

Press Release
2017 Draft Financial Statements

- **Positive net profit (EUR 0.8 million) for the first time ever in the history of the company;**
- **Growth of revenues (+5.4%, up to EUR 207.6 million) and customers (+9.8%, up to 748 thousand) as compared to 2016;**
- **Strong improvement in the customer mix with over 97 thousand Ultra-BroadBand customers (Fiber and LTE), showing strong growth as compared to 2016 (+400%);**
- **EBITDA growth (+7.1%, up to EUR 29.1 million) also thanks to the progressive rationalization of costs**
- **Following AGCOM's positive opinion on the renewal of the license to Tiscali on the 3.5GHz frequency up to 2029, approval of the 2018-2021 Business Plan**
- **The main Shareholders confirmed the contribution of a loan of 35 million euros by the end of 2018 to support the development of the 2018-2021 Business Plan**
- **The Board of Directors has given a mandate to the CEO to convene the ordinary and extraordinary Shareholders' Meeting.**

Cagliari, May 10, 2018

Today's Meeting of the Board of Directors of Tiscali S.p.A. approved all the items on the agenda and, in particular, examined and approved the 2017 Draft Financial Statements.

Results for FY 2017:

- **Net positive result of EUR 0.8 million** – thanks also to the positive balance between extraordinary capital gains and the negative accounting impact of extraordinary financial transactions. This is the first year since the company foundation in which the net result is positive;
- **Revenues for EUR 207.6 million, up by 5.4%** as compared to 2016, thanks to the growth of fixed and mobile broadband customers and the progressive refocusing on the core business;
- **EBITDA of EUR 29.1 million, with a 7.1% increase as compared to 2016**, thanks to the growth in revenues and the reduction in company fixed costs, in particular of personnel costs (- 5.8 million euros compared to 2016) due to the reduction of -30% (over 300 units) of the headcount compared to December 2016;
- Further confirmation of the **trend of growth in customers** both in the Ultra-Wide Band (Fiber and Fixed Wireless Access) and in Mobile:
 - o **+11 thousand customers (+ 2.5% as compared to 2016) in the Fixed Broadband segment.**
 - o **+64 thousand customers (+ 39% as compared to 2016) in the Mobile segment.**
 - o **About 97 thousand UltraBroadband customers (Fiber + LTE)**

Tiscali Italia S.p.A. with sole shareholder

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After almost a year of uncertainty, the process for the renewal of the License on 3.5Ghz frequencies assigned to Tiscali up to 2029 has substantially reached its conclusion. This allowed the company to approve the new 2018-2021 Plan, which confirms the centrality of the use of the frequencies for both LTE services and future 5G activities, as the key to company development.

The main shareholders (ICT and SOVA Capital) confirmed the commitment to support the Company. In fact, the new approved business plan foresees, for the year 2018, the contribution of 35 million euros of financing, through instruments to be defined.

Highlights

Income statement	2017	2016
<i>(EUR mln)</i>		
Revenue	207,6	196,9
Adjusted Gross Operating Result (EBITDA)	29,1	27,1
Operating Result (EBIT)	(22,6)	(28,4)
Result from held for sale and discontinued operations	42,8	(7,0)
Net Result	0,8	(45,0)
Statement of financial position	31 december 2017	31 december 2016
<i>(EUR mln)</i>		
Total assets (*)	300,4	285,2
Net Financial Debt (**)	178,9	187,6
Net Financial Debt as per Consob (**)	179,4	191,9
Shareholders' equity (***)	(128,0)	(167,6)
Investments	64,4	56,7
Operating figures	31 december 2017	31 december 2016
<i>(Thousands)</i>		
Total number of Clients (****)	748,2	681,2
Broadband Fixed	451,2	440,2
<i>of which Fiber</i>	47,1	9,8
Broadband Wireless	66,6	75,0
<i>of which LTE</i>	49,6	10,0
Mobile	230,4	166,0

Financial and asset data related to the activities held for sale have been appropriately reclassified (including the financial values at December 31, 2016). For more details, please see note 9 in the explanatory notes.

