties.

Evolution of the Fixed Broadband Market

With regards to the evolution of the broadband access from fixed network market, Tiscali's main market, in March 2016 (source: AGCOM, latest update available) broadband accesses in Italy have reached 15.1 million units, with an increase of around 580 thousand accesses since March 2015. This increase is particularly driven by broadband accesses developed using alternative technologies to traditional ADSL (Bitstream NGA, BroadBand Fixed Wireless, etc.), which in March 2016 reached around 2.4 million accesses, up by 930 thousand accesses since March 2015. Generally, a growing demand for bandwidth is being observed from users, in line with the evolution of applications.

In the last twelve months, the Tiscali Group has implemented a range of actions in line with the development of the broadband market as described above:

- the December 2015 merger with Aria which enabled the Digital Divide market to be also covered with BroadBand Fixed Wireless technology on a frequency of 3.5GHz, with the possibility of launching in the year 2016 the offer of Tiscali-branded LTE UltraBroadband Fixed Wireless;
- the July 2015 launch of the range of ultrabroadband in FTTC technology for the Consumer and Soho segment, through the adhesion to the Telecom Italia Virtual Unbundling Local Access (VULA) offer in the areas covered directly by the Tiscali network, proposing a connectivity offer with speeds of up to 100 Mbps in download and 20 Mbps in upload;
- Frame Agreement, stipulated in July 2016 with Enel Open Fiber, to gain access to the FTTH (Fibre To The Home) fibre optic network developed by Enel Open Fiber.
- multi-year framework agreement signed on 22 September 2016 with the Italian subsidiary of Huawei Technologies finalized to the end-to-end supply of the Ultrabroadband fixed wireless network access LTE advanced 4G on 3.5GHz frequency

On the fixed network broadband market, Tiscali maintains an essentially stable position, thanks to the integrated voice and data offers. In March 2016 (the latest statistics available), Tiscali's market share, including BroadBand Fixed Wireless customers acquired thanks to the merger with Aria, stood at 3.6%.

The market basically continues to be covered by the long-standing operators (Telecom Italia, Wind, Fastweb and Vodafone), which in March 2016, retained stable market shares on last year (a slight loss of share is recorded by Telecom Italia to the benefit of Fastweb, Vodafone and other minor alternative operators), which compete on the market applying different pricing strategies, communication and added-value services.

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

Evolution of the mobile market

As regards mobile services, the Italian market has remained basically stable in terms of the total number of customers (96.8 million in March 2016 as compared with 97.1 million in March 2015 - source AGCOM). The number of mobile virtual network operator (MVNO) customers grows, however, to the detriment of mobile network owners (MNOs).

On the mobile market, on which it operates as an MVNO, in June 2016, Tiscali recorded a strong performance, thanks to a competitive voice-sms and data range, with an increase of around 16% in the number of operating SIMs at end June 2016 with respect to the corresponding period in 2015.

The exponential growth of data traffic on mobile networks also continues on the market, up by around 53% in March 2016 with respect to the corresponding period of the previous year, driven by the increasing use of 3G/4G Wi-Fi smartphones, tablets and modems, as well as by the ever greater development of mobile applications, both by on-line media and businesses.

Evolution of the on-line advertising market

The on-line advertising market recorded a negative overall result in H1 2016 (-1.9%) due to the fact that growth was only recorded in the mobile device sector (according to data recorded by FCP: 229 million in H1 2016 as compared with 234 million at 1 September 2015 of the total market).

In the mobile on-line advertising sector, growth came to +128%, which, however, in absolute value accounts for 9% of the total market and only partially made up for the decline in income from the traditional fixed network web segment.

Mobile advertising remains the main future growth driver, still under-valued today in view of the now prevalent importance of the audience generated through the use of mobile devices as compared with traditional PCs (Audiweb June 2016: 18.4 million single mobile users on an average day, as compared with 10.9 million single PC users, again on an average day).

The macro-economic indicators are still conflicting and underlie the comprehensive result recorded by the market during H1 2016.

The long-term view remains, however, confirmed, with growth forecast over the coming years, particularly thanks to the growth expected for the mobile advertising, native advertising and video advertising segments.

Tiscali also integrates its digital strategy through the monitoring of innovation and the development of digital Over The Top applications such as Istella (proprietary search engine), Indoona (integrated personal unified messaging system) and Streamago (live video streaming application integrated into the main social areas of the web). The development of these products and services sees Tiscali as an operator that has always focused on innovation put to the service of its customers, and a market player able to supply a complete range that supplements access products with digital and web-based services.

Integration with the Aria Group

During FY 2015, the Tiscali Group carried out a business merger with the Aria Group, finalised on 24 December 2015. This merger is extremely important in terms of business and may have significant impacts on the future development strategies to be pursued by the Tiscali Group.

Thanks to the merger with the Aria Group, the Tiscali Group has extended its portfolio of industrial assets, in particular acquiring the licence on 40MHz of spectrum over a "technology neutral" frequency of 3.5Ghz and the proprietary Fixed Wireless access network owned by Aria. In aggregating Aria's assets, today Tiscali is one of only a handful of national operators to boast a proprietary End-to-End network infrastructure (Transmission network + Access Network), an essential asset to operate successfully on the telecommunications market and thanks to which the competitiveness of its ranges and overall profitability can be increased. Through this proprietary network infrastructure; Tiscali will be launching the new UltraBroadBand Fixed Wireless LTE services (with speeds of up to 50Mbps), which significantly add to its offer portfolio in connectivity services, extending its market to now include areas that were not previously covered, such as the Digital Divide areas.

The merger with Aria also gives Tiscali the option of migrating a portion of Tiscali customers today served by the rental of the Telecom Italia access network in Bitstream mode (characterised by low profits and high costs to be paid to Telecom Italia for the rental of the access network) to its own proprietary Fixed Wireless access network. Already today, around 20% of Tiscali's Bitstream customers are covered by Aria's current Fixed Wireless network and this percentage will grow further in the future, thanks to the focus of the new cover offered by the LTE BroadBand Fixed Wireless services in areas of greater density of Tiscali Bitstream customers too, as well as in areas where the quality of current ADSL services is particularly poor or even lacking entirely. This operation will enable a further increase in comprehensive corporate profitability.

Finally, prospectively, Tiscali now looks at the option of launching a convergent fixed-mobile Ultrabroadband product on the market, which would allow for the management on its proprietary Tiscali network of Mobile Data services integrated with BroadBand Fixed Wireless services in areas covered by the LTE network on a frequency of 3.5GHz;

During the first half of 2016, the operative integration with Aria was completed and all activities started, as aimed at ensuring the launch of Tiscali-branded LTE UltraBroadBand Fixed Wireless services; this then took place in September with the installation of the first Huawei technology LTE antennas.

Research and development activities

During the first half of 2016, the Company continued its activities for the development of *Over The Top* products/services:

- Indoona:

In February 2016, "Indoona Open Platform", the first ever development platform that allows people, applications, services and smart objects to connect and dialogue through chat, has been enriched with Indoona Follow Me, the word press plug-in available to bloggers and users. Thanks to Indoona Follow Me, bloggers can connect their blog to Indoona Open Platform and thus reach users who, in turn, can remain connected at all times with their favourite blog. Indoona opens its platform to collaborate with bloggers in order to develop greater interaction and communication between people and services.

As from 3 May 2016, the Indoona platform also introduced the possibility of enjoying real-time dialogue, in all world languages, through chat. The "applications" screen, in fact, now gives the option of finding the Translator, a system of automated personal interpreters that translate the messages of chat users in the interlocutor's language, in real time.

As at 30 June 2016, Indoona boasted 2.5 million downloads with respect to the 2.4 million downloads recorded at 30 June 2015. The net book value as at 30 June 2016 referred to Indoona capex is amounting to EUR 0.4 million. At the current state of play, revenues generated by the service are not significant;

- Istella: is a search engine for the Italian web, created with the objective of arranging and spreading Italian cultural heritage, among other aspects. total of more than 7 billion pages, 130 million videos and 300 terabytes of data have been indexed to-date. It differs from other search engines since all the users can add to the database by sharing files, documents, photos, images, videos and audio. Istella was launched on the market in 2013.

The net book value as at 30 June 2016 referred to Istella capex is amounting to EUR 3.2 million. At the current state of play, revenues generated by the service are not significant.

- Streamago: is a platform which enables live streaming and broadcast recording vis-à-vis any fixed device (PC and MAC) or mobile device. The net book value as at 30 June 2016 referred to Streamago capex is amounting to EUR 1 million. During the first half of 2016, the revenues from Streamago amounted to EUR 134 thousand.

4.2 Regulatory background

The main areas subject to regulatory intervention in the first half of 2016 are summarised below.

Market analysis of the fixed network access services

With the closure of the new fixed network wholesale access market analysis cycle, valid for the period 2015-2017, AGCOM defined, for the three years concerned, rules and standardised prices throughout national territory at which competitor operators can access the Telecom Italia copper and fibre network (Resolution No. 623/15/CONS).

Following approval of the above resolution, the Authority launched a series of provisions and consultations with a view to implementing the measures adopted with the market analysis. More specifically:

1. In December 2015, the Authority re-launched the procedure - previous suspended -

concerning the update of the replicability test methodology.

With this resolution, sector operators are given the chance to evaluate and modify the current replicability method, which uses a test based on the actual costs of the various systems solutions on a wholesale level (referred to as a "production mix"), in favour of new test models based on the costs of the SMP operator or on the costs of a "reasonably" efficient generic operator.

2. In January 2016 a public consultation process was launched, which has not yet drawn to a close, 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 170/15/CIR). By virtue of this resolution, a slight reduction is expected in the contributions for activation and deactivation and a slight reduction in other contributions (i.e. pairing qualification, empty supplies, empty maintenance, etc.) according to the decalage of the hourly maintenance cost.

The resolution particularly proposes a major revision of the deactivation contribution for unbundling access services (ULL), introducing a breakdown into three different cases, which envisage different one-off contributions, all of a smaller amount than the previous single contribution. A contribution has also been introduced for donating, in the event of migration.

The principles that will be approved in this procedure, as regards the activities behind the activation and deactivation of services, will also be extended to include the other TIM Wholesale offers (e.g. Bitstream), resulting in a reduction in the relevant contributions.

3. In February 2016, the investigation procedure was initiated, concerning the comprehensive review of the SLA and Penalties system for the *wholesale* access services to the Telecom Italia network: in accordance with the principles of simplification, non-contradiction and uniformity sanctioned by resolution 623/15/CONS. This intervention will be useful in driving the *Incumbent* operator to act with greater efficiency and effectiveness in the *Provisioning* and *Assurance* processes, as well as necessary to guarantee all operators equal treatment, enabling them to offer their customers suitable service levels.
4. In March 2016, an investigation was launched concerning the comprehensive review of the system of Key Performance Indicators with a view to simplifying and rationalising the system of KPIs (under the scope of the strengthening of the *Equivalence of Output* system), with specific regards to the KPIs of non-discrimination (KPI-nd).

The KPI-nd are those that enable the measurement of performance and equal treatment of services supplied to alternative operators, both for copper and fibre in relation to: *i*) the order process; *ii*) the supply of the service; *iii*) the quality of the service, including failures; *iv*) failure repair times; *v*) migration between different regulated wholesale services.

5. In May 2016, the investigation procedure and related consultation was started (Resolution No 122/16/CONS) aimed at assessing the proposal made by Telecom Italia on the methods of unbundling and outsourcing of provisioning and assurance activities of the ULL, and SLU services and the measurements by which to reinforce the guarantees of equal treatment in the supply of regulated fixed wholesale access services.
6. In June 2016, the investigations were started concerning the definition of the *switch off* procedures of the local centres for the Telecom Italia access network.

The evolution of the electronic communication networks leads to technological models that are functional to the supply of ultrabroadband services to the end customer: in light of this, the Authority has launched a procedure aimed at obtaining specific assessments from the parties concerned of: procedural aspects of *switch-off* relating to the interaction between Telecom Italia and the OAOs (definition of technological migration processes, timing, cost analysis).

Public consultation concerning the approval of the offers of reference of Telecom Italia for the bitstream services on copper network and for NGA bitstream services, VULA service and related accessory services, for the years 2015 and 2016

In April 2016, the Authority launched a public consultation (resolution 42/16/CIR) for the approval of the reference offers of Telecom Italia relative to the bitstream access services on copper network and in fibre optic for the years 2015 and 2016. The document submitted for consultation indicates the guidelines regarding the economic conditions of those services that, under the scope of the analysis of the access markets pursuant to Resolution No. 623/15/CONS are subject to guiding the cost (*one-off* contributions, bandwidth - ATM and Ethernet - and accessory services).

The relevant points discussed include the reduction of bandwidth fees: a reduction in the fees for the ATM bandwidth is proposed and more markedly those for ETH, on the basis of the regulatory accounts submitted by TIM and occupation of the network, which follows the decreasing trend seen in previous years.

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

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

Significant activities in this area include, late 2015, the adoption of resolution 659/15/CONS, which establishes "Procedures and rules for the assignment and use of available frequencies in the 3,600-3,800 MHz band for ground-based electronic communications systems "

The provision identifies different batches of assignment according to the geographic areas, with the aim of reducing the *digital divide* in broadband and ultrabroadband, in less dense areas that are less serviced in the country and is an important innovation that, in the near future, should open up some very interesting scenarios for both *fixed wireless* and *Lte* and *Lte-Advanced* applications.

The tender is expected to be called by the Ministry of Economic Development this coming autumn.

Guidelines for the wholesale access conditions to the ultrabroadband networks receiving public contributions

By resolution 120/16/CONS, AGCOM approved the investigation regarding the guidelines for wholesale access to ultrabroadband networks receiving public contributions.

Under the scope of the Italian Ultrabroadband Strategy, the guidelines define exactly which wholesale access services the beneficiary must supply and the most appropriate pricing criteria to foster the development of new infrastructures in market failure areas receiving public contributions.

Licensed Shared Access (LSA)

By resolution 121/16/CONS, AGCOM, the first European regulator to launch a systematic verification on the matter, started the public consultation aimed at obtaining comments, information and documentation on the possible introduction of “*Licensed Shared Access*” (LSA) type spectrum shared access mechanisms for ground-based electronic communication systems, also in order to verify the degree of market interest and to identify possible scenarios of application.

In a context where resources are scarce, where most of the useful radio spectrum is already used, it is important to take a new approach for the assignment and efficient use of frequencies: of the many solutions considered, that of Licensed Shared Access (LSA) would currently appear to be one of the most promising as it allows the telecommunications operators to optimise use of frequency resources that are not fully used.

Planned merger between Wind and H3G Italia

Under the scope of the procedure relating to the merger of Wind and H3G Italia, the DG Competition of the European Commission asked alternative operators, through a questionnaire, to provide information on the possible impact that the merger may have on the mobile telephony services and the outcome in terms of competition.

On this occasion, Tiscali has called for a regulation of the conditions upon which the relations (currently on a commercial basis) between mobile operators with significant market power (MNOs) and mobile virtual network operators (MVNO / ESP) are based, through measures to ensure that the last ones be able to operate in a context of real competition.

Following a thorough investigation, the EU Commission gave the green light to the merger, considering that the corrective structural measures proposed by the two actors, consisting of the transfer of assets to the French telecommunications company Iliad, would provide sufficient guarantees in terms of competition because it will allow it to present itself on the Italian market as a new mobile network infrastructured operator.

In particular, the main corrective measures are: the transfer to the new operator of a given quantity of the mobile spectrum of the joint venture deriving from different frequency bands; transfer / co-location of several thousand sites for base mobile stations from the joint venture to the new operator, and finally, a transitional arrangement (for access to 2G, 3G and 4G, and to new technologies) that allows the new entrant to use the network of the joint venture to offer mobile services to customers nationwide until he has not made up its own network. In essence, these measures will enable the entrant to present itself as the infrastructured fourth mobile operator (MNO) in Italy.

Strategy for the single digital market

In March 2016, the **European Commission** published a preliminary analysis of the answers received in response to the public consultation launched on the matter of the *Digital Single Market*, from September to December 2015.

A great many matters were discussed in the consultation, ranging from IT security to the optimisation of e-commerce; the interoperability of networks and technologies through to the development of ultrabroadband and the entrance and affirmation on the digital market and, more generally, the electronic communication market, of new subjects like the *Over the TOPs* (OTTs).

The preliminary analysis of contributions sent, made public by the EC, already shows some dominant trends: connectivity is extensively recognised as the driving force of the company and the digital

economy and “good connectivity ”is considered a necessary condition to the creation of the *Digital Single Market*.

Once the consultation phase is over, the Commission will examine the details of the contributions received and on this basis will prepare the definitive proposal for the legislative intervention expected by end 2016.

Notice of Infratel tender for Operators involved by NGAN networks

The notice of tender called by Infratel is worthy of note, for the development and management of an ultrabroadband infrastructure in (total or partial) market failure in six different regions of Italy: Abruzzo, Molise, Emilia Romagna, Lombardy, Tuscany and Veneto.

The award criterion will be that of the economically most advantageous in terms of value for money.

Consumer protection initiatives

The Authority has recently adopted resolution 252/16/CONS containing new rules on pricing transparency upon completion of the procedure launched with a specific public consultation early 2015.

The aim of the provision is to foster a greater awareness in the choice of tariff plans by consumers according to their consumer profiles. The most important new features include the development of a specific “calculation engine ”- managed by an independent subject under the control of AGCOM - which will be released in the next few months and which will enable a comparison of current offers on the basis of the service price criterion, considering the geographic location and consumption habits of the consumer.

The resolution approved by the Authority also envisages an extension to the protection relative to pricing transparency in favour of users who have stipulated a contract for adhesion, through the publication on a dedicated page of its website, of prospectuses describing the offers available, using a “standard ”informative model chosen by AGCOM.

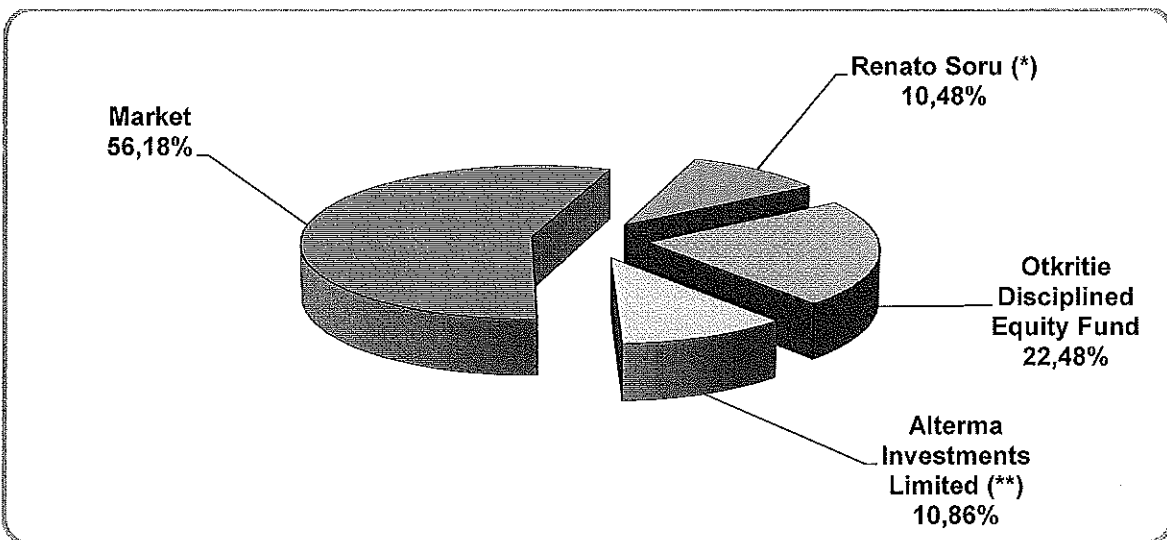
4.3 Tiscali shares

Tiscali shares have been listed on the Italian stock market (Milan: TIS) since October 1999. At 30 June 2016, market capitalisation came to roughly EUR 134,932,593, calculated on the value of EUR 0.0429 per share as at that date.

At 30 June 2016, the number of shares representing the Group's share capital amounted to 3,145,281,893.

Tiscali's shareholder base at 30 June 2016 is illustrated below.

Fig. 1 Tiscali shares



Source: Tiscali

(*) Directly for around 8.87% and, indirectly through the investee companies Monteverdi S.r.l (0.56%) and Cuccureddus S.r.l (1.05%).

(**) Indirectly through the investee company Powerboom Investments Limited.

Share capital structure at 30 June 2016

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

Here below you can find a table summarizing the stock option plans (showing the number of options and the exercise price for each tranche) and the convertible bonds (number of underlying shares and the exercise price).