()Total Assets includes the following reclassification: the net book value of the dsl device (modem and CPE) have been reclassified from the intangible fixed assets category to the tangible fixed assets one. Said reclassification has been performed, for comparison reasons, also on the assets at December 31, 2016. The amount of this reclassification is EUR 13.2 million at December 31, 2017 (EUR 6.8 million as of December 31, 2016).*

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(**) *The financial highlights in question include among the financial debts the loans granted by the Ministry of Industry and by the Ministry of University and Research for a total of EUR 0.6 million. The figures as at December 31, 2016 have been restated as well.*

(***) *The net equity of the parent company, Tiscali Spa, is EUR 43 million as of December 31, 2017 (EUR 89.7 million as of December 31, 2016). On such date, the Company fell under the cases established in Article No. 2446 of the Civil Code.*

(****) *Please, note that effective from the Six-month Consolidated Financial Report as of June 30, 2017, the Company has adopted a new way to classify its customer portfolio, in order to take into account the impact of the sale of the Business branch to Fastweb, and the refocusing strategy on core business. In particular, customers of voice and data narrowband – CPS, dialup – being progressively disposed, have been excluded from the classification of its customer portfolio. The same data at December 31, 2016 were restated as well.*

It is also specified that “Fixed Wireless” users include as at December 31, 2017, a number of former inactive customers, amounting to approximately 9,000 units for which marketing and commercial activities for potential future reactivations are being implemented. As at December 31, 2016, the number of former inactive customers amounted to approximately 20,000 unit

Major results obtained in the fiscal year 2016

Over the course of FY 2017, Tiscali has finalized several transactions started in the fiscal year 2016, and continued its paths of growth and *core business* refocusing started the previous year, beginning to benefit from the actions undertaken. In particular, during 2017, Tiscali focused on the following actions:

- **Completion of the path of refocusing on the Core Business** of the sale of broadband services to Retail Consumer, SOHO and Small Business customers, namely through:
 - closing of the sale of the Large Customers business segment to Fastweb with the relative receipt of the final sale price of approximately EUR 45 million, of which EUR 25 million in cash and EUR 20 million in services to be used by 2022;
 - final transfer of the Streamago and Istella activities as a path of progressive exit from the specific business of Over The Top (OTT) services;
 - signature of an agreement with SKY aimed at exclusively entrusting online advertising sales on the Tiscali.it portal and on websites that the advertising agency of the Tiscali Group, Vevisible, has in its portfolio in Sky Italia.

- **Pursuit of Core Business growth** in order to consolidate the counter trend occurred in 2016 regarding the increase in clients:
 - Resuming growth on the Fixed Broadband portfolio thanks to a new distribution and marketing strategy. The Fixed Broadband clients increased from approximately 440,000 clients in December 2016 to more than 451,000 clients in December 2017, marking a growth of approximately 11,000 clients;
 - Focusing the marketing effort on the super-high capacity UltraBroadBand solutions allowed reaching approximately 100,000 clients UltraBroadBand (Fiber and LTE), that is just slightly less than 20% of the total Fixed BroadBand and Fixed Wireless portfolio at the end of December 2017. Said result was possible thanks to:
 - The progressive expansion of the new LTE UltraBroadband Fixed Wireless offer under the Tiscali brand in the “Extended Digital Divide” areas thanks to the installation of LTE antennas initiated in 2016 and continued also over the course of 2017 (approximately 320 antennas installed at December 2017) and the progressive migration of users WiMax to LTE. Thanks to this LTE client portfolio, Tiscali reached approximately 50,000 clients in December 2017. This result was possible also thanks to the strategic agreement signed with Huawei: Tiscali has become the first service provider in Italy to develop a Wireless Fiber To The Home (WFTTH) service with LTE 4G+ technology using Huawei 8T8R latest generation antennas on a frequency of 3.5GHz, which allow already to provide capacity up to 100 Mbps;
 - The launch of the very high capacity solutions in Fiber up to 1,000 MBps, in particular in the urban areas, completed the development strategy of the UltraBroadband services already pursued in the

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Extended Digital Divide with the offer of the LTE Fixed Wireless services. At December 2017, Tiscali reached a portfolio of more than 47 thousand Fiber clients.

- Fast growth of the Mobile customer base also thanks to the development of Open, a new Tiscali modular mobile offer. Tiscali mobile clients reached 230 thousand units in December 2017.