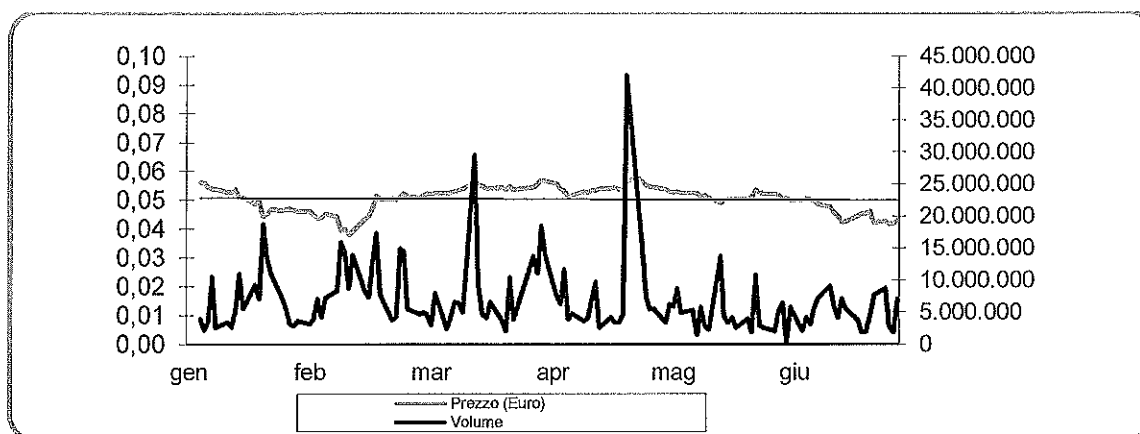
For more information about the stock option plans, please refer to the "Stock Option" note.

For further information on the convertible and converting bond, please see Note 4.7

STOCK OPTION PLAN_ beneficiary: R Soru		
	N° options	Strike Price
1 Tranche	157.264.095	0,0600
2 Tranche	47.179.228	0,0690
3 Tranche	47.179.228	0,0780
	<u>251.622.551</u>	
STOCK OPTION PLAN - beneficiaries: AD & management		
	N° options	Strike Price
1 Tranche	188.716.915	0,0700
2 Tranche	62.905.637	0,0886
3 Tranche	62.905.637	0,1019
	<u>314.528.189</u>	
Convertible and Converting Bond		
	conversion shares	Strike Price
n. shares	308.333.333	0,0600

The graph below illustrates Tiscali's share trend during the first half of 2016, characterised by sustained trading volumes, particularly in March and April.

Fig. 2 - Share performance during the first half of 2016



Source: Bloomberg data processing

The average monthly price in H1 2016 stood at EUR 0.050. The maximum price of EUR 0.057 for the period was recorded on 25 April 2016, and the minimum of EUR 0.038 on 11 February 2016.

Trading volumes stood at a daily average of about 7 million items, with a daily average trade value of around EUR 0.05 million.

Average Tiscali stock trading on the Italian Stock Exchange in the first half of 2016		
	Price (EUR)	No. of shares
January	0.050	6,658,129
February	0.046	8,979,075
March	0.054	7,767,733
April	0.054	9,004,304
May	0.052	4,759,822
June	0.046	4,855,693
Average	0.050	7,004,126

4.4 Significant events during the first half of 2016

15 January 2016 - Approval of information document on the 2015-2019 stock option plan

On 15 January 2016, the Company's Board of Directors and the Remuneration Committee approved the Stock Option plan thereafter submitted to the Shareholders' meeting on 16 February 2016. The plan envisaged the proposed increase of the share capital in exchange for payment, in a divisible fashion, by means of the issue of up to 251,622,551 ordinary shares with no face value, at the service of up to 251,622,551 options valid for the subscription of ordinary shares in the Company, reserved to the Chairman Renato Soru as beneficiary of the 2015-2029 Stock Option Plan. The options assigned will be able to be exercised in three tranches, starting 24 December 2016 and until 24 June 2019.

16 February 2016 - Ordinary shareholders' meeting to appoint the Directors and Board of Auditors and Extraordinary shareholders' meeting to increase the capital for the Rigensis loan and 2015-2019 Stock Option Plan, renewal of corporate offices

The Ordinary shareholders' meeting resolved on the following agenda:

- appointment of the members of the Board of Directors and approval of their remuneration;
- appointment of the Board of Auditors, its Chairman and approval of their respective remuneration;
- establishment of the Committees within the Board of Directors.

As regards the Rigensis Loan and the Stock Option Plan, the Extraordinary shareholders' meeting resolved as follows:

- approval of the proposed appointment of the Board of Directors for the share capital increase in exchange for payment, by means of the issue of a total of up to 250,000,000 ordinary shares. The increase is reserved to Rigensis Bank AS, owner of a credit of EUR 15 million due from the subsidiary Aria. This increase cancels and replaces the previous increase, again delegated for up to 250,000,000 ordinary shares, reserved to Bank Otkritie, resolved by the Shareholders' meeting on 29 September 2015;
- approval of the 2016-2019 Stock Option Plan intended for Renato Soru as member of the Board of Directors and related proposed delegation to the Board for the share capital increase used for said Plan. The delegation regards the issue of up to 251,622,551 ordinary shares at the service of up to 251,622,551 options to be reserved to the Renato Soru, as beneficiary of the 2016-2019 Stock Option Plan.

19 February 2016 - termination of employment of Luca Scano, Tiscali Spa Board Member and General Manager of Tiscali Italia SpA.

On 19 February 2016 Luca Scano ceased his employment as General Manager of Tiscali Italia SpA and left all positions held in Group companies. Scano's leaving occurred at the completion of the important merger process by incorporation of Aria Italy into Tiscali.

24 February 2016 - Technology Partnership between Tiscali and Huawei for the development of ultra-broadband network with multimedia services in Italy

On 24 February 2016, Tiscali and the Italian subsidiary of Huawei Technologies, a global leader in ICT solutions, signed a memorandum, not binding on the parties, aimed at creating a technological partnership aimed at the development of an ultra-broadband network in Italy.

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The agreement document (non-binding term sheet) was signed in Barcelona by Riccardo Ruggiero, CEO of Tiscali SpA, and Edward Chan, CEO of Huawei, at the "Mobile World Congress 2016".

This preliminary agreement was transformed in September into the signing of a multi-year framework agreement for the supply of network devices that ratifies the technological and commercial alliance between the two operators and which signal the start of the development by Tiscali of a LTE 4.5G Fixed Wireless proprietary access network on a frequency of 3.5GHz. Thanks to this network Tiscali will provide ultra-broadband services with a capacity up to 100Mbps across the whole of the national territory with the Tiscali brand, with particular focus on the areas in digital divide, contributing in this manner to accelerating the development of ultra-broadband Italy. The framework contract provides the possibility of making investments for EUR 40 million thus contributing to covering Tiscali's LTE investment needs.

25 March 2016 - Tiscali S.p.A.'s Board of Directors approves the Draft Financial Statement for the 2015 financial year

On 25 March 2016, Tiscali S.p.A.'s Board of Directors examined and approved the Draft Financial Statement for the 2015 financial year, the new 2016-2021 Industrial Plan and took note of the receipt of two Comfort Letters from two primary Italian banks for a possible refinancing operation of the current Senior debt.

28 April 2016 – The Shareholders' Meeting approved the Financial Statement for the financial year to 31 December 2015, examined the first section of the Remuneration Report and resolution pursuant to Art.2446 of the Civil Code with consequent amendment of Article 5 of the Articles of Association.

On 28 April 2016, the Shareholders' Meeting of Tiscali, held in Cagliari in a single call, approved all the points on the Agenda:

for the ordinary part

- approved the financial statement as at 31 December 2015;
- examined and expressed a positive opinion regarding the first section of the Remuneration Report;

for the extraordinary part

- adopted a resolution pursuant to Art. 2446 of the Civil Code with consequent amendment of Article 5 of the Articles of Association for the full coverage of the accumulated losses as at 31 December 2015, equal to EUR 77,875,899.78 by means of writing down the share capital for the same amount and consequent reduction of the same from EUR 169,076,822.67 to EUR 91,200,922.90.

The resolution to refinance the Group's senior financial debt was also approved by the credit committee of Banca Intesa San Paolo.

12 May 2016 - Tiscali S.p.A.'s Board of Directors approved the Stock Option Plan 2016-2021 dedicated to the management of the Group and called the Shareholders' Meeting for 16 June 2016.

Tiscali S.p.A.'s Board of Directors held on 12 May 2016:

- Approved the Stock Option Plan 2016 -2021 regarding Tiscali S.p.A. ordinary shares reserved for the Group's Chief Executive Officer and management. Related and consequent approvals. The Board has, therefore, approved the proposal for a divisible Capital Increase by issuing an

overall maximum of 314,528,189 ordinary shares without par value, to service a maximum of 314,528,189 valid options for the subscription of ordinary shares in the company to be reserved for the Group's Chief Executive Office and management as beneficiaries of the Stock Option Plan 2016 - 2021 referred to in the preceding item on the agenda, with the exclusion of the option right, pursuant to art. 2441 paragraphs 5 and 6 of the Civil Code. The consequent amendment of art. 5 of the Articles of Association, related and consequent resolutions and delegation of powers;

- It called the Shareholders' Meeting for 16 June 2016 in a single call for the resolution relative to the Stock Option Plan 2016-2021;
- It examined and took note of the resignation of Renato Soru from the post of President of Tiscali S.p.A.'s Board of Directors.

20 May 2016 – Signed the Solidarity Contract

On 20 May 2016, the Company signed the Solidarity Contract of "Defensive" type with the workers, represented by the SLC-CGIL, FISTel-CISL, UGL TLC and UILCOM-UIL trade union organisations. The agreement, as reason for the intervention of the CIGS (Special Redundancy Fund) pursuant to Legislative Decree 148/2015, has as its objective the containment of costs aimed at confronting the situation of economic difficulty determined by the prolonged situation of contraction of the market and the growing competitiveness of the sector. The solidarity contract shall have a term of 18 months with effect from 1 July 2016 and shall result in a reduction of working time of 15%.

24 May 2016 - Signed the contract for the offer of connectivity service for the public administration

On 24 May 2016, Tiscali signed with Consip SpA the framework contract for the assignment of the connectivity services of the Public Administration within the Public Connectivity System (PCS). The award occurred on the basis of the best-weighted total, of an offer which has proven to be the most advantageous and which has successfully passed all the checks with economic and technical congruity. The contract is a "multi-supplier" framework agreement for the provision of services for the transportation of data in IP protocol, network security services and VoIP communication services over the whole national territory for a total term of 7 years. As established by the tender rules, the share held by Tiscali in the capacity of successful company, is equal to 60% of the total value of the order.

16 June 2016 – Approved the Stock Option Plan 2016-2021 and increased the capital by means of issuing ordinary shares without nominal value.

On 16 June 2016 the Shareholders' Meeting of Tiscali, held in a single call approved all the points on the Agenda. In particular:

for the ordinary part

- Approved the Stock Option Plan 2016 - 21 regarding Tiscali S.p.A. ordinary shares reserved for the Group's Chief Executive Officer and management;

for the extraordinary part

- Approved the divisible capital increase by issuing an overall maximum of 314,528,189 ordinary shares without par value, to service a maximum of 314,528,189 valid options for the subscription of ordinary shares in the company to be reserved for the Group's Chief Executive Officer and management as beneficiaries of the Stock Option Plan 2016 - 21 referred to in item 1 on the agenda, with the exclusion of the option right, pursuant to art. 2441 paragraphs

5 and 6 of the Civil Code. Consequently, Art. 5 of the Articles of Association relative to the Company's capital has been amended.

28 June 2016 – The Tiscali Group approved the conditions of termination of the executive positions of Dr. Renato Soru.

On 28 June 2016 the Tiscali Group, following positive opinion expressed by the Related Parties Committee, defined with Dr. Renato Soru the terms and conditions of termination of the executive positions covered by him with various Group companies.

29 June 2016 - Signed the agreement to refinance the senior debt with Intesa San Paolo and BPM

On 29 June 2016, the Tiscali Group signed a refinancing agreement with Intesa San Paolo and BPM having as its object the Groups medium and long-term senior debt.

The new financing of EUR 88 million, of which EUR 53 million with Intesa San Paolo and EUR 35 million with Banca Popolare di Milano, allows the full repayment of the current senior debt deriving from the Group Facility Agreement (GFA) and held by Banca Intesa and some Hedge Funds, restructured in 2014 and due in September 2017.

The principal characteristics of the new financing are:

- A term of approximately six years with a due date on 31 March 2022 which significantly lengthens the times for repayment with respect to the previous debt and contributes to strengthening the Group's financial structure for the coming years;
- A repayment plan articulated thus:
 - the payment of little more than half the amount financed in 11 half-yearly instalments with effect from March 2017 of approximately EUR 4.3 million each;
 - the balance of approximately EUR 40 million in a single instalment on the due date in the month of March 2022.
- A total cost of financing that is much less with an annual interest rate that stands at a value that is more than 50% lower than the previous conditions.

4.5 Analysis of the Group economic, equity and financial position

Introduction

Founded in 1998, Tiscali is one 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, from broadband and narrowband internet access, together with more specific and hi-tech products. This offer also includes voice services (VOIP and CPS), and portal and mobile telephone services, thanks to the service supply agreement reached with Telecom Italia Mobile (MVNO).

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

- (i) "Access", through fixed *Broadband* (through LLU and Bitstream, inclusive of the VOIP and Voice service) and Fixed Wireless. The Fixed Wireless component was acquired following the enterprise integration operation with the Aria Group
- (ii) "MVNO", which includes mobile telephone services:
- (iii) "Services to Businesses and Wholesale": *Services to businesses* include, inter alia, VPN services, Hosting, concession of domains and *Leased Lines*. "*Wholesale*" includes wholesale data and voice service;
- (iv) "Media and value-added services", which include media, advertising and other services.

Main risks and uncertainties for the Group

Risks relating to the general economic situation

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

The activities, strategies and prospects of the Tiscali Group are influenced by the related macro-economic context 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 as well as the Aria Group both operate in the market for telecommunication services, characterised by high competitiveness.

With respect to the two main markets in which Tiscali operates it should be noted that on the basis of the AGCOM analyses for March 2016 Tiscali's market share in the broadband Internet-access sector, considering also the contribution of the Fixed Wireless Broadband client acquired following the merger with Aria is about 3.6%, 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 held the monopoly over telecommunications services before the liberalisation of the sector (so-called Incumbent). These competitors possess a strong brand awareness in their own countries, a consolidated customer base and high levels of financial resources, which permit them to make huge investments in particular in the research sector aimed at the development of technologies and services.

Besides telecommunications operators, which may use new access technology, Tiscali also competes with suppliers of other services, such as satellite television, terrestrial digital television and mobile telephony. These suppliers, also on account of the convergence between the various technologies and among 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 level of competitiveness.

In order to compete with its competitors Tiscali's strategy aimed to provide high-quality Internet access services at competitive prices. 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 market position with consequent loss of clients and negative effects on the economic, equity and financial situation of the Company and of the Group companies.

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

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

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

The possible lack of electricity or possible interruptions in telecommunications, violations in the security system and other similar unforeseeable negative events (such as the complete destruction of the data centre 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.

Although Tiscali and Aria have adopted rigid protocols to protect data acquired in the course of their operation and they operate strictly respecting the legislation in force in terms of protecting data and privacy, it cannot be excluded that intrusions in their systems may 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 have stipulated specific insurance policies to ensure coverage against damage, which its infrastructures might be subject to as a consequence of the aforesaid events. Notwithstanding this, in the event in which damaging events should occur which are not covered by insurance policies or, even though covered, these events should cause damages exceeding the maximum amounts insured, or on account of violations 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.

Risks relating to the evolution of technology and commercial offer

The sector in which the Tiscali Group operates is characterised by profound and sudden technological changes, by a very high level of competitiveness and also by rapid obsolescence of products and services. The success of the Group in future will also depend on its capacity to foresee any such technological changes and on its ability to adapt very quickly through the development of products and services suitable to satisfy its customers' demands. The possible 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 relating to changes occurring in regulations in the sector in which the Group operates

The telecommunications sector in which the group operates is a highly regulated field governed by extensive, stringent and complex norms and legislation, especially regarding the concession of licences, competition, the attribution of frequencies, the setting of tariffs, interconnection agreements and leased lines. Changes to legislation, regulations, or of a policy nature that concern the activities of the Group, as well as sanction measures 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 Company and of Group companies.

In particular, such modifications might involve the introduction of greater burdens, in terms of both direct outlay and in terms of the additional cost of adaptation, as well as new aspects of liability and

regulatory barriers with respect to the supply of services. Furthermore, any changes in the legislative framework and also the adoption of provisions on the part of AGCOM might 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.

Among the regulatory modifications to be introduced recently we should note, in particular, the approval on 1 December 2015 of the ruling of AGCOM no. 659/15/CONS aimed at defining the criteria for assignment and use of the frequencies available in the 3600-3800 MHz band for terrestrial electronic communication systems, on which the future call for tenders will be structured.

The outcome of this tender procedure might on the one hand involve a possibility for the post-merger Tiscali Group to extend its services and, on the other hand, the risk of seeing new operators entering the market and, that is, already existing BWA operators extending their offer to the LTE area.

Furthermore, considering the dependency of Group companies on the services of other operators, the Group might not be in a position to adopt and/or adapt timeously to possible measures amending the current legislative and/or regulatory regime 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 Group's financial situation depends on various 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, the financial markets and the sector in which the Group operates.

In the course of recent years, the Group has undertaken a multi-step negotiation process aimed at restructuring its senior financial indebtedness for the purpose of obtaining a financial structure consistent with the expected cash flows and suitable for supporting the growth objectives envisaged in the Business Plan.

This process materialised, between the end of the 2015 financial year and during the first half of 2016, with the realisation in the following operations:

- enterprise integration with the Aria Group by means of which the company acquired the financial resources which allowed it to reimburse the EUR 42.4 million of principal of the Facility A1 (repaid on 24 December 2015), thereby significantly reducing the senior debt of the Group;
- Signing of the new Refinancing Agreement of the senior debt with Intesa San Paolo and BPM

The new financing, taken out on 29 June 2016, has allowed the full repayment of the financing deriving from the Group Facility Agreement (GFA) held by Banca Intesa and the Hedge Funds, restructured in December 2014 and due in September 2017.

The new financing significantly improves the structure of the group's long term financial debt in so far as the due date is later with respect to the preceding debt (March 2022) and the total cost is much less, with an interest rate equal to approximately 50% less than the preceding conditions.

- Subscription, on 7 September 2016 of the converting and convertible bond by Rigensis Bank and Otkritie Capital International Limited, for a consideration of EUR 17 million (with respect to a total approved amount equal to EUR 18.5 million). The new bond, with respect to the current financing with Rigensis Bank, equal to EUR 15 million, entails an extension of the due date of the debt (from March 2018 to September 2020) and a reduction of the cost of the debt (the interest rate falls from 9% for the current loan to 7% on the new bond).

The above described actions have brought about a significant improvement in the structure of the long term financial debt, and an important reduction of the overall cost.

The new financing contract provides for determined financial covenants (described at note 23) to be respected. If the Tiscali Group were not able to meet commitments undertaken with respect to the Senior Financiers, the latter might request immediate and full reimbursement of their credit, with this having a consequent impact at the economic and financial level and in terms of the assets of the Group and also in relation to the possibility to carry on its business activities under appropriate conditions of business continuity.

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, which the Group is exposed to be minimal.

In relation to 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 Group deems the risk of interest rate fluctuations to be insignificant.

Risks linked to relations with employees and suppliers

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

The activities of the Tiscali Group also depend on the currently valid contracts with its strategic suppliers and in particular with Telecom Italia, concerning both the use of the network infrastructures and interconnection.

In particular, there are on-going contracts with Telecom Italia having as their subject the supply of direct and reverse interconnection services, co-location, disaggregate access, single-access ADSL Bitstream flat, shared access and mobile 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 favourable 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.

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

The sector in which the Tiscali Group operates is characterised by a limited availability of specifically-trained specialist personnel. The evolution of technology and the need to satisfy a demand for increasingly sophisticated products and services make it necessary for firms operating in this field to hire staff having highly-specific specialist training in particular technological areas, applications and solutions associated with a consequent increase of competition in the labour market and salary levels.

In the event in which a significant number of specialized professionals or entire working groups dedicated to specific types of product should leave the Group and the same should not be in a position

to attract qualified staff in substitution, the capacity for innovation the growth prospects of the Tiscali Group may be affected, with possible negative effects on the activity and the economic, equity and financial situation of the Company and Group companies.

Risks associated with business continuity

In this regard, please refer to the section "*4.6 Assessment of continuity and envisaged business outlook*"

Risks associated with disputes and contingent liabilities

For further information, please refer to the section "*4.8 On-going disputes, contingent liabilities and commitments*"

Consolidated Income Statement

Consolidated Income Statement (EUR mln)	1st half of 2016	1st half of 2015	Change
Revenues	101,9	103,8	(1,9)
Other income	1,8	14,1	(12,3)
Purchase of materials and outsourced services	63,6	65,9	(2,3)
Payroll and related costs	21,2	19,9	1,4
Other operating (income) charges	-	(4,7)	4,7
Adjusted Gross Operating Result (EBITDA)	18,9	36,8	(17,9)
Write-downs of receivables from customers	4,9	12,0	(7,2)
Gross operating result (EBITDA)	14,0	24,8	(10,8)
Restructuring costs and other write-downs	0,4	0,3	0,1
Amortisation/ depreciation	24,7	17,3	7,3
Operating result (EBIT)	(11,0)	7,1	(18,1)
Net financial income (charges)	(6,7)	(9,0)	2,3
Pre-tax result	(17,7)	(1,9)	(15,8)
Income taxes	(0,0)	(0,1)	0,1
Net result from operating activities (on-going)	(17,7)	(2,0)	(15,7)
Result from assets disposed of and/or held for sale	0,0	0,0	0,0
Net result	(17,7)	(2,0)	(15,7)
Minority interests	0,0	0,0	0,0
Group Net Result	(17,7)	(2,0)	(15,7)

Preamble

It is noted that the economic data at June 30, 2015 included in the table above are not comparable with the data at June 30, 2015, as they include the results of the Aria Group, whose integration into the Tiscali Group took place at December 31, 2015. The data at June 30, 2015 are taken from the 2015 Interim Report and therefore not including the results of the Aria Group.

Tiscali Group's revenues during the first half of 2016 stood at EUR 101.9 million (of which 8.8 million related to Aria Group), down by 1.8% compared to EUR 103.8 million in the first half of 2015.

The net change of EUR 1.9 million, is mainly attributable to the following factors:

- an EUR 8.8 million increase attributable to revenues of the Broadband Fixed Wireless segment resulting from integration of the Aria Group
- reduction of EUR 8 million (-10.6%) in revenues of the "Fixed Broadband" segment, which stood at EUR 68 million (EUR 76 million in the first half of 2015). The reduction is mainly due to the strong competitive pressure and loss of ADSL customers (-6%);

- MVNO revenues grew by 14.9%, from EUR 4.3 million to EUR 5 million in the first half of 2016;
- "Business services and Wholesale" revenues increased by a total of EUR 0.3 million (+ 2.7%), and comprise the Wholesale revenues (Entry and Data) amounting to EUR 2.9 million (+23.4% compared to the 2015 half year), and B2B revenues of EUR 9 million (-2.6% compared to the 2015 half year);
- "Media & VAS" revenues decreased by EUR 3 million (down by 28%) due to the sharp decline in the market, which also affected the online segment.

During the first half of 2016, Internet access – which included the Fixed Broadband Access and Fixed Wireless – accounted for approximately 75% of the total turnover.

Costs for purchases of materials and services amounted to EUR 62.9 million decreased by EUR 2.9 million compared to the first half of last year. The incidence on sales of such costs is decreasing as well, from 63.5% in the first half 2015 to 62% in the first half 2016.

It is acknowledged that data for the first half of 2015, in the lines "Other income" and "Other operating expenses / (income)" was affected by positive extraordinary items mainly relating to a transaction carried out with a major telecommunications operator. These non-recurring items are not recorded in the results of the first half of 2016.

The effects described above result in a gross operating result (EBITDA), net of provisions and impairment losses on loans amounting to EUR 18.9 million, a 17.9 million decrease compared to data for the first half of the previous year (EUR 36.8 million)) mainly owing to the lack of the positive extraordinary items described above.

The gross operating income net of trade receivables impairment (EBITDA) amounted to EUR 14 million), a decrease compared to the same figure for the first half 2015 (EUR 24.8 million), in large part due to the lack of positive items described above.

The net operating result (EBIT), net of provisions, write-downs and restructuring costs, recorded a loss of EUR 11 million, recording a decrease of EUR 18.1 million compared to the positive result of the 2015 first half amounting to EUR 7.1 million. The decrease is mainly ascribable, in addition to negative impacts on EBITDA as above, to the relevant depreciation/amortisation ascribable to Aria as a result of the strong investment made in the past (3.5GHz license acquisition and Fixed Wireless network equipment).

Among the provisions, write-downs and restructuring costs in the first half of 2016, expenses of EUR 0.4 million were accounted attributable primarily to restructuring charges relating to the capital increase operations anticipated in the previous year and unrealized.

The result from operating activities (on-going), down by EUR 17.7 million, is worse than the comparable figure of the previous six months, recording a loss of EUR 2 million.

The result from assets disposed of and/or destined for disposal was nil, given that there were no activities related to them.

The Group's Net Result was a loss of EUR 17.7 million, decreasing compared to the figure of the previous six months, a loss of EUR 2 million, largely the effect of non-recurring positive impact recorded in the first half of 2015 and higher depreciation resulting from the merger with Aria.

Operational Income Statement - Group

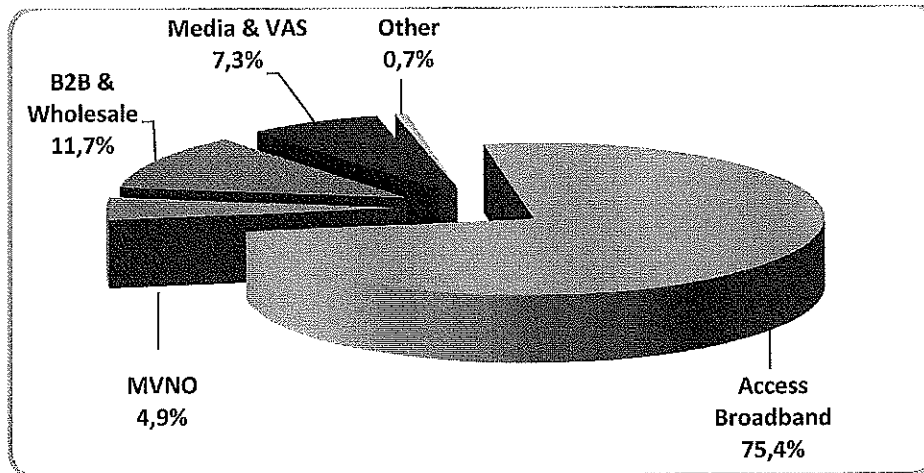
Operational Income Statement - Group	1st half of 2016	1st half of 2015
<i>(EUR mln)</i>		
Revenues	101,9	103,8
Revenues from Broadband Access	76,8	76,0
<i>of which Fixed Broadband</i>	<i>68,0</i>	<i>76,0</i>
<i>of which FWA Broadband</i>	<i>8,8</i>	<i>0,0</i>
Revenues from MVNO	5,0	4,3
Revenues from Business Services and Wholesale	11,9	11,6
Revenues from media and value-added services	7,5	10,4
Other revenues	0,7	1,4
Gross Operating Margin	50,6	49,0
Indirect operating costs	33,5	30,9
Marketing and sales	3,8	4,3
Payroll and related costs	21,2	19,9
Other indirect costs	8,4	6,8
Other (income) charges	(1,8)	(18,8)
Adjusted Gross Operating Result (EBITDA)	18,9	36,8
Write-down of receivables from customers	4,9	12,0
Gross Operating Result (EBITDA)	14,0	24,8
Amortisation/ Depreciation	24,7	17,3
Gross Result (EBIT) before restructuring costs and provisions for risks	(10,7)	7,4
Operating result (EBIT)	(11,0)	7,1
Group Net Result	(17,7)	(2,0)

Preamble

It is noted that the economic data at June 30, 2015 included in the table above are not comparable with the data at June 30, 2015, as they include the results of the Aria Group, whose integration into the Tiscali Group took place at December 31, 2015. The data at June 30, 2015 are taken from the 2015 Interim Report and therefore not including the results of the Aria Group.

Revenue by business segment

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



Source: Tiscali

Broadband access

This segment, which includes Internet access services, generated revenues in the first half of 2016 of around EUR 76.8 million (EUR 68 million from "Access Fixed" and EUR 8.8 million from "Access Fixed Wireless"), essentially unchanged compared to the corresponding period in 2015 (EUR 76.0 million). The variance compared to the first half of 2015, net of the consolidation of the component "Fixed Wireless Access" wholly attributable to Aria Group, whose data are consolidated with effect from 31 December 2015, amounted to -10.6%,.

As at 30 June 2016, the total active customers came to 679,9 thousand units, an increase of approximately 85,8 thousand compared to the corresponding figure at 30 June 2015 (594.1 thousand units) of which "Broadband Access" customers of 429.8 thousand units, down by around 27.4 thousand units, Fixed Wireless customers" of 96.4 thousand attributable to Aria Group, Mobile customers (customers traffickers in the last 6 months) of 146.3 thousand, sharp growth (+19.9 thousand) with respect to the corresponding figure at 30 June 2015, and Other customers of 7.4 thousand units.

Evolution of the customer base

Thousand	30 June 2016	30 June 2015
Total customers	679,9	594,1
of which Broadband Access	429,8	457,2
of which Fixed Wireless (*)	96,4	-
of which Mobile (Voice and Data) (**)	146,3	126,4
of which Other	7,4	10,5

(*) It should be noted that the "Fixed Wireless" customers does include, as at June 30th, 2016, a number of ex clients waiting for the reactivation, amounting to about 22,6 thousand units

*(**) Please note that the Company modified the criterion for determining the number of mobile customers (Voice and Data), in line with the criterion used by other telecommunications operators, including in the total number of Mobile customers the active and operating customers in the last 6 months, instead of the active and operating customers in the last month. Consequently, in order to be able to make a comparison with the 2015 figures, the number of Mobile customers (Voice and Data) at 30 June 2015 has been re-determined using the new criterion, passing from 107,1 thousand units (figures published as at 30 June 2015) to 126,4 thousand units (redetermined figure at the same date).*

MVNO

The MVNO segment grew by 14.9%, from EUR 4.3 million in the first half of 2015 to EUR 5 million in the first half of 2016.

Business services and Wholesale

Revenues from business services (VPN, housing, hosting, advanced connectivity services) and wholesale, amounted in the first half 2016 to EUR 11.9 million, up 2.7% compared to EUR 11, 6 million in the first half 2015.

Media

In the first half of 2016, revenues from the media segment, and value-added services (mainly related to the sale of advertising space) amounted to approximately EUR 7.5 million, down by 28% compared to the previous six months (EUR 10.4 million at 30 June 2015). The decrease is mainly attributable to the sharp contraction of the online market, as well as the loss of one of the most important customers, in terms of revenue, of the Media division.

Indirect operating costs in the first half of 2016 amounted to EUR 33,5 million, up when compared to the first half of 2015 (EUR 30.9 million). Within indirect operating costs, **marketing costs** amounted to approximately EUR 3.8 million, down when compared to the previous half year (EUR 4.3 million).

Payroll and related costs amounted to EUR 21.3 million (20.7% of revenues), up over the same figure of the first half of 2015 (EUR 19.9 million, 19.2% of revenues), mainly due to the incorporation of staff resulting from the merger with Aria, plus the assumption of new management in the Group, with effect from February 2016, and to a lower utilization of the "contratto di solidarietà". In addition, the cost of the staff has been affected, in the first half of 2016, by the increase in Consip capitalization and lower capitalization on the OTT projects.

It is acknowledged that data for the first half of 2015, in the line "Other income/costs", was affected by positive extraordinary items mainly relating to a transaction carried out with a major telecommunications operator. These non-recurring items are not recorded in the results of the first half of 2016.

The effect of the above determines an **Adjusted gross operating result (EBITDA)**, before provisions for risks, write-downs and amortisation, amounting to EUR 18.9 million (18.4% of revenues). This figure is down compared to the first half of 2015 amounting to EUR 36.8 million, mainly due to the lower positive impact of non-recurring transactions concluded in the period.

Gross operating result (EBITDA), net of write-down of receivables and other provisions amounted to EUR 14 million in first half of 2016 (13.6% of revenues), a 43.5% decreased compared to the figure for the first half of 2015 (EUR 24.8 million, i.e. 23.9% of revenues).

Write-downs of receivables from customers and other provisions in the first half of 2016 totalled EUR 4.9 million (12 million in the corresponding period of 2015) and reflects EUR 1.4 million of provision for write-downs of receivables of the Aria Group.

Amortisation/depreciation amounted to EUR 24.7 million (EUR 17.3 million in the first half of 2015).

The increase in depreciation is mainly due to the contribution of the amortization of the assets Aria S.pA. amounted to EUR 8.6 million (of which amortization of WiMax license is EUR 2.8 million).

Net operating result (EBIT), net of provisions, write-downs and restructuring costs, is a loss amounting to EUR 11 million, recording a decrease of EUR 18.1 million compared to the positive result of the first half of 2015 amounting to EUR 7.1 million. The deterioration is mainly attributable to a lower impact of non-recurring income in the first half of 2016 and higher depreciation resulting from the merger with Aria relating to past investments for the license and development of fixed wireless network.

The **Group's net result** is a loss of EUR 17.7 million, down by EUR 2 million compared to the figure of the first semester of the previous year.

Equity and financial position

Consolidated Balance Sheet (in abridged form)	30 June 2016	31 December 2015
<i>(EUR mln)</i>		
Non-current assets	225,1	233,0
Current assets	69,7	57,4
Total Assets	294,8	290,5
Group shareholders' equity	(139,8)	(121,4)
Shareholders' equity pertaining to minority shareholders	-	-
Total Shareholders' equity	(139,8)	(121,4)
Non-current liabilities	169,2	164,9
Current liabilities	265,5	247,0
Total Liabilities and Shareholders' equity	294,8	290,5

Assets

Non-current assets

Non-current assets at 30 June 2016 amounted to EUR 225.1 million (EUR 233 million at 31 December 2015). The net change is essentially attributable to the investments in the period net of the depreciation charge on intangible and tangible fixed assets in the first half of 2016. Investments, amounting to around EUR 17 million, essentially refer to the extension and development of the network, IT services and the connection and activation of new ADSL customers, in fixed and fixed wireless mode.

Current assets

Current assets as at 30 June 2016 amounted to EUR 69.7 million, down by EUR 11.5 million (EUR 57.4 million at 31 December 2015), and include mainly receivables from customers which, as at 30 June 201, amounted to EUR 34.3 million compared to EUR 35.4 million as at 31 December 2015. In addition to cash and cash equivalents, the item in question also includes other receivables and other current assets, amounting to EUR 27.6 million, represented by prepaid expense for service costs, and sundry receivables.

Shareholder's Equity

The consolidated shareholders' equity amounted to EUR 139.8 million, negative at 30 June 2016, and a decrease of EUR 18.4 million compared to 31 December 2015 due to:

- decrease associated to the net loss of comprehensive income statement amounting to EUR 17.7 million.

- decrease relative to the IAS reserve for employee severance indemnity fund for EUR 0.6 million;
- increase associated to the cost for stock options amounting to EUR 0.6 million;
- decrease related to professional fees relating to the approved capital increase operations related to the stock option plans for EUR 0.7 million.

Liabilities

Non-current liabilities

Non-current liabilities, as at 30 June 2016, amounted in total to EUR 169.2 million, up with respect to 31 December 2015 (EUR 164.9 million). The balance includes both the items pertaining to the financial position, with reference to which please see the matters illustrated below, the provision for risks and charges for EUR 8.5 million, the provision for employee severance indemnities for EUR 6.8 million and other non-current liabilities for EUR 3.6 million.

Current liabilities

Current liabilities amounted to EUR 265.5 million at 30 June 2016 (compared with EUR 247 million at 31 December 2015) and mainly include the current portion of financial payables, payables to suppliers, together with accrued expenses pertaining to the purchase of access services and line rental, tax liabilities.

The financial position of the Group

As at 30 June 2016, the Tiscali Group held cash, cash equivalents and bank deposits totaling EUR 6.8 million, against net financial debt, at the same date, of EUR 165.5 million (EUR 165,6 million as at 31 December 2015).

Financial position	Notes	30 June 2016	31 December 2015
<i>(EUR thousands)</i>			
A. Cash and Bank deposits		6,8	4,8
B. Other cash equivalents		0,0	0,0
C. Securities held for trading		-	-
D. Cash and cash equivalents (A) + (B) + (C)		6,8	4,8
E. Current financial receivables		0,0	0,0
F. Non-current financial receivables	(1)	7,1	7,6
G. Current bank payables	(2)	13,4	11,6
H. Current portion of non-current debt	(3)	12,6	16,9
I. Other current financial payables	(4)	3,9	3,6
J. Current financial debt (G) + (H) + (I)		29,8	32,1
K. Net current financial debt (J) - (E) - (D) - (F)		15,9	19,7
L. Non-current bank payables	(5)	99,9	94,5
M. Bonds issued		-	-
N. Other non-current payables	(6)	49,7	51,3
O. Non-current financial debt (N) + (L) + (M)		149,6	145,8
P. Net financial debt (K) + (O)		165,5	165,6

(1) Mainly includes the deposit pledged as guarantee relating to the CONSIP Tender.

(2) Includes the bank payables of Tiscali Italia S.p.A., Tiscali S.p.A., Veesible S.r.l. and Aria Group.

(3) Includes the short-term component of the Senior Loan, amounting to EUR 4.3 million and EUR 3 million relating to the Rigensis loan accounted in Aria Group (principal and interest loan portion repayable within 12 months).

(4) Includes mainly the short-term portion of the "Sale & Lease Back Sa Illetta" debt.

(5) Includes mainly the long-term component of the Senior Loan, amounting to EUR 81,8 million, and EUR 15.9 million relating to the Rigensis loan.

(6) Includes mainly the long-term component of the "Sale & Lease Back Sa Illetta" debt.

The table above includes guarantee deposits under "Other cash and cash equivalents" and among the "Non-current financial receivables". Subsequently, for completeness, there is also indicated the reconciliation of the financial position above with the financial position prepared in accordance with Consob communication no. DEM/6064293 of 28 July 2006 and reported in the explanatory notes.

	30 June 2016	31 December 2015
<i>(EUR mln)</i>		
Consolidated net financial debt	165,5	165,6
Other cash equivalents and non-current financial receivables	7,1	7,6
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 of 28 July 2006	172,6	173,1

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

Events and uncertainties regarding the business continuity

The Tiscali Group closed the first half of 2016 with a consolidated loss of EUR 17.7 million (influenced by the positive effect, amounting to EUR 1 million, of the non-recurring transactions concluded in the period) and negative consolidated shareholders' equity of EUR 139.8 million. Furthermore, as at 30 June 2016, the Group had a gross financial debt of EUR 179.4 million and current liabilities greater than current assets (non-financial) for EUR 172.9 million.

As of 31 December 2015, the consolidated loss amounted to roughly EUR 18.5 million (influenced by the positive effect, amounting to EUR 6,9 million, of the non-recurring transactions concluded in the period), with negative consolidated shareholders' equity of EUR 121.4 million. Furthermore, as at 31 December 2015, the Group had a gross financial debt of EUR 177.9 million and current liabilities greater than current assets (non-financial) for EUR 162.5 million.

During the year 2015, the Tiscali Group carried out a business combination with the Aria Group, finalized on 24 December 2015, through the merger of Aria Italia S.p.A., the parent holding company of Aria S.p.A., in Tiscali S.p.A. ("Fusion" or "Transaction") with effect from December 24, 2015

The Transaction allowed a strategic industrial-type merger among the industrial activities controlled by Tiscali with the activities headed by Aria, as well as allowing the Tiscali Group to reduce its debt, through full repayment of Facility A1 of the senior loan ("Group Facility Agreement" or "GFA"), made in December 2015.

Following the merger with Aria Group, dated 16 February 2016, the new Board of Directors took place and Riccardo Ruggiero was appointed as the new CEO, who was the CEO of Aria prior to the merger date.

In the first half of 2016, the Company undertook a series of actions to streamline the internal organizational structure of the Group and management processes in order to improve the Group's competitiveness and profitability, and to render cost structuring more efficient. The following initiatives are worth noting:

- New organizational structure and streamlining structure and costs
 - o Following the appointment of the new CEO a new management team was set up, thanks to the settlement of managers coming from the market in key positions (new Head of Marketing, the new CTO and new Head of Personnel), and it was also simplified the organizational structure to reduce the staff weight and increase the share of people employed in the business units.
 - o Actions have been taken aimed at streamlining the structure and reduce personnel costs. In particular:
 - In May 2016, the Company signed with the trade unions a "Contratto di Solidarietà" that affects all employees, lasting 18 months, with an expected savings of around 15% in personnel costs from July 2016. There were introduced specific measures aimed at reducing personnel cost such disposal plans, unused vacation, voluntary redundancy incentives, part-time incentives.

- Implementation of a new marketing strategy and customer management:
 - o There was implemented a new distribution strategy based on the rebalancing of the burden of the different acquisition channels through the integration of new physical channels (shops, sales points and distribution agencies including the integration in the structure of Tiscali of existing physical channels of Aria - dealer and installers) for a more punctual monitoring of territorial areas and the most strategic market segments for the Company.
 - o There was carried out a process of unification of the Customer Care facilities of Tiscali (previously located in several business areas) and Customer Care of Aria under a single corporate responsibility area. This allowed a significant simplification of processes, an increase in the Front End resources dedicated to provide answers to customers and a substantial improvement in key customer management indicators. In turn, this has had a positive impact on the churn rate.
 - o There was integrated the Broadband Fixed Wireless offer of Aria in the portfolio of Tiscali services, expanding the addressable market of Tiscali to the Digital Divide areas covered by Broadband Fixed Wireless networks on 3.5GHz frequency of Aria. This integration effected a major achievement in the launch of UltraBroadBand LTE services up to 100Mbps under the Tiscali brand and Huawei technology in September 2016.

- Integration of assets of the Tiscali network, and the Fixed Wireless network of Aria
 - o During the first half of the year there was accomplished the integration of the fixed network infrastructure of Tiscali and the Fixed Wireless network of Aria. This integration resulted in a saving of overall network costs by using the network of Fiber Optics of Tiscali for management of Broadband Fixed Wireless traffic and helped to make possible the launch of the new UltraBroadBand LTE services under the Tiscali brand

These major actions have already allowed to reach in the first six months of 2016 the following fundamental operating results in line with the new business strategy:

- **Full and final operational integration of assets and organizational structures of Aria** in the Tiscali Group;
- **Return to growth of the customer base of Tiscali's Broadband Fixed starting April 2016** after years of continuous decline, thanks to the growth of new customer acquisitions and a reduced churn. This turnaround is confirming and consolidating even in the months following the close of

the first half of 2016. However, the customer base of the Group at 30 June 2016 showed a decrease compared to December 31, 2015 amounted to 2.9%;

- **Confirmation of customer growth in the mobile telephony segment;**
- **Launch in September of the new LTE UltraBroadBand Fixed Wireless service under the Tiscali brand** using Huawei technology to provide customers with Internet connectivity up to 100Mbps.

All the above activities implemented during the first half of 2016, spread out their effects in terms of increased efficiency and effectiveness and overall business management in the coming months.

Finally it should be noted that in May 2016, the Company signed a contract for the supply of connectivity services of the Public Administration within the Public Connectivity System (SPC) after the negative outcome of the appeals made to TAR by Telecom Italia and Fastweb. The contract has a duration of 7 years. The share of Tiscali, as determined by competition regulations, is equal to 60% of the total value of the order. Tiscali is now awaiting the final judgment by the Council of State on the appeal filed in final instance by Telecom Italia and Fastweb. This final decision is expected for the first months of 2017.

In addition, the signing of two important industrial agreements took place after June 2016 will bring new positive effects to the Tiscali Group in the coming months:

- Frame Agreement, entered into in July 2016 with Enel Open Fiber, to gain access to the fiber optic network FTTH (fiber to the home), built by Enel Open Fiber, allowing Tiscali to provide Ultrabroadband services throughout the national territory, through its own owned LTE 4G Fixed Wireless solution in the areas covered in particular by Digital Divide, and Enel Open Fiber solution especially in metropolitan areas and in large urban centres.
- Multiannual framework agreement entered on September 21th, 2016 with the Italian subsidiary of Huawei Technologies for providing end-to-end network access Ultrabroadband fixed wireless advanced 4G LTE on the 3.5GHz frequency . The framework agreement provides for the supply of network equipment (core and radio networks, radio links and radio access base stations) and CPE (Customer Premises Equipment) and Tiscali gives the possibility to make investments for EUR 40 million thus helping to cover the LTE investment needs of the company for the foreseeable future;

From the financial point of view, in the first half of 2016 the company completed the long-term financial debt restructuring process, resulting in a better definition of the financial structure of the same, a lengthening of maturities and a reduction in the overall cost of debt.

In particular, the Company carried out the following:

- *Signing new Refinancing Agreement of the senior debt with Intesa San Paolo and BPM*

The new loan, signed on 29 June 2016, enabled full repayment of the loan resulting from the Group Facility Agreement (GFA) to Banca Intesa and some Hedge Funds, restructured on December 2014 and due to expire in September 2017.

The new loans significantly improves long-term debt structure of the group in that:

- o the duration of the loan is approximately six years, until March 2022, thus a significantly longer duration than the previous debt;
- o the total cost of financing is appreciably inferior, with an approximately 50% interest rate less than previously.

- Signing, on 7 September 2016 of the convertible and converting bond by Rigensis Bank and Otkritie Capital International Limited for a value of EUR 17 million (compared to a total approved amount of EUR 18.5 million). The new bond, mainly used to repay the previous financial debt to Rigensis bank AS, equal to the initial EUR 15 million, involves a lengthening of the debt maturity (from March 2018 to September 2020) and a reduction in the cost of debt (the interest rate is down, from 9% on the old loan to 7% on the new bonds, in addition to 1.5% commission fees), plus the ability for Tiscali to repay at maturity the above loan with a capital increase, was already approved by the Shareholders' meeting on September 5, 2016. It also provides to the Subscribers the right to convert such bonds into ordinary shares of the Company at a fixed price of € 0.06 per share.

Considering the above, and the positive effects of the operations already completed and in progress in the coming months on the economic and financial structure of the Group, the Company's management has analysed the results of the first half, has verified that they are in line with expectations laid down in the Business Plan drawn up for the purpose of the Group financial statements as at 31 december 2015 and approved by the Board on 28 March 2016, and thus confirmed the validity of the Business Plan.

It should be noted that the Business Plan prudently did not include the performance of the Consip contract, and management can confirm that exclusion, given that the appeal of some competitors before the State Council is currently pending. In any case, the Company believes that, in spite of the execution of the SPS contract, assimilation of financial resources, realization of the Business Plan and subsequent events at the same, such as the agreement with Huawei and the issue of the convertible bonds and converting, render available sufficient financial resources to implement in the most efficient manner the framework contract with Consip.

In this context, and considering the above, the achievement of a balanced equity, income and the Group's financial results in the long run, however, are subject to the achievement of the results expected in the Business Plan and, therefore, on whether the forecasts and assumptions contained therein related, in general, the evolution of the telecommunications market and, in particular, to achieve the growth targets set in a market characterized by strong competitive pressure, as well as with reference to achieve a complete and effective integration of industrial, commercial and administrative facilities of Aria Group in Tiscali, which allows the obtaining of business objectives and the alleged.

The management, in the context of preparing the financial statements at 31 December 2016 and the preparation of the Budget 2017, will carry out a review of the Business Plansynergies in the Plan.

Final assessment of the Board of Directors

The Board of Directors highlighted that the Group has:

- generated in the first half of 2016, before working capital changes, cash and cash equivalents from operating activities amounting to approximately EUR 5.5 million;
- concluded the debt long-term refinancing operations of the Group (Senior Loan and the convertible and converting Bond), improving the structure of the same in terms of residual life and cost of debt;
- realized the integration of industrial, commercial and administrative structures of the Aria Group in the Tiscali, enabling the Group to reinforce the stronghold of Tiscali in broadband access to the fixed and mobile network, creating a unique operator in the domestic market;
- reversed the decline in the customer base, which is has been growing again starting April 2016, with the new business strategy and actions carried out on the Customer Care structure

- confirmed the validity of the 2016-2021 Business Plan, in the light of the actual figures at the end of the first half of 2016, as well as the effects of the operations carried out in the same period and in the following months;

The Directors, highlight, as they also did during the preparation of financial statements for the year 2015, the persistence of material uncertainties that may cast significant doubt on the Tiscali Group's ability to continue to operate on the assumption of going concern, ascribable to achieving the objectives of the 2016-2021 Plan, with particular reference to the evolution of the telecommunications market to achieve its growth targets, relating in particular to Ultrabroadband LTE services, the main development area planned in the Plan, in a market characterized by strong competitive pressure, as well as with reference to the expected synergies resulting from the integration of the Aria Group in Tiscali;

The Directors, in analysing what has been achieved in the context of the path aimed at allowing the Group to achieve in the long run a balanced equity, financial and economic, recognize that the current date and in the presence of criticalities intrinsic to the 2016-2021 Plan - despite the Group debt reduction that took place in the year 2015 and the financial operations carried out during the 2016 - uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue to operate under the assumption of going concern but, have the reasonable expectation that the Group has adequate resources after making the necessary checks and assessing the uncertainties identified in light of the elements described, confident in the capacity of being able to implement the provisions in the 2016-2021 Plan, have the reasonable expectation that the Group have adequate resources even in case of a favorable outcome of the decision of the State Council on the Consip Race, to continue the operational existence for the foreseeable future and, therefore, have adopted the going concern assumption in the preparation of these financial statements.

This conclusion is, of course, effected by subjective judgment, which compared, with respect to the events described above, the degree of likelihood of their fulfilment compared to the contrary situation. It must be noted that the forecast underlying the decision of the Board is likely to be challenged by events. Precisely because the Board of Directors is aware of the inherent limitations of this conclusion, it will monitor constantly the evolution of the factors considered (as well as any circumstances of significance), so that necessary measures can be promptly taken.

Business outlook

In line with the above and in line with the objectives of the Business Plan, the company will also commit, in the coming months, to focusing on Core Business elements to strengthen its presence in the Italian fixed and mobile BroadBand market. This will be due to:

- o the progressive consolidation of the new business strategy to confirm and accelerate the trends in reversal and growth of the Fixed customer base;
- o the progressive acceleration in the growth of the mobile customer base, partly due to the development of specific Fixed-Mobile integrated supply solutions and to the renegotiation of the terms of the MVNO agreement to increase the competitiveness of the Tiscali mobile supply;
- o the launch of the new UltraBroadBand Fixed Wireless LTE service as part of the Tiscali brand with the progressive acceleration in the process of installing LTE antennas, also partly due to the agreement signed with Huawei, which will ensure a significant expansion of service coverage. It is expected that over 100 new LTE antennas will be installed by the end of the year.

There will also be further focus in the identification of all actions required to increase the overall degree of the company's efficiency and the consequent reduction in costs. A further reduction of costs is expected due to:

- the acquisition, in the second half of the year, of significant benefits on the cost of staff downstream of the initiatives undertaken in the first half of the year, described in the preceding paragraphs;

Further efficiency measures implemented in terms of general operating costs.

4.7 Other events after the half-year end

20 July 2016 Partnership signed with Enel Open Fiber for the development and marketing of the ultra-broadband telecommunications network in Italy

On 20 July 2016, Tiscali and Enel Open Fiber (EOF), an ENEL group company founded for the development of fibre optic network infrastructure in Italy, signed a preliminary agreement for the provision of end-to-end connections for access to the fibre optic network FTTH (Fiber To The Home) developed by Enel Open Fiber. In this way, the two groups intend to launch a partnership for the development and marketing of the "ultra-broadband" telecommunications network in certain parts of Italy.

The agreement with Enel Open Fiber takes on a significant strategy value for Tiscali as it complements the current LTE 4G Fixed Wireless access network development plan that Tiscali has started to implement. Thanks to the agreement with Enel Open Fiber Tiscali it will supply UltraBroadBand services throughout Italy: through the LTE 4G Fixed Wireless solution in Digital Divide areas and using the Enel Open Fiber FTTH network elsewhere, ensuring our users access performance to the network of up to 1 Gigabit per second.

The agreement is in line with the Italian plan for "ultra-broadband" promoted by the Presidency of the Council of Ministers and with the objectives of European Digital Agenda 2020, and pursues the Italian strategy for ultra-broadband presented in March 2015. In relation to the plan, EOF will develop an "ultra-broadband" telecommunications network in FTTH mode in non-market failure areas with the infrastructure goal in selected municipalities and will therefore achieve a coverage of 80% of the real estate units present in each municipality.

Tiscali is also entering this overall Italian strategy through its now signed partnership, marketing its product in FTTH mode on the network developed by EOF starting with the municipalities of Venice, Catania, Cagliari, Naples, Perugia, Genoa, Palermo, Florence and Padua, and with the aim of extending the supply to the municipalities in which the same network will be developed.

22 July 2016 Approval of terms of convertible bond and appointment of the new Chairman of the Board of Directors

On 22 July 2016, the Board of Directors reviewed and accepted a proposed term sheet relating to the issuance by Tiscali S.p.A. of a convertible bond and converting, unguaranteed, a maximum of EUR 18.5 million reserved for qualified investors and intended, inter alia, to refinance the Group's debt against Rigensis Bank AS, maturing in March 2018.

The aforementioned bond shall be initially signed by Rigensis Bank AS itself and by Otkritie Disciplined Equity Fund (ODEF) and shall have a term of 4 years, a 7% coupon rate and a fixed price established at EUR 0.06 per share for the conversion of bonds into ordinary shares of the Company.

ODEF being a significant shareholder of Tiscali S.p.A., with a shareholding of approximately 22.5%, the transaction is a "Related-Party Transaction". Therefore: (i) the same has been submitted, together with the related documents, to the prior approval of the Committee for Transactions with Related Parties which, as a result of the procedure for the approval of major transactions, issued a favourable opinion; (ii) in accordance with the law prior to the meeting which will be convened to approve the

capital increase to service the conversion of the above, the Company will publish, inter alia, an information document in compliance with Article 5, paragraph 1, of the Regulation adopted with CONSOB Resolution 17221/2010.

The Board of Directors granted the mandate to the CEO to negotiate and enter into binding agreements with the aforementioned counterparties with the aim of finalising the transaction in the coming months.

Today's Board has, also, appointed Alexander Okun as Chairman of the Board of Directors. Alexander Okun, formerly Deputy Chairman of the Board of Directors, takes over from Renato Soru, who resigned from the same position on 12 May 2016.

29 July 2016 – Approval of the plan for the issuance of a convertible bond and unguaranteed conversion and the proposed increase of share capital to service the conversion of the loan; convention of the meeting to approve the issuance of the bond and the increase in capital to service the same

On 20 July 2016, the Tiscali Board of Directors:

- Approved the plan for the issuance, by Tiscali S.p.A., of a convertible bond and unguaranteed conversion of a maximum of EUR 18.5 million reserved for qualified investors and destined, inter alia, to refinance the Group's debt against Rigensis Bank AS maturing in March 2018. The approval comes as a result of the signing of the agreement for the subscription of bonds with Rigensis Bank AS and Otkritie Capital International Limited (OCIL), broker of Otkritie Disciplined Equity Fund (ODEF). The loan, the issuance of which is subject to the approval of the next meeting in conjunction with the proposed compendium of capital increase, will have a term of 4 years, a coupon rate of 7% and a fixed price established at EUR 0.06 per share for the conversion of the bonds into ordinary shares of the Company.
- Convened the Shareholders' Meeting, in extraordinary session for 5 September 2016 at 11.00 a.m., at the Company's registered office, to approve the issuance of the convertible bond and unguaranteed conversion and the related increase in share capital. The notice of the call to meeting, as well as all documents submitted to the Meeting, shall be made available to the public at the Company's registered office, at Borsa Italiana S.p.A. and on the Company's website (www.tiscali.com) in accordance with the current legislation.

7 September 2016 – Signing of the bond by Rigensis Bank and Otkritie Capital International Limited

On 7 September 2016, Rigensis Bank AS and Otkritie Capital International Limited signed, respectively, 17 convertible bonds with a nominal value of EUR 500,000 each, for a total value of EUR 17 million, to apply to the convertible bond and unguaranteed conversion, the issuance of which and related capital increase to service the conversion were approved by the company's extraordinary meeting of 5 September 2016. As already disclosed to the market, the aforementioned convertible bond will have a term of 4 years, a coupon rate of 7% and a fixed price established at EUR 0.06 per share for the conversion of bonds into ordinary shares of the Company. The amount approved is EUR 18.5 million, therefore the company will have the opportunity to place the remaining EUR 1.5 million with qualified investors by January 2017.

22 September 2016 – Signing of a multi-year framework agreement with Huawei

On September 22nd, 2016, the Group signed a framework agreement with the Italian subsidiary of Huawei Technologies for the end-to-end supply of the Ultrabroadband fixed wireless LTE advanced 4G access network on a 3.5GHz frequency. The framework agreement provides for the supply of network equipment (core and radio network, radio links and access base radio stations) and CPE (Customer Premises Equipment) and gives Tiscali the possibility of making investments for EUR 40 million, thus helping to cover the company's LTE investment needs for near future.

4.8 Disputes, contingent liabilities and commitments

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

Below is a summary of the main proceedings in which the Group is involved.

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 July 2016, the CTU was launched. The outcome of the case cannot be foreseen.

Consip procedure

In April 2016, the Lazio Regional Administrative Court rejected the appeal filed by Telecom Italia and Fastweb against the awarding procedure of the SPC Consip tender to Tiscali Italia.

The losing parties appealed to the State Council against the decision of the Lazio Regional Administrative Court, which set the trial in a single hearing to be held on 19 January 2017

WOL litigation

In March 2016, World Online NV, part of the Tiscali Group, has entered into a settlement agreement with certain financial institutions in connection with the litigation brought by former shareholders of Telinco Ltd, the employees and management of Telinco Ltd and some of their family members and employees.

The agreement involved a total cash out of EUR 0.3 million, which occurred in March 2016, and puts an end to the dispute with shareholders above the Telinco Ltd.

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 Companies are preparing the necessary defensive activities for the phase of the trial that will commence in October 2016.

Non-recurring transactions

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006 it is reported that in the first of 2016 non-recurring transactions were recorded with an overall positive effect on the Group's income statement of EUR 1 million, which mainly include the positive effects resulting from write-offs of commercial nature positions.

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

Non-Recurring Transactions	1st half of 2016
Revenues	0.0
Other income	0.0
Purchase of materials and outsourced services	(1.5)
Payroll and related costs	0.0
Other operating (income) charges	0.0
Adjusted gross operating result (EBITDA)	1.5
Write-down of receivables from customers	0.0
Gross operating result (EBITDA)	1.5
Amortisation, depreciation, restructuring costs and other write-downs	0.4
Operating result (EBIT)	1.0
Net financial income (charges)	0.0
Pre-tax result	1.0
Income taxes	
Net result from operating activities (on-going)	1.0
Result from assets disposed and/or held for sale	
Net result	1.0

Atypical and/or unusual transactions

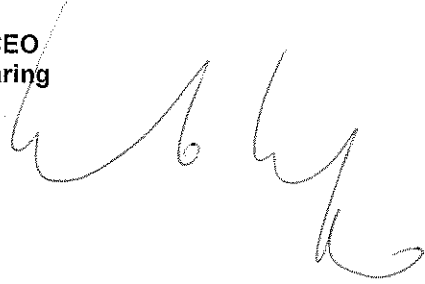
Pursuant to Consob Communication dated 28 July 2006, it is specified that, during the first half of 2016, the Group did not carry out any atypical and/or unusual transactions, as defined in the Communication itself.

Related-party transactions

The Regulation for Transactions with Related Parties prepared pursuant to Article 2391-*bis* of the Italian Civil Code and Consob Regulation no. 17221 of 12 March 2010 entered into force as of 1 January 2011 and is published on the Company's website, in the Investor Relations section. For details, please refer to the paragraph "Related-Party Transactions".

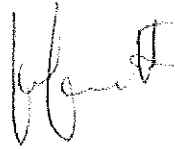
Cagliari, 27 September 2016

**The CEO
Preparing**



Riccardo Ruggiero

**The Executive Responsible for
the Company's Accounts**



Pasquale Lionetti

tiscali:

**Condensed half-year consolidated financial statements
as at 30 June 2016**

5 Consolidated financial statements and explanatory notes

5.1 Income statement

Income Statement (*)	Notes	1 st half of 2016	1 st half of 2015
<i>(Thousands of Euros)</i>			
Revenues	1	101,929	103,785
Other income	2	1,773	14,087
Purchase of materials and outsourced services	3	63,570	65,854
Payroll and related costs	4	21,246	19,893
Other operating (income) charges	5	20	(4,667)
Write-down of receivables from customers	6	4,863	12,014
Restructuring costs and other write-downs	7	367	315
Amortisation/ depreciation	13-14	24,653	17,345
Operating result		(11,017)	7,119
Net financial income (charges)	8	(6,683)	(9,020)
Pre-tax result		(17,700)	(1,901)
Income taxes	9	(34)	(139)
Net result from operating activities (on-going)		(17,734)	(2,040)
Result from assets disposed and/or held for sale	10	0	0
Net result for the period	11	(17,734)	(2,040)
Attributable to:			
- Result attributable to the Parent Company		(17,734)	(2,040)
- Result attributable to Third Parties		0.00	0.0
Earnings (Loss) per share			
Earnings per share from continuing and discontinued operations:			
- Basic		(0.01)	(0.00)
- Diluted		(0.01)	(0.00)
Earnings per share from continuing operations:			
- Basic		(0.01)	(0.00)
- Diluted		(0.01)	(0.00)

(*) The financial data as at 30 June 2016 are not comparable with the data as at 30 June 2015, as they include the results of Aria Group, which merged into Tiscali Group on 31 December 2015

5.2 Statement of Comprehensive Income Statement

Statement of Comprehensive Income Statement (*)	Notes	1 st half of 2016	1 st half of 2015
<i>(Thousands of Euros)</i>			
Result for the period		(17,734)	(2,040)
Other components of comprehensive income:			
Other components of comprehensive income which will be subsequently reclassified under profit/(loss) for the period		0	0
Other components of comprehensive income which will not be subsequently reclassified under profit/(loss) for the period		(535)	152
<i>(Loss)/profit from revaluation of defined benefit plans</i>		<i>(535)</i>	<i>152</i>
Total other components of comprehensive income		(535)	152
Total statement of comprehensive income result		(18,269)	(1,888)
Attributable to:			
<i>Shareholders of the parent company</i>		(18,269)	(1,888)
<i>Minority shareholders</i>		0	0
		(18,269)	(1,888)

(*) The financial data as at 30 June 2016 are not comparable with the data as at 30 June 2015, as they include the results of Aria Group, which merged into Tiscali Group on 31 December 2015

5.3 Balance Sheet

Balance Sheet	Notes	30 June 2016	31 December 2015
<i>(Thousands of Euros)</i>			
<i>Non-current assets</i>			
Intangible assets	13	104,089	106,724
Property, plant and equipment	14	109,975	114,784
Other financial assets	15	10,976	11,496
Deferred tax assets		30	43
		225,070	233,047
<i>Current assets</i>			
Inventories	16	827	913
Trade receivables	17	34,355	35,316
Other receivables and other current assets	18	27,637	16,345
Other current financial assets	19	66	68
Cash and cash equivalents	20	6,844	4,770
		69,729	57,412
Assets held for sale		(0)	(0)
Total Assets		294,799	290,458
<i>Share Capital and reserves</i>			
Share Capital		91,201	169,077
Stock option reserves		559	-
Results from previous periods and Other reserves		(213,846)	(272,017)
Results pertaining to the Group		(17,734)	(18,480)
Group shareholders' equity	21	(139,820)	(121,421)
Minority interest		0	0
Shareholders' equity attributable to minority interests	22	0	0
Total Shareholders' equity		(139,820)	(121,421)
<i>Non-current liabilities</i>			
Payables due to banks and to other lenders	23	99,909	94,546
Payables for financial leases	23	49,717	51,279
Other non-current liabilities	24	3,603	1,968
Liabilities for pension obligations and staff severance indemnities	25	6,795	6,296
Provisions for risks and charges	26	8,545	10,165

Provisions for deferred tax	27	583	628
		169,152	164,882
<i>Current liabilities</i>			
Payables due to banks and to other lenders	23	25,963	28,488
Payables for financial leases	23	3,771	3,470
Trade payables	28	153,497	131,743
Other current liabilities	29	82,236	83,296
		265,467	246,997
Liabilities directly related to assets held for sale		(0)	(0)
Total Liabilities and Shareholders' equity		294,799	290,458

5.4 Cash Flow Statement

	30 June 2016	30 June 2015
<i>(Thousands of Euros)</i>		
OPERATIONS		
Result from continuing operations	(17,734)	(2,040)
<i>Adjustments for:</i>		
Depreciation of tangible assets	7,641	5,448
Amortisation of intangible assets	17,011	11,897
Allowance for bad debt provision	4,863	6,912
Capital gains on disposals of non-current assets	(1,054)	(1,054)
Stock Option cost	559	
Income taxes	34	142
Release of provision for risks	(996)	0
Write-offs and settlement agreements with suppliers	(1,486)	(12,664)
Other changes	1,176	975
Financial (Income) / charges	6,683	9,020
Cash flows from operations before changes in working capital	16,698	18,635
Change in receivables	(3,902)	(1,329)
Change in inventory	85	317
Change in trade payables	20,866	12,632
Change in long-term trade payables	1,466	2,090
Net change in provisions for risks and charges	(626)	(0)
Net change in provisions for staff severance indemnity	(212)	(115)
Changes in other liabilities	(1,069)	2,178
Changes in other assets	(11,292)	(563)
Changes in working capital	5,318	15,211
	22,016	33,846
CASH AND CASH EQUIVALENTS DERIVING FROM OPERATIONS		
INVESTMENT ACTIVITIES		
Change in other financial assets	521	(6,607)
Purchase of tangible Assets	(2,663)	(10,201)
Purchase of intangible Assets	(14,376)	(8,570)

Proceeds from sale of assets	0	0
CASH AND CASH EQUIVALENTS USED FOR INVESTMENT ACTIVITIES	(16,519)	(25,378)
FINANCIAL ACTIVITIES		
Change in payables due to banks	(1,532)	(9,934)
of which:		
<i>Repayment of capital and interest on Senior Loan</i>	250	(7,888)
<i>Increase/Decrease in current account overdrafts</i>	(1,782)	(2,046)
Repayment/Acceptance of financial leasing	(1,896)	261
Exchange difference	5	(7)
OCI reserve	0	0
Changes in shareholders' equity	(0)	(0)
CASH AND CASH EQUIVALENTS RESULTING FROM / (USED IN) FINANCIAL ACTIVITIES	(3,423)	(9,680)
Effect of changes in foreign currencies exchange rates	-	-
Cash flow generated/absorbed by assets disposed or /and held for sale	-	-
CASH AND CASH EQUIVALENTS RESULTING FROM / (USED IN) FINANCIAL ACTIVITIES including cash flow generated/absorbed by assets disposed or/and held for sale	(3,423)	(9,680)
NET INCREASE / (DECREASE) IN NET CASH AND CASH EQUIVALENTS	2,074	(1,212)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,770	4,801
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6,844	3,589

5.5 Statement of changes in shareholders' equity

<i>(Thousands of Euros)</i>	Capital	Share premium reserve	Stock option reserve	Reserve for employee benefits	Accumulated losses and Other Reserves	Group shareholders' equity	Minority interest	Total
Balance as at 1 January 2016	169,077			(1,523)	(288,974)	(121,421)		(121,421)
Share capital increase	(77,876)		559		77,187	(130)		(130)
Reclass OCI Reserve opening value				(108)	108			
Statement of comprehensive income result				(535)	(17,734)	(18,269)		(18,269)
Balance as at 30 June 2016	91,201		559	(2,166)	(229,413)	(139,820)		(139,820)

<i>(Thousands of Euros)</i>	Capital	Share premium reserve	Stock option reserve	Reserve for employee benefits	Accumulated losses and Other Reserves	Statement of comprehensive income	Minority interest	Total
Balance as at 1 January 2015	92,052			(1,811)	(259,059)	(168,818)		(168,818)
Share capital increase Increases/(Decreases)								
Statement of comprehensive income result				152	(2,040)	(1,888)		(1,888)
Balance as at 30 June 2015	92,052			(1,659)	(261,099)	(170,707)		(170,707)

5.6 Income Statement pursuant to CONSOB Resolution no. 15519 of 27 July 2006

Income Statement (*)	Note	30 June 2016	of which correlated parts	30 June 2015	of which correlated parts
<i>(thousands of Euros)</i>					
Revenue	1	101,929		103,785	
Other income	2	1,773		14,087	
Purchase of materials and outsourced services	3	63,570	1,417	65,854	54
Payroll and related costs	4	21,246	1,270	19,893	
Other operating (income) charges	5	20		(4,667)	
Write-down of receivables from customers	6	4,863		12,014	
Restructuring costs and other write-downs	7	367		315	
Amortisation/ depreciation	13-14	24,653		17,345	
Operating result		(11,017)	(2,687)	7,119	(54)
Net financial income (charges)		(6,683)		(9,020)	
Pre-tax result	8	(17,700)	(2,687)	(1,901)	(54)
Income taxes		(34)		(139)	
Net result from operating activities (on-going)	9	(17,734)	(2,687)	(2,040)	(54)
Result from assets disposed and/or held for sale					
Net result for the period	10	(17,734)	(2,687)	(2,040)	(54)
Attributable to:					
- Result attributable to Parent Company		(17,734)		(2,040)	
- Result attributable to Third Parties					
Earnings (Loss) per share					
Earnings per share from continuing and discontinued operations:					
- Basic		(0.01)		(0.00)	
- Diluted		(0.01)		(0.00)	
Earnings per share from continuing operations:					
- Basic		(0.01)		(0.00)	
- Diluted		(0.01)		(0.00)	

(*) The financial data as at 30 June 2016 are not comparable with the data as at 30 June 2015, as they include the results of Aria Group, which merged into Tiscali Group on 31 December 2015

5.7 Balance Sheet in accordance with CONSOB Resolution no. 15519 of 27 July 2006.

Balance Sheet	Note	30 June 2016	of which correlated parts	31 December 2015	of which correlated parts
<i>(thousands of Euros)</i>					
<i>Non-current assets</i>					
Intangible assets	13	104,089		106,724	
Property, plant and equipment	15	109,975		114,784	
Other financial assets	15	10,976		11,496	
Deferred tax effect		30		43	
		225,070		233,047	
<i>Current assets</i>					
Inventories	16	827		913	
Trade receivables	17	34,355		35,316	
Other receivables and other current assets	18	27,637		16,345	
Other current financial assets	19	66		68	
Cash and cash equivalents	20	6,844		4,770	
		69,729		57,412	
Assets held for sale		(0)		(0)	
Total Assets		294,799		290,458	
<i>Share Capital and reserves</i>					
Share Capital		91,201		169,077	
Stock option reserve		559	559	-	
Results for previous years and Other reserves		(213,846)		(272,017)	
Results pertaining to the Group		(17,734)		(18,480)	
Group shareholders' equity	21	(139,820)	559	(121,421)	
<i>Minority interests</i>					
Shareholders' equity attributable to minority interests	22				
Total Shareholders' equity		(139,820)		(121,421)	
<i>Non-current liabilities</i>					

Payables due to banks and to other lenders	23	99,909		94,546	
Payables for financial lease	23	49,717		51,279	
Other non-current liabilities	24	3,603		1,968	
Liabilities for pension obligations and staff severance indemnities	25	6,795		6,296	
Provisions for risks and charges	26	8,545		10,165	
Deferred tax provision	27	583		628	
		169,152		164,882	
<i>Current liabilities</i>					
Payables due to banks and to other lenders	23	25,963		28,488	
Payables for financial lease	23	3,771		3,470	
Trade Payables	28	153,497	492	131,743	317
Other current liabilities	29	82,236	1,120	83,296	1,588
		265,467	1,612	246,997	1,906
Liabilities directly related to assets held for sale		(0)		(0)	
Total Liabilities and Shareholders' equity		294,799	2,171	290,458	1,906

5.8 Explanatory notes

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

It is noted that the financial data at 30 June 2016 is not comparable with the data at 30 June 2015, as it includes the results of the Aria Group, whose integration with the Tiscali Group took place at 31 December 2015.

The Tiscali Group provides a wide range of services to its private and corporate customers, ranging from Internet access, dial-up and ADSL (fixed and mobile), to telecommunications solutions and services with high technological content.

These services, which also include voice services (including mobile telephony) and portal services, allow Tiscali to compete effectively with other market operators.

Because of its unbundling network (ULL), strong brand and its range of innovative services, Tiscali ranks in a high position in the Italian telecommunications market.

The half-year consolidated financial statements (hereinafter the "Financial Statements") have been prepared using the Euro as the reporting currency, as this is the currency used to conduct most of the Group's business. All values are rounded to thousands of Euro and, unless otherwise stated, foreign operations are included in the consolidated Financial Statements in accordance with the principles described in the following notes.

In preparing these Financial Statements, the directors have assumed the existence of business continuity and therefore have drafted the Financial Statements using the principles and criteria applicable to operating companies.

On 27 September 2016, the Board of Directors authorised the publication of these Financial Statements.

Events and uncertainties with regard to business continuity

The Tiscali Group closed the first half of 2016 with a consolidated loss of EUR 17.7 million (influenced by the positive effect, amounting to EUR 1 million, of the non-recurring transactions concluded in the period) and negative consolidated shareholders' equity of EUR 139.8 million. Furthermore, as at 30 June 2016, the Group had a gross financial debt of EUR 179.4 million and current liabilities greater than current assets (non-financial) for EUR 172.9 million.

As of 31 December 2015, the consolidated loss amounted to roughly EUR 18.5 million (influenced by the positive effect, amounting to EUR 6,9 million, of the non-recurring transactions concluded in the period), with negative consolidated shareholders' equity of EUR 121.4 million. Furthermore, as at 31 December 2015, the Group had a gross financial debt of EUR 177.9 million and current liabilities greater than current assets (non-financial) for EUR 162.5 million.

During the year 2015, the Tiscali Group carried out a business combination with the Aria Group, finalized on 24 December 2015, through the merger of Aria Italia S.p.A., the parent holding company of Aria S.p.A., in Tiscali S.p.A. ("Fusion" or "Transaction") with effect from December 24, 2015

The Transaction allowed a strategic industrial-type merger among the industrial activities controlled by Tiscali with the activities headed by Aria, as well as allowing the Tiscali Group to reduce its debt, through full repayment of Facility A1 of the senior loan ("Group Facility Agreement" o "GFA"), made in December 2015.

Following the merger with Aria Group, dated 16 February 2016, the new Board of Directors took place and Riccardo Ruggiero was appointed as the new CEO, who was the CEO of Aria prior to the merger date.

In the first half of 2016, the Company undertook a series of actions to streamline the internal organizational structure of the Group and management processes in order to improve the Group's competitiveness and profitability, and to render cost structuring more efficient. The following initiatives are worth noting:

- *New organizational structure and streamlining structure and costs*
 - o Following the appointment of the new CEO a new management team was set up, thanks to the managers employed by the market entry of the key positions (new Head of Marketing, the new CTO and new Head of Personnel), and it was also simplified the organizational structure to reduce the staff weight and increase the share of people employed in the business units.
 - o *Actions have been taken aimed at streamlining the structure and reduce personnel costs. In particular:*
 - In May 2016, the Company signed with the trade unions a "Contratto di Solidarietà" that affects all employees, lasting 18 months, with an expected savings of around 15% in personnel costs from July 2016. There were introduced specific measures aimed at reducing personnel cost such disposal plans, unused vacation, voluntary redundancy incentives, part-time incentives.

- *Implementation of a new marketing strategy and customer management:*
 - o There was implemented a new distribution strategy based on the rebalancing of the burden of the different acquisition channels through the integration of new physical channels (shops, sales points and distribution agencies including the integration in the

structure of Tiscali of existing physical channels of Aria - dealer and installers) for a more punctual monitoring of territorial areas and the most strategic market segments for the Company.

- There was carried out a process of unification of the Customer Care facilities of Tiscali (previously located in several business areas) and Customer Care of Aria under a single corporate responsibility area. This allowed a significant simplification of processes, an increase in the Front End resources dedicated to provide answers to customers and a substantial improvement in key customer management indicators. In turn, this has had a positive impact on the churn rate.
 - There was integrated the Broadband Fixed Wireless offer of Aria in the portfolio of Tiscali services, expanding the addressable market of Tiscali to the Digital Divide areas covered by Broadband Fixed Wireless networks on 3.5GHz frequency of Aria. This integration effected a major achievement in the launch of UltraBroadBand LTE services up to 100Mbps under the Tiscali brand and Huawei technology in September 2016.
- *Integration of assets of the Tiscali network, and the Fixed Wireless network of Aria*
 - During the first half of the year there was accomplished the integration of the fixed network infrastructure of Tiscali and the Fixed Wireless network of Aria. This integration resulted in a saving of overall network costs by using the network of Fiber Optics of Tiscali for management of Broadband Fixed Wireless traffic and helped to make possible the launch of the new UltraBroadBand LTE services under the Tiscali brand

These major actions have already allowed to reach in the first six months of 2016 the following fundamental operating results in line with the new business strategy:

- **Full and final operational integration of assets and organizational structures of Aria** in the Tiscali Group;
- **Return to growth of the customer base of Tiscali's Broadband Fixed starting April 2016** after years of continuous decline, thanks to the growth of new customer acquisitions and a reduced churn. This turnaround is confirming and consolidating even in the months following the close of the first half of 2016. However, the customer base of the Group at 30 June 2016 showed a decrease compared to December 31, 2015 amounted to 2.9%;
- **Confirmation of customer growth in the mobile telephony segment;**
- **Launch in September of the new LTE UltraBroadBand Fixed Wireless service under the Tiscali brand** using Huawei technology to provide customers with Internet connectivity up to 100Mbps.

All the above activities implemented during the first half of 2016, spread out their effects in terms of increased efficiency and effectiveness and overall business management in the coming months.

Finally it should be noted that in May 2016, the Company signed a contract for the supply of connectivity services of the Public Administration within the Public Connectivity System (SPC) after the negative outcome of the appeals made to TAR by Telecom Italia and Fastweb. The contract has a duration of 7 years. The share of Tiscali, as determined by competition regulations, is equal to 60% of the total value of the order. Tiscali is now awaiting the final judgment by the Council of State on the appeal filed in final instance by Telecom Italia and Fastweb. This final decision is expected for the first months of 2017.

In addition, the signing of two important industrial agreements took place after June 2016 will bring new positive effects to the Tiscali Group in the coming months:

- Frame Agreement, entered into in July 2016 with Enel Open Fiber, to gain access to the fiber optic network FTTH (fiber to the home), built by Enel Open Fiber, allowing Tiscali to provide Ultrabroadband services throughout the national territory, through its own owned LTE 4G Fixed Wireless solution in the areas covered in particular by Digital Divide, and Enel Open Fiber solution especially in metropolitan areas and in large urban centres.

- Multiannual framework agreement entered on September 21th, 2016 with the Italian subsidiary of Huawei Technologies for providing end-to-end network access Ultrabroadband fixed wireless advanced 4G LTE on the 3.5GHz frequency . The framework agreement provides for the supply of network equipment (core and radio networks, radio links and radio access base stations) and CPE (Customer Premises Equipment) and Tiscali gives the possibility to make investments for EUR 40 million thus helping to cover the LTE investment needs of the company for the foreseeable future;

From the financial point of view, in the first half of 2016 the company completed the long-term financial debt restructuring process, resulting in a better definition of the financial structure of the same, a lengthening of maturities and a reduction in the overall cost of debt.

In particular, the Company carried out the following:

- Signing new senior debt Refinancing agreement with Intesa San Paolo and BPM

The new loan, signed on 29 June 2016, enabled full repayment of the loan resulting from the Group Facility Agreement (GFA) to Intesa Bank and the Hedge Funds, restructured in December 2014 and due to expire in September 2017.

The new loans significantly improves long-term debt structure of the group in that:

- o the duration of the loan is approximately six years, until March 2022, thus a significantly longer duration than the previous debt;
- o the total cost of financing is appreciably inferior, with an approximately 50% interest rate less than previously.

- Signing, on 7 September 2016 of the convertible bond and converting by Rigensis Bank and Otkritie Capital International Limited for a value of EUR 17 million (compared to a total approved amount of EUR 18.5 million). The new bond, mainly used to repay the previous financial debt to Rigensis bank AS, compared to the current financing Rigensis Bank, equal to the initial EUR 15 million, involves a lengthening of the debt maturity (from March 2018 to September 2020) and a reduction in the cost of debt (the interest rate is down, from 9% of the old loan to 7% on new bonds in addition to 1.5% commission), plus the ability for Tiscali to repay at maturity the above loan with a capital increase, was already approved by the Shareholders' meeting on September 5, 2016. It 'also provided the right of Subscribers to convert such bonds into ordinary shares of the Company at a fixed price of € 0.06 per share.

Considering the above, and the positive effects of the operations already completed and in progress in the coming months on the economic and financial structure of the Group, the Company's management has analysed the results of the first half, has verified that they are in line with expectations laid down in the Business Plan drawn up for the purpose of financial statements in 2015 and approved by the Board on 28 March 2016, and thus confirmed the validity of the Business Plan.

It should be noted that the Business Plan prudently did not include the performance of the Consip contract, and management can confirm that exclusion, given that the appeal of some competitors

before the State Council is currently pending. In any case, the Company believes that, in spite of the execution of the SPS contract, assimilation of financial resources, realization of the Business Plan and subsequent events at the same, such as the agreement with Huawei and the issue of the convertible bonds and converting, render available sufficient financial resources to implement in the most efficient manner the framework contract with Consip.

In this context, and considering the above, the achievement of a balanced equity, income and the Group's financial results in the long run, however, are subject to the achievement of the results expected in the Business Plan and, therefore, on whether the forecasts and assumptions contained therein related, in general, the evolution of the telecommunications market and, in particular, to achieve the growth targets set in a market characterized by strong competitive pressure, as well as with reference to achieve a complete and effective integration of industrial, commercial and administrative facilities of Aria Group in Tiscali, which allows the obtaining of business objectives and the alleged.

The management, in the context of preparing the financial statements at 31 December 2016 and the the 2017 Budget 2017, will carry out a review of the Business Plan.

Final evaluation of the Board of Directors

The Board of Directors highlighted that the Group has:

- generated in the first half of 2016, before working capital changes, cash and cash equivalents from operating activities amounting to approximately EUR 5.5 million;
- concluded the debt long-term refinancing operations of the Group (Senior Loan and Loan Convertible Bonds and converting), improving the structure of the same in terms of residual life and cost of debt;
- realized the integration of industrial, commercial and administrative structures of the Aria Group in the Tiscali, enabling the Group to reinforce the stronghold of Tiscali in broadband access to the fixed and mobile network, creating a single operator in the domestic market;
- reversed the decline in the customer base, which is has been growing again starting April 2016, with the new business strategy and actions carried out on the Customer Care structure
- confirmed the validity of the 2016-2021 Business Plan, in the light of the actual figures at the end of the first half of 2016, as well as the effects of the operations carried out in the same period and in the following months;

The Directors, highlight, as they also did during the preparation of financial statements for the year 2015, the persistence of material uncertainties that may cast significant doubt on the Tiscali Group's ability to continue to operate on the assumption of going concern, ascribable to achieving the objectives of the 2016-2021 Plan, with particular reference to the evolution of the telecommunications market to achieve its growth targets, relating in particular to Ultrabroadband LTE services, the main development area planned in the Plan, in a market characterized by strong competitive pressure, as well as with reference to the expected synergies resulting from the integration of the Aria Group in Tiscali;

The Directors, in analysing what has been achieved in the context of the path aimed at allowing the Group to achieve in the long run a balanced equity, financial and economic, recognize that the current date and in the presence of criticalities intrinsic to the 2016-2021 Plan - despite the Group debt reduction that took place in the year 2015 and the financial operations carried out during the 2016 - uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue to operate under the assumption of going concern but, have the reasonable expectation that the Group has adequate resources after making the necessary checks and assessing the uncertainties identified in light of the elements described, confident in the capacity of being able to implement the

Result from assets disposed and/or held for sale (Note 10)

The "Result from assets disposed and /or held for sale" as of 30 June 2016 was zero.

Earnings (losses) per share (Note 11)

The result per share of "continuing operations" is close to zero and is calculated by dividing the net loss for the period attributable to ordinary shareholders of the parent company, which amounted to EUR 17.7 million, by the weighted average number of ordinary shares in circulation during the period, which amounted to 2,503,408,618.

Impairment test on assets (Note 12)

Given the presence of *impairment* indicators, an impairment test was carried out to reveal any loss in the value of the assets, as required by IAS 36 and reiterated by the joint document from the Bank of Italy / Consob / ISVAP. 4 dated 3 March 2010 regarding the application of IAS/IFRS principles.

The impairment test on assets was performed by comparing the book value of the assets as of 30 June 2016 and their value in use, determined based on the following key elements.

(i) Definition of a "cash-generating unit"

The Group has identified the Cash-Generating Units within the segments set forth in the segment reporting. The impairment test on assets was performed with respect to the cash-generating units identified.

(ii) Criteria for estimating the recoverable amount.

The value in use of the Cash-Generating Unit (CGU) was determined by discounting the cash flows for the years 2016-2021 resulting from the 2016-2021 Tiscali Group Plan (as defined in the Note entitled "*Events and uncertainties with regard to business continuity*"), approved by the Board of Directors on 25 March 2016. In order to carry out the impairment test on assets, a timespan of four years and half (from 01.07.2016 to 31.12.2020) and the 2020 normalized cash flow were used for the purposes of determining the terminal value.

The main assumptions used to estimate the recoverable amount are as follows:

- an explicit forecast period of four years and half (from 01.07.2016 to 31.12.2020);
- EBITDA emerging from market and business assumptions;
- investments to maintain the expected development of the business and the predetermined level of profitability;
- determination of the terminal value, which is calculated as a perpetuity based on the appropriately normalized 2020 projection;
- the WACC rate determined on the basis of market valuations of the cost of money and the risks specific to the company's core business;
- terminal growth rate (Long Term Growth (LTG) equal to 0%.

The WACC was calculated as follows:

- Risk Free Rate. The market rate for a risk-free investment was considered to be equal to the rate applied for 5-year swaps;
- Raw Beta. The rate that characterizes the risk of the industry sector was determined as an average of the Raw Beta rates from 01/07/2011 to 30/06/2016;

- **Market Risk Premium.** The Market risk premium considers the total sum of the total risk plus the market risk;
- **Debt Risk Premium.** The Debt Risk Premium was calculated based on the Tiscali Group's average cost of refinancing, considering the weighted average of the internal rate of return on the senior loan and the internal rate of return calculated on the Sa Illetta leasing debt. Concerning the internal rate of return of the senior loan, the calculation is based on the rate resulting from the debt restructured on June 29, 2016, which is significantly lower (about half) of the rate of the senior loan prior to restructuring.

Based on these parameters, the WACC used for the impairment testing is equal to 8,34%.

The impairment test result shows a positive difference between the recoverable value and the book value (the carrying value), thus the Group believes that it is not necessary to write down any of the balance sheet assets.

(i) Sensitivity analysis of the impairment test results

With reference to the current scenario and the results of the impairment tests performed for the period ended on 30 June 2016, a sensitivity analysis of the estimated recoverable value was carried out using the discounted cash flow method. It is believed that the discount rate is a key parameter in assessing the recoverable value; a 1% increase in that rate would lower the positive difference between the estimated recoverable value and the book value. That difference would remain positive. A sensitivity analysis was also carried out on the long-term growth rate: similarly, a 1% increase of that rate would reduce the positive difference between the estimated recoverable value and book value; however, this difference would continue to be positive.

(ii) Considerations on the presence of external impairment indicators

Taking into account the current market situation, certain considerations on the presence of external impairment indicators were made, with regard to evidence from the financial market. For that purpose, the market capitalisation of the Tiscali Group does not give rise to elements other than those resulting from the impairment test.

Intangible assets (Note 13)

The movements of intangible assets during the first semester of 2016 are as follows:

Intangible Assets	Computers, software and development costs	Licenses and similar rights	Broadband service activation costs	Other intangible assets	Intangible assets in course of acquisition and payments made in advance	Total
<i>(Thousand Euro)</i>						
NET VALUE						
31 December 2015	-	73.100	28.072	1.172	4.379	106.724
June 30, 2016	-	69.059	28.515	1.771	4.744	104.089

All investments as of 30 June 2016 totalled approximately EUR 15 million

The balance of *Licenses and similar rights* totalled EUR 69.1 million, is including:

provisions in the 2016-2021 Plan, have the reasonable expectation that the Group have adequate resources even in case of a favorable outcome of the decision of the State Council on the Consip Race, to continue the operational existence for the foreseeable future and, therefore, have adopted the going concern assumption in the preparation of these financial statements.

This conclusion is, of course, effected by subjective judgment, which compared, with respect to the events described above, the degree of likelihood of their fulfilment compared to the contrary situation. It must be noted that the forecast underlying the decision of the Board is likely to be challenged by events. Precisely because the Board of Directors is aware of the inherent limitations of this conclusion, it will monitor constantly the evolution of the factors considered (as well as any circumstances of significance), so that necessary measures can be promptly taken.

Business outlook

In line with the above and in line with the objectives of the Business Plan, the company will also commit, in the coming months, to focusing on Core Business elements to strengthen its presence in the Italian fixed and mobile BroadBand market. This will be due to:

- o the progressive consolidation of the new business strategy to confirm and accelerate the trends in reversal and growth of the Fixed customer base;
- o the progressive acceleration in the growth of the mobile customer base, partly due to the development of specific Fixed-Mobile integrated supply solutions and to the renegotiation of the terms of the MVNO agreement to increase the competitiveness of the Tiscali mobile supply;
- o the launch of the new UltraBroadBand Fixed Wireless LTE service as part of the Tiscali brand with the progressive acceleration in the process of installing LTE antennas, also partly due to the agreement signed with Huawei, which will ensure a significant expansion of service coverage. It is expected that over 100 new LTE antennas will be installed by the end of the year.

There will also be further focus in the identification of all actions required to increase the overall degree of the company's efficiency and the consequent reduction in costs. A further reduction of costs is expected due to:

- o the acquisition, in the second half of the year, of significant benefits on the cost of staff downstream of the initiatives undertaken in the first half of the year, described in the preceding paragraphs;

Further efficiency measures implemented in terms of general operating costs.

Form and content of the financial statements

Basis of preparation

These consolidated condensed semi-annual financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The IFRS also include all the revised International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

The form and content comply with the disclosure requirements of International Accounting Standard No. 34, "Interim Financial Reporting" (IAS 34), in compliance with Art. 154-ter of Legislative Decree No. 58 dated 24 February 1998 (TUF) and subsequent amendments and additions, while also taking into account other CONSOB communications and resolutions on the subject.

The notes have been prepared in abbreviated form, as permitted by IAS 34 and therefore do not include all the information required for annual financial statements prepared in accordance with IFRS; as such, the objective of the following interim operational and business management report, prepared in accordance IAS 34, is to provide an update to the financial and economic situation provided in the consolidated financial statements dated 31 December 2014.

The Condensed Consolidated Semi-annual Financial Statements, as required by the relevant regulations, have been prepared on a consolidated basis and are the subject of a limited audit by Ernst & Young S.p.A.

The consolidation principles, accounting principles and calculation methods used in preparing the semi-annual report are consistent with those applied in the preparation of the financial statements dated 30 June 2015 and the consolidated financial statements dated 31 December 2015, which have been presented for comparative purposes and may be consulted for additional information. For a better comparison, the figures for the comparative periods have been adjusted where necessary.

Preparing the semi-annual financial statements and related notes in accordance with IFRS requires Management to make certain estimates and, in certain cases, making assumptions when applying accounting principles. When preparing the semi-annual financial statements, the significant judgments made by the company's managers regarding the application of accounting policies and the key sources of uncertain estimates correspond to those that also applied in the preparation of the consolidated financial statements for the year ended 31 December 2015.

Accounting principles

The accounting principles applied by the Group in preparing the consolidated semi-annual financial statements dated 30 June 2016 are consistent with those used in preparing the consolidated financial statements dated 31 December 2015, as indicated above, except for the adoption of the new standards, amendments and interpretations that went into effect 1 January 2016, as briefly described below.

- **Amendments to IAS 19 - Employee benefits - defined benefit plans: contributions from employees or third parties.** These changes apply to the contributions that employees or third parties pay to the defined benefits pension funds to simplify the accounting in specific circumstances.

There are no effects due to the application of such changes.

- **"Improvements" to IFRS 2010-2012 Cycle (issued by the IASB in December 2013).**

The IASB has issued a series of amendments to 7 standards in force in particular regarding the definition of vesting conditions in IFRS 2 - Share-based payments, the accounting of the contingent consideration in a business combination in IFRS 3 - business combinations, the aggregation of operating segments and reconciliation of total assets of reportable segments compared to the total assets of the entity in IFRS 8 - operating segments, the recalculation of proportional accumulated amortization in IAS 16 - Property, plant and equipment and in IAS 38 - intangible assets, and identifying and certain disclosures relating to key managers in IAS 24 - Financial Statements of transactions with related parties.

There are no significant impacts on the financial statements or on the Group's disclosure due to the application of such changes.

- **Amendments to IFRS 11 - Joint arrangements - accounting treatment for the acquisition of interests in joint operations.**

The amendments to IFRS 11 specifies the accounting treatment to be applied in case of acquisition of interests in joint operations that constitute a business as defined in IFRS 3.

These changes have had no impact on the Group's financial statements since the period there has been no acquisition of interests in joint operations.

- **Amendments to IAS 16 and IAS 38 - Explanation of the acceptable methods of depreciation considered.**

With these changes, the IASB wanted to clarify that the use of methods based on revenues for calculating depreciation is not correct because the revenue generated by an asset reflects factors other than the consumption of the future economic benefits embodied in the asset itself. This consumption must be the basic principle for the calculation of depreciation.

These changes have no impact on the financial statements because the Group does not use methods based on revenues to calculate depreciation.

- **Amendments to IAS 27 - application of the equity method in the separate financial statements.**

Following these changes, it will be allowed as an option the use of the equity method in accounting for stakes in subsidiaries, including associates and joint ventures in separate financial statements with retrospective application.

- **"Improvements" to IFRSs 2012-2014 Cycle (issued by the IASB in September 2014).**

The IASB has issued a series of amendments to four principles in place, including, in particular, the following aspects: changes to the reimbursement method in IFRS 5 Non-current assets held for sale and discontinued operations, service level agreements and applicability of the amendments to IFRS 7 to the interim financial reports in IFRS 7 financial Instruments: disclosures, discount rate to be applied in IAS 19 employee Benefits, disclosure of information presented in other parts of the interim financial reports in IAS 34 interim financial Reporting.

There is no impact on the Group's financial statements arising from such changes.

- **Amendments to IAS 1 - disclosure initiative**

Amendments to IAS 1, disclosure-related project initiative, aim to clarify and improve the requirements of IAS 1 itself, rather than to modify it substantially. Following the application of these amendments, in the statement of comprehensive income the share of other comprehensive income statement related to associates and joint ventures should also be distinguished among the items that may or may not be reclassified to the income statement.

Changes to the Scope of Consolidation

The scope of the Group's consolidation includes the financial statements of Tiscali S.p.A. (Parent Company) and the companies, over which it exercises direct or indirect control, beginning on the date the company was acquired and until the date that control ceases.

There were no changes in the Group's scope of consolidation.

The fully consolidated companies are listed below and under the note entitled *List of subsidiaries included in the scope of consolidation*.

Revenue (Note 1)

Revenue	1st half of 2016	1st half of 2015
<i>(Thousands in Euros)</i>		
Revenue	101,929	103,785
Total	101,929	103,785

Revenue for the first semester of 2016 decreased compared to the previous semester. Revenue for the Aria Group totalled EUR 8.8 million. For more information on the decline in revenue, please refer to the Interim report on operations.

Other income (Note 2)

Other income	1st half of 2016	1st half of 2015
<i>(Thousands in Euros)</i>		
Other income	1,773	14,087
Total	1,773	14,087

Other income includes the release of the pertinent portion, for the first half of 2016, of the capital gain generated via the sale and lease back transaction involving the Cagliari headquarters (Sa Illetta) amounting to about EUR 1.1 million.

Purchases of materials and outsourced services (Note 3)

Purchases of materials and outsourced services	1st half of 2016	1st half of 2015
<i>(Thousands in Euros)</i>		
Cost of leased transport/freight and interconnection lines	37,330	38,562
Cost of using third party assets	2,553	2,682
Cost of portal services	2,797	4,948
Marketing costs	3,773	4,279
Other services	17,117	15,383
Total	63,570	65,854

Payroll and related costs (Note 4)

Payroll and related costs	1st half of 2016	1st half of 2015
<i>(Thousands in Euros)</i>		
Wages and salaries	14,019	12,930
Other personnel costs	7,228	6,962
Total	21,246	19,893

The increase in personnel costs was due to a lower utilization of the "Contratto di Solidarietà", lower capitalization on OTT projects and other projects, other than the entrance of new management in the Group since February 2016. The amount of personnel costs ascribable to Aria Group is about EUR 0,4 million.

There were 1,002 employees as of 30 June 2016, 48 of whom related to the Aria Group. The breakdown by category and the corresponding balance as of 30 June 2016 are shown below:

Number of employees

	30 June 2016	30 June 2016
Managers	26	19
Middle Managers	90	75
Office staff	880	801
Blue-collar workers	7	3
Total	1,002	898

Other operating (income) charges (Note 5)

Other operating (income) charges <i>(Thousands in Euros)</i>	1st half of 2016	1st half of 2015
Other operating (income) charges	20	(4.667)
Total	20	(4.667)

Write-down of receivables from customers (Note 6)

Write-down of receivables from customers <i>(Thousands in Euros)</i>	1st half of 2016	1st half of 2015
Loss on receivables	-	5102
Provisions for bad debt	4,863	6,912
Total	4,863	12,014

The write-down of receivables from customers is totalling EUR 4.9 million (EUR 12 million as of 30 June 2015) and was entirely due to the provision for bad debt. The amount attributable to the Aria Group is amounting to EUR 1.4 million.

Please refer to the Note entitled "Trade Receivables" for addition information.

Restructuring costs and other write-downs (Note 7)

Restructuring costs and other write-downs <i>(Thousands in Euros)</i>	1st half of 2016	1st half of 2015
Reorganizing costs and other devaluations	367	315
Total	367	315

The Restructuring costs and other write downs includes provisions for restructuring costs incurred by the Group that mainly pertain to the following:

- positive EUR 0.2 million for the write off of provisions for employee disputes in excess pertaining to Tiscali S.p.A. (EUR 146 thousand) and Tiscali Italia (EUR 50 thousand)
- negative EUR 0.1 million mainly attributable to the devaluation of Janna investments pertaining to Tiscali Italia S.p.A.
- negative 0.4 million related to the release of prepaid expenses arising from professional charges incurred in 2015 for the purpose of capital increase operations that were expected to be realized by the Company for the year 2016. These transactions were not realized and the related expenses have been expensed in the first half 2016.

Net financial income (charges) (Note 8)

The Net Financial income (charges) , as shown below, is totaling a negative balance of EUR 6.8 million.

Net financial income (charges)	1st half of 2016	1st half of 2015
<i>(Thousands in Euros)</i>		
<i>Financial income</i>		
Interest on bank deposits	9	12
Other financial income	1,037	6
Total	1.046	18
<i>Financial charges</i>		
Interest and other charges due to banks	4.855	6.515
Other financial charges	2.874	2.523
Total	7.729	9.038
Net financial income (charges)	(6.683)	(9.020)

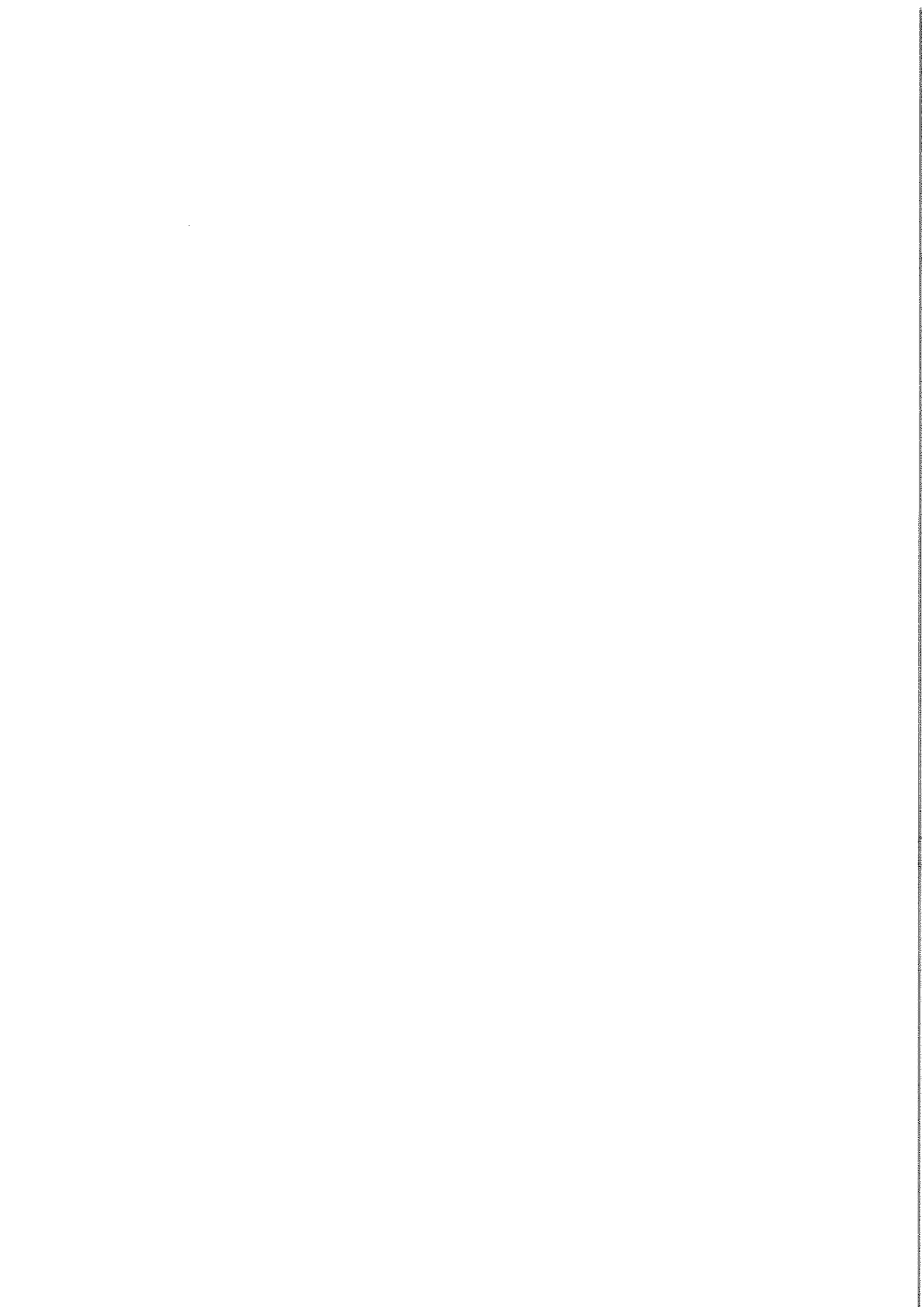
The balance of Net financial income (charges) amounts to approximately EUR 7.7 million, mainly including the following items:

- interest expenses related to the debt owed to Senior Lenders ("Group Facility Agreement") accounted in Tiscali UK Holdings Ltd totalling EUR 2.8 million;
- interest expenses on bank accounts for EUR 0.5 million attributable to Tiscali Italia S.p.A.;
- interest expense pertaining to the Aria Group totalling EUR 0,7 million;
- bank charges totalling EUR 1.4 million, of which the portion of Tiscali Italia S.p.A. is amounting to EUR 1.2 million, and the portion pertaining to Aria Group is amounting to EUR 0.2 million;
- interest expense on financial and IRU leases totalling about 0.4 million attributable to Tiscali Italia S.p.A. and 0.2 million attributable to the Aria Group;
- interest expenses on payables totalling EUR 0.8 million mainly attributable to Tiscali Italia S.p.A.

Income taxes (Note 9)

Income taxes	1st half of 2016	1st half of 2015
<i>(Thousands in Euros)</i>		
Current taxes	65	142
Deferred taxes	(31)	(2)
Total	(34)	(140)

The balance includes the cost for current IRAP taxes owed by Italian companies.



The overall increase in *Plant and equipment*, amounting to ERU 1.4 million, reflects the investments in the development of the network infrastructure. The investments for the Aria Group totalled EUR 0.8 million.

Other tangible assets, whose balance is amounting to EUR 1.4 million, are mainly attributable to Tiscali Italia S.p.A. and include furniture and fixtures, electronic and electromechanical office equipment, and vehicles.

The *Tangible assets in course of acquisition and payments made in advance* has a balance of EUR 1.9 million (of which EUR 0.4 million pertaining to the Aria Group) and mainly includes investments in network infrastructure.

Other non-current financial assets (Note 15)

Other non-current financial assets (Thousands in Euros)	30 June 2016	31 december 2015
Security deposits	7.088	7.586
Other receivables	2.035	2.036
Investments in other companies	1.853	1.874
Totale	10.976	11.496

Security deposits mainly pertain to guarantees paid for the CONSIP Tender in the amount of EUR 6.5 million, and security deposits paid to third parties that total EUR 0.4 million, both of which are attributable to Tiscali Italia S.p.A. and security deposits attributable to the Aria Group for EUR 0.1 million.

Investments in other companies are mainly represented by Janna S.c.p.a., a consortium that manages an undersea fibre-optic cable laid between Sardinia and the Italian mainland, and between Sardinia and Sicily. The other financial receivables pertain to the same consortium, Janna S.c.p.a.

Inventory (Note 16)

As of 30 June 2016, inventories totalled EUR 0.8 million and primarily pertain to contracted work that is still in progress on the B2B projects.

Trade receivable (Note 17)

Trade Receivable (Thousands in Euros)	30 June 2016	31 december 2015
Trade Receivable	66,249	67,709
Bad debt provision	(31,894)	(32,393)
Total	34,355	35,316

Trade receivable as of 30 June totalled EUR 34.4 million (of which EUR 4.3 million pertaining to the Aria Group), net of write-downs totalling EUR 31.9 million, were generated by sales of internet services,

billings on network access services, inverse interconnection traffic, advertising revenues and services to business and telephone services provided by the Group.

Analyses on the recoverability of receivables are carried out periodically by adopting a specific policy for determining the allowance for bad debt accounts that also references past experiences and historical trends.

The Group has no particular concentration of credit risk, as the credit exposure is spread over a very large customer base.

Other receivables and other current assets (Note 18)

Other receivables and other current assets (Thousands of Euro))	30 June 2016	31 december 2015
Other receivables	16.270	5.151
Accrued Income		2
Prepaid expenses	11.367	11.192
Total	27.637	16.345

Other receivables amounted to approximately EUR 16.3 million, mainly refer to:

- VAT credits of Aria Group for EUR 0.3 million;
- receivables of EUR 0.8 million in the Aria Group versus a telecommunications operator for a contract of use for the frequency ;
- advances to suppliers for EUR 14.2 million mainly attributable to Tiscali Italia S.p.A. and for services related to the infrastructure of the network ;
- tax credits and other benefits institutions EUR 0.5 million;
- 0.4 million attributable mainly to operating grants of Tiscali Italia S.p.A.;

The Prepaid expenses, amounting to EUR 11.4 million (of which EUR 1.7 million related to the Aria Group), includes costs already incurred and deferred to the next half-year, primarily related to multi-line rental contracts , hardware and software maintenance costs, insurance and advertising

Other current financial assets (note 19)

Other current financial assets (Thousands of Euros)	30 June 2016	31 December 2015
Guarantee deposits	60	60
Other receivables	6	8
Total	66	68

Cash and cash equivalents (note 20)

Cash and cash equivalents at 30 June 2016 amounted to EUR 6.8 million and includes the Group liquid resources, essentially held in bank current accounts. There are no time deposits. For more details, see the cash flow statement.

Shareholders' equity (note 21)

Shareholders' equity <i>(Thousands of Euros)</i>	30 June 2016	31 December 2015
Share capital	91.201	169.077
Reserve Stock Options	559	
Accumulated losses and other reserves	(213.846)	(272.017)
Result for the period	(17.734)	(18.480)
Total shareholders' equity	(139.820)	(121.421)

The changes that occurred in the different equity items are detailed in the relevant prospectus.

The share capital amounted to EUR 91.2 million as at 30 June 2016, corresponding to 3.145.281.893 shares with no par value. On 28 April 2016 the Assembly adopted a resolution ex'art.2446 Civil Code and consequent amendment of Article 5 of the Bylaws for the full coverage of the accumulated losses at December 31, 2015, equal to EUR 77,875,899.78 through the reduction of the share capital for the same amount and with the consequent reduction of the same from EUR 169,076,822.67 to EUR 91,200,922.90.

Shareholders' equity attributable to minority interests (note 22)

The equity attributable to minority interests is zero to 30 June 2016.

Current and non-current financial liabilities (note 23)

Net financial position

The Group's net financial position is as follows:

Financial situation	30 June 2016	31 December 2015
<i>(Thousands of Euro)</i>		
A. Cash and bank deposits	6,844	4,770
B. Other cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	6,844	4,770
E. Current financial receivables	6	8
F. Non-current financial receivables		
G. Current bank payables	13,409	11,593
H. Current portion of non-current debt	12,553	16,895
I. Other current financial payables	3,876	3,612
J. Current financial debt (G) + (H) + (I)	29,839	32,100
K. Net current financial debt (J) - (E) - (D) - (F)	22,988	27,322
L. Non-current bank debt	99,909	94,546
M. Bonds issued		
N. Other non-current payables	49,717	51,279
O. Non-current financial debt (N) + (L) + (M)	149,626	145,826
P. Net financial debt (K) + (O)	172,615	173,148

The above table has been drawn up in light of Consob communication no. DEM / 6064293 of July 28, 2006.

The following table shows the reconciliation between the net financial position prepared in accordance with Consob communication and Net Financial Position reported in the Interim Report.

	30 June 2016	31 December 2015
<i>(Million Euro)</i>		
Consolidated net financial debt	165,5	165,6
Other cash equivalents and non-current financial receivables	7,1	7,6
Consolidated net financial debt prepared according to Consob communication no. DEM / 6064293 of July 28, 2006	172,6	173,1

Gross financial debt (current and non-current), amounting to 179.5 million Euros, is mainly made up of the items shown in the following table:

Breakdown of current and non-current debt

Breakdown of current and non-current debt	30 June 2016	Current Amount	Non current Amount
<i>(Thousands of Euro)</i>			
Senior debt	86.167	4.338	81.829
Rigensis loan	18.850	3.000	15.850
bank debts	20.856	18.625	2.231
Total senior debt and other debts to banks	125.872	25.963	99.909
Total senior debt and other debts to banks			
Sale & Leaseback Sa Illetta	52.634	3.399	49.235
Other financial leasing	854	373	482
Total debts to leasing companies	53.488	3.771	49.717
Other borrowings	104	104	0
Total debt	179.465	29.839	149.626

The principal items mentioned in the above table are as follows:

- senior debt under the Refinancing Agreement signed on 29 June 2016 with Intesa San Paolo and BPM to EUR 86.2 million. The new debt, amounting to nominal EUR 88 million, allowed the full repayment of the previous debt arising from the Group Facility Agreement (GFA), as restructured on December 23, 2014, due on September 2017.;

- interest bearing loan between Aria and Rigensis Bank AS signed on 22 October 2015, amended and integrated on 16 December 2015 ("Financing Rigensis"), amounting to a total of EUR 18.8 million (accounting at amortized cost). The amortization plan of Rigensis loan includes EUR 3 million repayment made on 12 July 2016, of which EUR 945,000 relating to the interest up to 30 June 2016 (unpaid interest for which the counterpart has granted a moratorium until that date) in addition to a capital amount of EUR 2.055.000;
- other bank debts totalling to EUR 20.9 million;
- debts for financial leases, totalling EUR 53.5 million, mainly in relation of "Sale and Lease Back" agreement entered with reference to the Cagliari headquarters (Sa Illetta), for EUR 52.6 million.

Senior loan

On June 29, 2016, the Tiscali Group signed a refinancing agreement with Intesa San Paolo and BPM whose object is the senior debt of the Group in the medium and long term.

The new loan of EUR 88 million, of which EUR 53 million towards Intesa San Paolo and EUR 35 million towards Banca Popolare di Milano, allowed the full repayment of the senior debt arising from the Group Facility Agreement (GFA) held by Banca Intesa and certain Hedge Funds, restructured in 2014 and expiring in September 2017 .

The main features of the new loan are:

- duration of about six years , expiring on March 31, 2022;
- repayment plan as follows:
 - Reimbursement of just over half the borrowed amount in n. 11 monthly instalments starting in March 2017 amounting to about EUR 4.3 million each ;
 - Remaining balance of about EUR 40 million in a single payment on maturity in the month of March 2022.
- overall cost of the loan : 3-month Euribor + 4.5 bps

The following table summarizes the main components of the Senior Loan.

Loan	Amount	Maturity	Financing institutions	Borrower	Guarantors
First Facility	35 ml	March 2022	Banca Popolare di Milano S.c.a.r.l.	Tiscali Italia S.p.A.	Tiscali S.p.A, Tiscali International BV Tiscali Financia Services SA Veesible S.r.l. Tiscali UK Holdings Limited

Loan	Amount	Maturity	Financing institutions	Borrower	Guarantors
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Second Facility	52,9 ml Eur	March 2022	Intesa Sanpaolo S.p.A.	Tiscali Italia S.p.A.	Tiscali S.p.A. Tiscali International I Tiscali Financ Services S/ Vevisible S.r Tiscali UK Holdings Limi
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Financial Covenants

The new loan provides for the compliance by the Company of certain financial requirements (the "Financial covenants") on a consolidated basis of the Tiscali Group, defined on the signing of the contract.

The covenants in question are as follows: (i) ratio of net debt / EBITDA; (li) Debt service cover ratio; (lii) EBITDA / net interest (ii) investment limits (CAPEX). Further covenants relating to non-financial data have been set (n. Registered / active users, Blended ARPU, number of installed LTE antennas)

The verification of these covenants is done semi-annually on June 30 and December 31 of each year, with the first date of the verification provided for December 31, 2016

Event of default

The new loan provides some "event of default" in case the following events would take place: (i) payment default; (ii) breach of the undertakings under the finance documents; (iii) breach of financial covenants; (iv) misrepresentation; (v) non-execution or breach of the documents relating to the Guarantees; (vi) material cross-default; (vii) material audit qualification or warnings; (viii) insolvency, liquidation and dissolution of material Group companies; (ix) opening of bankruptcy proceedings; (x) implementation of material enforced procedures against the Group; (xi) loss of material litigation; (xii) cessation of business of material Group companies; (xiii) the occurrence of an event having a material adverse effect on the Group business and/or the rights of the Lenders; (xiv) illegality; (xv) breach of the key-manager clause.

Finance lease liabilities

Finance leases for the Group refer to agreements entered into by the subsidiary Tiscali Italia S.p.A. and the Aria Group, include:

- the "Sales & Lease Back" financial lease on the Sa Illetta property, headquarters of the Company, whose debt at the balance sheet date amounted to EUR 52.6 million;
- Other financial leases, for a total of EUR 0.8 million.

In relation to the financial debt "Sales & Lease Back " on the Sa Illetta, in the year 2015, the Group signed an Amending Agreement of the Leasing Contract with a leasing pool driven by Mediocredito

which led to a reshaping of the same contract and a lower capital reimbursement from the year 2015 until 2017, amounting approximately to EUR 4.2 million .

Breakdown of current and non-current financial debt

Current and non-current financial liabilities at 30 June 2016 are indicated in the following table:

Current and non-current financial liabilities	30 June 2016	31 December 2015
<i>('000 Euros)</i>		
Non-current financial liabilities		
Payables to banks and to other lenders:		
Payables to banks	99,909	94,546
Payables for financial leases (short term)	49,717	51,279
Total	149,626	145,826
Current financial liabilities		
Payables to banks and to other lenders:		
Payables to banks	25,963	28,488
Payables for financial leases (short term)	3,771	3,470
Total	29,734	31,958

Other non-current liabilities (note 24)

Other non-current liabilities	30 June 2016	31 December 2015
<i>('000 Euros)</i>		
Payables to suppliers	1,885	97
Other liabilities	1,719	1,871
Total	3,603	1,968

The item "Other liabilities" for EUR 1.7 million primarily includes:

- EUR 0.5 million for tax liabilities for the Aria Group;
- EUR 0.4 million for guarantee deposits in favour to clients of Tiscali Italia S.p.A.;
- EUR 0.8 million towards Janna S.c.p.a. (relating to the management of an underwater fibre optic cable between Sardinia and the mainland and between Sardinia and Sicily) pertaining to Tiscali Italia S.p.A.

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

The following prospect highlights the transactions occurred in this period:

('000 Euros)	31 December 2015	Provisions	Utilisations	Payments to funds (*)	Actuarial (gain)/loss	30 June 2016
Staff severance liabilities	6,295	1,174	(212)	(998)	(535)	6,794
Total	6,295	1,174	(212)	(998)	(535)	6,794

(*) This relates to payments to treasury funds and other supplementary pension funds

Provisions for risks and charges (note 26)

Provision for risks and charges (('000 Euros)	31 December 2015	Provisions	Utilisations	30 June 2016
	10,165	3	(1,622)	8,545
Total	10,165	3	(1,622)	8,545

The Provision for risks and charges at 30 June 2016 stands at EUR 8.5 million and primarily includes:

- EUR 0.5 million relating to provisions for claims by employees;
- EUR 5.4 million for technological risks relating to Aria Group. This provision is justified by the anticipated disposal of equipment, infrastructures and radio transmission systems due to the migration of the Aria network from WiMax to LTE technology;
- EUR 0.4 million provision for restructuring costs relating to Aria Group;
- EUR 2.3 million for other provisions, of which EUR 0.5 million related to Tiscali S.p.A., EUR 0.3 million related to Tiscali Italia and EUR 1.5 million relate to Aria Group for various provisions.

The utilizations made during the first half of 2016 were mainly attributable to:

- 0.3 million related to the payment made in March 2016 to close the Stichting Van der Goen claim pertaining to the subsidiary WOL N.V.;
- 0.3 million for payments related to the restructuring of Aria Group personnel;

- 0.8 million for the release of restructuring charges accrued in excess in the Aria Group accounts as at 31 December 2015;
- 0,1 million for the release of the provision for employees disputes accrued in excess in Tiscali S.p.A accounts as at 31 December 2015;
- 0,1 million for payments for employee disputes related to Tiscali Italy S.p.A.

Provision for deferred (note 27)

Provision for deferred tax	31 December 2015	Provisions	Utilisations	30 June 2016
('000 Euros)				
	628		(45)	(583)
Total	628		(45)	(583)

The Provision of EUR 0.6 million for deferred tax includes the recognition of the tax effect on the capital gains arising from the allocation of the amount paid for the acquisition of Aria Group.

Trade payables (note 28)

Trade payables	30 June 2016	31 December 2015
('000 Euros)		
Trade payables	153.497	131,743
Total	153.497	131,743

Trade Payables refer to commercial liabilities for the supply of telephone and data traffic, the supply of materials, technologies and commercial services, and include EUR 18.7 million for Aria Group.

Other current liabilities (note 29)

Other current liabilities	30 June 2016	31 December 2015
('000 Euros)		
Accrued expenses	5.541	4,077
Deferred Income	38.383	40,059
Other liabilities	38.312	39,160
Total	82.236	83,296

Accrued expenses are mainly related to personnel costs.

Deferred income of EUR 38.3 million primarily relate to:

- the capital gain on disposal relating to the Sale & Lease Back transaction on the Sa Illetta property, amounting to around EUR 11.8 million, which is released pro rata depending on the duration of the leasing agreement;
- the deferral of the revenues deriving from the sale of transmission capacity (IRU), pertaining to future financial years, for about EUR 6.8 million;
- the deferral of revenues from the activation of ADSL and VOIP services in relation to the non-pertinent portion, for about EUR 17 million;
- the deferral of the revenues from the invoicing pertaining to future financial years for Aria Group for about around EUR 2.7 million;

The item "Other liabilities", amounting to EUR 38.3 million primarily includes:

- VAT debt balance for EUR 7.3 million;
- liabilities towards tax authorities and social securities institutions for around EUR 13.8 million;
- payables to personnel for EUR 3.4 million;
- other liabilities for EUR 6.2 million relating to Aria Group;
- liabilities relating to ministerial grants concerning the Italian subsidiary for EUR 3 million;
- liabilities for AGCOM fines and IMU voluntary settlement relating to Tiscali Italia S.p.A for EUR 2.7 million;
- amounts due for IRAP (Italian regional tax on productive activity) mainly attributable to Tiscali Italia S.p.A for EUR 1.6 million;
- other liabilities for EUR 0.3 million.

Stock Options

On 16 February 2016 the combined Ordinary and Extraordinary Shareholders' Meeting of Tiscali S.p.A., taking place in Cagliari, approved the 2015-2019 Stock Option plan for the benefit of Renato Soru, as Chairman of the Board of Directors, and the associated proposal of delegation of powers to the Board for the increase of capital to service the above-mentioned Plan. The delegation relates to the issue of a maximum of 251,622,551 ordinary shares to meet the maximum of 251,622,551 options to be reserved for the Chairman, Renato Soru, as beneficiary of the 2015-2019 Stock Option Plan. As detailed in the "Prospectus on the Tiscali S.p.A. 2015-2019 Stock Option Plan", the assigned options become exercisable in three tranches:

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

Subsequently, on 12 May 2016, the Tiscali S.p.A. Board of Directors approved the 2016-2021 Stock Option Plan, relating to ordinary shares of Tiscali S.p.A. reserved to the Group's Chief Executive Officer and management and the associated proposal for an Increase in Capital, in separate issues, through the issue of a total maximum of 314,528,189 ordinary shares with no nominal value, to meet the maximum 314,528,189 options subscription of company's ordinary shares to be reserved for the Group's Chief Executive Officer and management as beneficiaries of the 2016-2021 Stock Option Plan, excluding option rights, pursuant to Art. 2441, sub-sections 5 and 6 of the civil code. Consequent amendment of Art. 5 of the Bylaws, pertaining and consequent resolutions, delegations of powers.

Disputes, potential liabilities and commitments

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

Below is a summary of the main proceedings in which the Group is involved.

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 July 2016, the CTU was launched. The outcome of the case cannot be foreseen.

Consip procedure

In April 2016, the Lazio Regional Administrative Court rejected the appeal filed by Telecom Italia and Fastweb against the awarding procedure of the SPC Consip tender to Tiscali Italia.

The losing parties appealed to the State Council against the decision of the Lazio Regional Administrative Court, which set the trial in a single hearing to be held on 19 January 2017

WOL litigation

In March 2016, World Online NV, part of the Tiscali Group, has entered into a settlement agreement with certain financial institutions in connection with the litigation brought by former shareholders of Telinco Ltd, the employees and management of Telinco Ltd and some of their family members and employees.

The agreement involved a total cash out of EUR 0.3 million, which occurred in March 2016, and puts an end to the dispute with the Telinco Ltd shareholders above mentioned.

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 for alleged 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 well as the accused directors. The Companies are preparing the necessary defensive activities for the phase of the trial that will commence in October 2016.

Segment Reporting

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

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

Income Statement

30 June 2016	Access (BTC and BTB connectivity)	Media & Advertising	Corporate	Other	Adjustments/ cancellations	Total
<i>('000 Euros)</i>						
Revenues						
From third parties	95.096	6.801	32	-	-	101.929
Intragroup	3.606	1.146	2.672	-	(7.423)	-
Total revenues	98.702	7.946	2.704	-	(7.423)	101.929
Operating result	(9.880)	(667)	(3.857)	(34)	3.421	(11.017)
N Net financial income (charges)						(6,683)
Pre-tax result						(17,700)
Income Taxes						(34)
Net result from operating activities (on-going)						(17,734)
Result from assets disposed an/or held for sale						-
Net result for the period						(17,734)

30 June 2016	Access (BTC and BTB connectivity)	Media & Advertising	Corporate	Other	Adjustments/ cancellations	Total
<i>('000 Euros)</i>						
Revenues						
From third parties	93,384	10,355	45	-	-	103,785
Intragroup	3,735	2,022	1,974	-	(7,731)	-
Total revenues	97,120	12,377	2,019	-	(7,731)	103,785
Operating result	(1,722)	(415)	(3,646)	(19)	12,090	7,119
Net financial income (charges)						(9,020)
Pre-tax result						(1,901)
Income Taxes						(139)
Net result from operating activities (on-going)						(2,040)
Result from assets disposed an/or held for sale						-
Net result for the period						(2,040)

Non-recurring operations

Pursuant to Consob Resolution no. 15519 of 27 July 2006, it should be noted that non-recurring operations with a total positive effect on the profit and loss account of the Group of EUR 1 million, including mainly the positive effects from write-offs of commercial positions, were recorded in the first semester of 2016.

The following table shows the figures relating to non-recurring operations in the consolidated profit and loss account:

Non-Recurring Transactions	1st half of 2016
Revenues	0.0
Other income	0.0
Purchase of materials and outsourced services	(1.5)
Payroll and related costs	0.0
Other operating (income) charges	0.0
Adjusted gross operating result (EBITDA)	1.5
Write-down of receivables from customers	0.0
Gross operating result (EBITDA)	1.5
Amortisation, depreciation, restructuring costs and other write-downs	0.4
Operating result (EBIT)	1.0
Net financial income (charges)	0.0
Pre-tax result	1.0
Income taxes	
Net result from operating activities (on-going)	1.0
Result from assets disposed and/or held for sale	
Net result	1.0

Atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, it should be noted that during 2016 the Company did not undertake atypical and/or unusual operations, as defined by the same Communication.

Related party transactions

Dealings with non-consolidated Group companies

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

Dealings with other related parties

During the first half of 2016, the Tiscali Group had some dealings with related parties, regulated under market conditions (arms' length basis), taking into account the characteristics of the goods and services provided.

The table below summarises the balance sheet and income statement values recordered in the Tiscali Group's consolidated half-year financial statements at 30 June 2016 deriving from dealings with related parties.

The most significant values on 30 June 2016, summarised by service provider, are as follows:

Income Statement Values	Notes	First half of 2016	First half of 2015
<i>(Thousands of EUR)</i>			
Studio Racugno	1	(9)	(36)
Monteverdi S.r.l.	2	(18)	(18)
Board of Statutory Auditors and Directors		(2,660)	-
Total Suppliers of Materials and Services		(2,687)	(54)
Total		(2,687)	(54)

Balance Sheet Values	Notes	30 June 2016	31 December 2015
<i>(Thousands of EUR)</i>			
Studio Racugno	1	(44)	(59)
Monteverdi S.r.l.	2		
Board of Statutory Auditors and Directors		(1,568)	(333)
Total Suppliers of Materials and Services		(1,612)	(392)
Reserve Stock Options		(559)	-
Total shareholders' equity		(559)	-
Total		(2,171)	(392)

(1) *Studio Legale Racugno: the director Gabriele Racugno, member of the Board of Directors of Tiscali S.p.A. from 21 December 2009, provides to Tiscali Italia S.p.A. with legal, judicial and extrajudicial assistance.*

(2) *Monteverdi S.r.l.: an investee company of the member of the Board of Directors, Renato Soru. The deal in question refers to a rental agreement for a space used to store company documents.*

List of the subsidiary companies included in the consolidation area

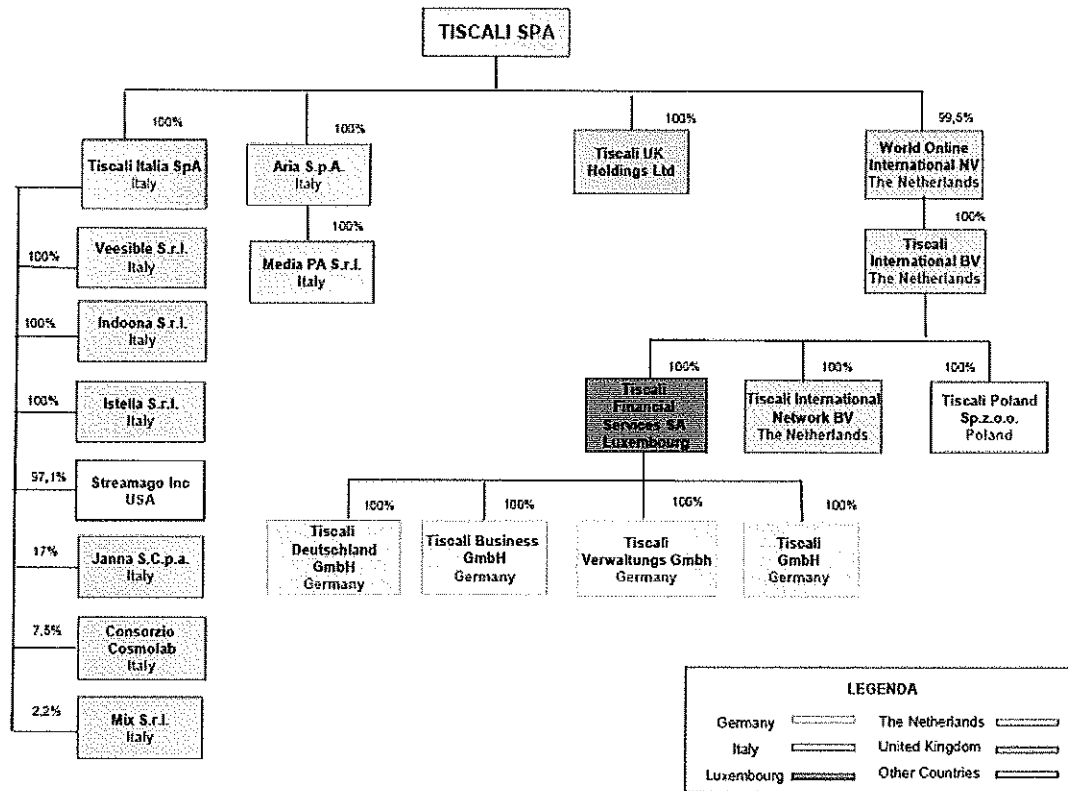
A list of subsidiary companies included in the consolidation area is reported below.

Name	Location	Percentage shareholding
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%
Streamago Inc.	USA	97.1%
Aria S.p.A.	Italy	100.00%
Media PA S.r.l.	Italy	100.00%
Tiscali Holdings UK Ltd	UK	100.00%
World Online International NV	Netherlands	99.50%
Tiscali International BV	Netherlands	99.50%
Tiscali Financial Services SA	Luxemburg	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.	Netherlands	99.50%

List of equity investments in other companies recorded in the non-current financial activities.

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

Group at 30 June 2016



Significant events after the half year end

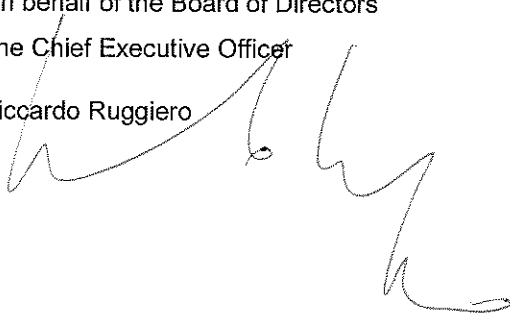
With regard to events subsequent to the closure of the first half of the year, please refer to the relevant paragraph of the report on operations.

Cagliari, 27 September 2016

On behalf of the Board of Directors

The Chief Executive Officer

Riccardo Ruggiero

A handwritten signature in black ink, appearing to read 'R. Ruggiero', is written over the printed name. The signature is fluid and cursive, with a long horizontal stroke at the end.

Certification of the Consolidated Financial Report to 30 June 2016, pursuant to Art. 154b of Legislative Decree 58/98

The undersigned, Riccardo Ruggiero as Chief Executive Officer, and Pasquale Lionetti, as the officer in charge of preparing the company's accounting documents for Tiscali S.p.A., certify, pursuant to Art. 154b, sub-sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the Company's characteristics;
- the effective application of the administrative and accounting procedures for the preparation of the condensed Consolidated Financial Statements for the half-year period to 30 June 2016.

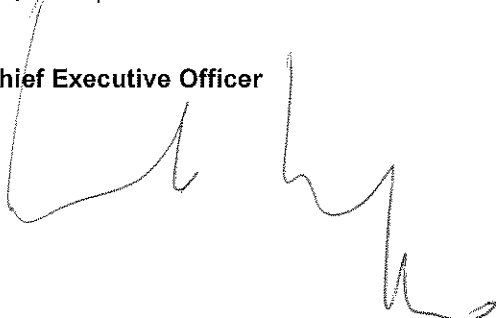
Furthermore, it is stated that the condensed Consolidated Financial Statements for the half-year period to 30 June 2016:

- are drawn up in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions of law and regulations as current in Italy;
- correspond to entries of accounting books and records ;
- are suitable for providing a truthful and accurate representation of financial, economic and assets position of the issuer and the entities included in the consolidation.

Finally, it is furthermore stated that the interim report includes a reliable analysis of the important events that occurred in the first six months of the financial year and of their effects on the abbreviated consolidated financial statements for the interim period, together with a description of the main risks and uncertainties relating to the remaining six months of the year. The interim report also includes a reliable analysis of information concerning related-party transactions.

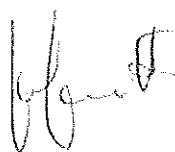
Cagliari, 27 September 2016

The Chief Executive Officer



Riccardo Ruggiero

The Officer Responsible for preparing statutory accounts



Pasquale Lionetti

6 Glossary

Shared access	Technique of unbundled access to a local network, in which the former monopoly operator rents part of the frequency spectrum to other operators: the operator can supply broadband services in this section of the spectrum, while the former monopoly operator continues to supply telephony services on the unused portion of spectrum .
ADSL	Acronym for Asymmetric Digital Subscriber Line, an asymmetric (the receiving bandwidth is greater than the bandwidth available for transmission) DSL technology which allows high-speed internet access.
ADSL2+	ADSL technology, which extends the capacity of the ADLS base by doubling the flow of bits in download. The bandwidth can reach up to 24 Mbps for downloads and 1.5 Mbps for uploads, depending on the distance between the SDLAM and the user's home.
Areas not covered	Also called "indirect access areas", they identify geographical areas that are not directly served by the Tiscali network (see also Bitstream and Wholesale).
ARPU	Average revenue from fixed and mobile telephony services by user calculated over a determined period for an average number clients of the Tiscali Group or active clients (for other operators) in the same period.
Bitstream	<i>Bitstream</i> (or numerical flow) service: a service consisting of the supply on the part of the access operator of the fixed telephone line of the transmission capacity between the location of the final user and the point of presence of an operator or ISP offering wide bandwidth to the final user.
Broadband	System of data transmission in which multiple data is sent simultaneously to increase the effective speed of transmission with a data flow equivalent or superior to 1.5 Mbps.
Broadcast	Simultaneous transmission of information to all nodes of a network.
Unique browsers	The number of different browsers that, in a determined period of time, access a site one or more times.
Access fee	It is the amount debited by national operators for each minute of use of their network by managers of other networks. It is also called "interconnection fee".
Capex	Acronym for Capital Expenditure. Identifies outgoing cash flows generated by investments in the operating structure.
Carrier	Company that makes the telecommunication network physically available.

<i>Co-location</i>	Dedicated spaces in the machine rooms of an incumbent operator for the installation by Tiscali of its own network devices.
<i>CPS</i>	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.
<i>CS</i>	Acronym for Carrier Selection, a system for selecting an operator: enables a client to select, by entering a special code, a long distance national or international operator other than that with whom he/she has a network access subscription.
<i>Business customers</i>	SoHos, small medium and large businesses.
<i>Consumer customers</i>	Customers who subscribe to an offer intended for households.
<i>Dial Up</i>	Narrowband internet connection by means of a normal telephone call, usually charged on a time basis.
<i>Digital</i>	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.
<i>Double Play</i>	Combined offer of access to the Internet and fixed telephony.
<i>DSL Network</i>	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.
<i>DSLAM</i>	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.

<i>Fibre Optic</i>	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.
<i>GigaEthernet</i>	Term used to describe the various technologies that implement the nominal speed of an Ethernet network (the standard protocol for cards and cables for high-speed connections between a computer and a local network) of up to 1 gigabit per second.
<i>Home Network</i>	Local network made up from various kinds of terminals, devices, systems and user networks, with related applications and services including all the apparatus installed at user premises.
<i>Hosting</i>	Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.
<i>Incumbent</i>	Former monopoly operator active in the telecommunications field.
<i>IP</i>	Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol), created for interconnecting ungrouped networks by technology, services and handling.
<i>IPTV</i>	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
<i>IRU</i>	Acronym for Indefeasible Right of Use, long-term agreements that guarantee the beneficiary the option of using the grantor's fibre optic network for a long period.
<i>ISDN</i>	Acronym for Integrated Service Digital Network, a telecommunications protocol in Narrowband able to carry in an integrated form various kinds of information (voice, data, texts, and images) coded in digital form on the same transmission line.
<i>Internet Service Provider or ISP</i>	Company that provides Internet access to single users or organisations.
<i>Leased lines</i>	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.

<i>LTE-TDD</i>	Long Term Evolution Time Division Duplex is a data transmission mobile technology which follows the LTE international standards and which was developed for 4G networks. It is a network technology, which uses one frequency only for transmitting in time-sharing, in other words alternatively between data upload and download with a dynamic adaptation ratio based on the amount of exchanged data.
<i>MAN</i>	Acronym for Metropolitan Area Network, a fibre optic network that extends across a metropolitan area and links a Core Network to an Access Network.
<i>Mbps</i>	Acronym for megabit per second, a unit of measurement that states the capacity (and thus the speed) of data transmission along a computer network.
<i>Modem</i>	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.
<i>MNO</i>	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).
<i>MPF</i>	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.
<i>MSAN</i>	Acronym for Multi-Service Access Node, a platform able to carry a combination of traditional services on an IP network and that supports a variety of access technologies such as for example a traditional telephone line (POTS), and ADSL2+ line, a symmetric SHDSL line, VDSL and VDSL2 over a copper or fibre-optic network.

VAS	Acronym for Value-Added Services; services with added value provide a greater level of functionality compared with the basic transmission services offered on a telecommunications network for the transfer of information between terminals. These include switched analogue voice communications via cable or wireless, a direct digital point to point network "unrestricted" at 9,600 bits/s; packet switching (called virtual) service; analogue and direct broadband transmission of TV signals and extra services, such as closed user groups; call waiting; reverse charging; call forwarding and identification of the number called. The value added services provided over a network, from terminals or specialist centres include message handling systems (MHS) ((which can also be used for commercial documents in accordance with a predetermined format); electronic user directories, network and terminal addresses; e-mail; fax, teletext, videotext and videophone. Value added services may also include voice telephony value added services such as free numbers or paid telephone services.
VISP	Acronym for Virtual Internet Service provision (sometimes also called Wholesale ISP). This is selling of Internet services purchased wholesale from an Internet Service Provider (ISP) that owns the network infrastructure.
VoD	Acronym for Video On Demand. It is the supply of television programs on request by a user for payment of a subscription or of a sum for each programme (a film, or a football match) purchased. Broadcast in a special way by satellite TV and for cable TV.
VoIP	Acronym for Voice over internet Protocol, a digital technology that enables the transmission of voice packets through Internet, Intranet, Extranet and VPN networks. The packets are carried according to H.323 specifications, which are the ITU (International Telecommunications Union) standard that forms the basis for data, audio, video and communications on IP networks.
VPN	Acronym for Virtual Private Network, which can be 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.

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

7 Independent auditors' report

Tiscali S.p.A.

**Condensed half-year consolidated financial statements as at 30 June
2016**

**Limited audit report on the condensed half-year consolidated financial
statements**

Limited audit report on the condensed half-year consolidated financial statements

To the shareholders of
Tiscali S.p.A.

Introduction

We have carried out a limited audit on the condensed half-year consolidated financial statements, comprising the income statement, statement of comprehensive income, balance sheet, the cash flow statement, the statement of changes in shareholders' equity and the related explanatory notes, of Tiscali S.p.A. and its subsidiaries ("Tiscali Group") as of 30 June 2016. The Directors are responsible for drafting the condensed half-year consolidated financial statements in compliance with the international accounting standard for Interim Financial Reporting (IAS 34) adopted by the European Union. It is our responsibility to express a judgment on the condensed half-year consolidated financial statements based on our limited audit.

Scope of the limited audit

Our audit was conducted in accordance with the limited audit criteria recommended by Consob by means of Resolution no. 10867 of 31 July 1997. The limited audit of the condensed half-year consolidated financial statements consists of conducting meetings, primarily with the company personnel responsible for financial and accounting matters, financial statement analysis and other limited audit procedures. The scope of the limited audit is substantially narrower than that of the full audit conducted in compliance with international audit standards (ISA Italia) and, consequently, we are unsure as to whether we have knowledge of all of the significant facts which could be identified by carrying out a full audit. Therefore, we do not express a judgment on the condensed half-year consolidated financial statements.

Conclusions

Based on the limited audit performed, no elements came to our attention that lead us to believe that the condensed half-year consolidated financial statements of the Tiscali Group as at 30 June 2016 were not drafted, as regards all their significant aspects, in compliance with the international accounting standard for Interim Financial Reporting (IAS 34) adopted by the European Union.

Emphasis of Matter

Without changing our conclusions, it is reported what described by the Directors in relation in the Interim report and in the explanation notes, and the related evaluations of them, with reference to the events occurred in the period, and the ones subsequent to the first half year, and the persistence of major uncertainties that may cast significant doubt on capacity of the Group to continue to operate as a going concern, linked to the situation of equity, financial and economic imbalance of the Group, in the presence of a significant gross financial debt, subject to covenants and other contractual obligations.

As noted in the paragraph " *Assessment of the business as a going-concern and future outlook*" and in the explanatory notes, the Tiscali Group ended the first half of 2016 with a consolidated loss of 17.7 million Euros and a negative consolidated net equity equal to 139, 8 million Euros. In addition, at the date of June 30, 2016 if the Group shows a gross financial indebtedness amounted to 179.4 million Euros and current liabilities higher than current assets (non-financial) for 172.9 million Euros.

It is to be noted that, during the year 2015, the Tiscali Group has completed the business combination ("the Transaction") with the group headed by Aria S.p.A. (herewith "Aria"), and, together with its

subsidiaries, the “Aria Group”). The transaction has been effective since 24 December 2015, through the merger of Aria Italia S.p.A., in Tiscali Spa (the “Merger”).

The merger, which has the strategic goal to achieve an industrial integration between the activities headed by Tiscali Spa and the activities headed by Aria, has enabled the Tiscali Group to reduce its financial debt, through the full repayment of the Facility A1 pursuant to the Restructuring Agreement entered on December 23, 2014 (amounting to Euro 42.4 million), signed on December 24, 2015 thanks to the liquidity made available by the financial partner of the Transaction.

Following the merger with the Group headed by Aria S.p.A., which was completed during 2015, the management of the Company, renovated during the Shareholders's Meeting of Tiscali S.p.A. held on February 16, 2016, has prepared a Business Plan for the years 2016-2021 ("The Plan"), approved by the Board of Directors on March 25, 2016 and based on a new strategic vision of the "combined entity" (which shows the prudential exclusion of the execution of the contract related to the Consip S.P.A. tender for the supply of connectivity services to the Public Sector – Consip Tender - subsequently signed on 24 May 2016, the implementation of which is currently pending, due to the claims filed by some competitors at the State Council. The final judgment is expected for the first months of 2017).

The Directors report that, during the first half of 2016 and in the following months, the Group has finalized the restructuring of the long-term financial indebtedness, gaining an extension of maturities and a reduction in the overall cost of debt. In particular:

- On June 29, 2016 the new loan has been signed, which is improving the long-term financial indebtedness structure of the Group and which allowed the full repayment of the loan arising from the Group Facility Agreement held by Intesa San Paolo and some Hedge Funds maturing on September 2017;
- On September 7, 2016 a convertible and converting bond by Rigensis Bank AS and Otkritie Capital International Limited ("Subscribers"), for a value of 17 million Euro has been signed. The new bonds, mainly used to repay in full the previous financial debt to Rigensis bank AS, involves a lengthening of the debt maturity and a reduction in debt costs, as well as the chance for Tiscali to repay at maturity the above loan with an dedicated capital increase, already approved by the shareholders on September 5 2016. It also provides for the right of the Subscribers to convert such bond in ordinary shares of the Company at a fixed price of € 0.06 per share.

In the scenario described above, the Directors, highlight, the persistence of material uncertainties that may cast significant doubt on the Tiscali Group's ability to continue to operate on the assumption of going concern, ascribable to achieving the objectives of the Plan, with particular reference to the evolution of the telecommunications market and to the achievement of the growth targets, relating in particular to the Ultrabroadband LTE services, the main development area planned in the Plan, in a market characterized by strong competitive pressure, as well as with reference to the expected synergies resulting from the integration of the Aria Group in Tiscali.

The Directors, in analyzing what has been achieved in the context of the path aimed at allowing the Group to achieve in the long run a balanced equity, financial and economic, recognize that the current date and in the presence of criticalities intrinsic to the 2016-2021 Plan - despite the Group debt reduction that took place in the year 2015 and the financial operations carried out during the 2016 - uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue to operate under the assumption of going concern but, have the reasonable expectation that the Group has adequate resources after making the necessary checks and assessing the uncertainties identified in light of the elements described, confident in the capacity of being able to implement the provisions in the 2016-2021 Plan, have the reasonable expectation that the Group have adequate resources even in case

of a favorable outcome of the decision of the State Council on the Consip Race, to continue the operational existence for the foreseeable future and, therefore, have adopted the going concern assumption in the preparation of the condensed half-year consolidated financial statements as at 30 June 2016

Milan, 29 September 2016

Reconta Ernst & Young S.p.A.

Alberto Caglia
(Partner)