These positive results have been possible in particular through a new sales and marketing strategy focused especially on:

- an overall rationalization of the offer;
- an overall refocusing of the Consumer, SOHO and SME segments;
- the introduction of a distribution strategy that is "multi-channel" also integrating the pre-existing structure of the former Aria's physical channels (dealers, stores and installers) that led to an increase in investments for the acquisition of the clientele (SAC);
- An improvement of the overall client management processes that contributed to a reduction in the termination of clients;

Consistently with this new market approach strategy, over the course of 2017 Tiscali has inaugurated a new communication strategy which peaked with the communication campaign of June 2017, after years of non appearing on the Italian media.

The campaign is focused on the renewed Tiscali brand and on the new international testimonial, and had as its main goals:

- supporting the acquisition process of new clients through "pull" channels for an expected reduction of the average cost of client acquisition;
- the relaunch of the visibility of the Tiscali brand on the market

➤ **Operating Cost Efficiency** In 2017, the operating cost efficiency program has continued. In particular, Tiscali completed the reorganization of its corporate structure, bringing the number of 'full time equivalent' employees (FTE) from 948 units in December 2016 to 642 units in December 2017 through a permanent implementation of the transactions already initiated in 2016 (transfer of the Business branch to Fastweb, outsourcing of IT activities to Engineering, razionalization of Over The Top activities), in addition to further rationalization of the workforce.

➤ **Additional strengthening of the assets and financial structure of the Group**, which in 2017 continued also thanks to:

- An increase in the paid capital reserved to Okritie Capital International Limited (hereinafter referred to also as "OCIL") and Powerboom Investment Limited, for a maximum value of EUR 13 million. The transaction, which was approved with resolution of the Tiscali Board of Directors dated June 27, 2017 ended on August 7, 2017 with the issuing of 314,000,000 shares equally subscribed by OCIL and Powerboom Investment Limited (a Company fully controlled by ICT) each paying EUR 5,903,200 (for additional information please see section 5.11), with a total amount deriving from the transaction of EUR 11,806,400.
- Continuation of the ongoing negotiations with Intesa San Paolo and BancoBPM (formerly BPM), in order to reach a standstill agreement on payments due to the banks in the next months (for additional information see section 4.7).
- Continuation of the negotiations with Mediocredito Italiano and Unicredit Leasing ("Pool Leasing"), to redefine an overall amortization of the debt for the lease of the Sa Illetta real estate property.
- Collection, on March 31, 2017, of the payment related to the transfer of Business branch to Fastweb, equal to EUR 20 million, pursuant to the finalization of the transfer occurred on February 10, 2017. The capital gain obtained in the amount of EUR 43.8 million has contributed to strengthen Tiscali's assets level, which at December 31, 2017, despite having recognized a write-down of EUR 79 million of the shareholding of Tiscali Italia S.p.A., reached EUR 43.0 million (EUR 89.7 million at December 31, 2016).
- Conversion of the non-guaranteed convertible bond loan and converting "Tiscali conv 2016-2020", occurred on December 14, 2017. The transaction took place through voiding of the 37 bonds subscribed for a nominal value of EUR 18,500,000 and the issuing of 522,598,870 new shares, having the same

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characteristics of those in circulation, at a price per share of EUR 0.0354 and with a share capital increase of EUR 18,500,000.

The transaction allowed strengthening the equity of the Group through a reduction of the liabilities in the amount of EUR 18.5 million with consequent savings in interests of approximately EUR 1.2 million a year.

The implementation of the financial transactions and agreements above, established by the Industrial plan, allowed (and it will allow in the next months) an increase in financial resources available to the Company, which will be used to support the implementation of the Industrial Plan, which includes also the reduction of payables (business and fiscal) that are overdue.

Consolidated Income Statement

	2017	2016
Consolidated Income Statement		
<i>(EUR mln)</i>		
Revenue	207,6	196,9
Other income	3,7	3,3
Purchase of external materials and services	143,6	129,1
Personnel costs	29,1	34,9
Other operating expense (income)	(0,2)	(2,3)
Write-downs accounts receivable from customers	9,7	11,3
Gross Operating Result (EBITDA)	29,1	27,1
Restructuring costs	3,6	6,0
Depreciation	48,1	49,5
Operating profit (EBIT)	(22,6)	(28,4)
Financial Income	0,1	4,0
Financial Expenses	19,6	13,4
Pre-tax profit	(42,17)	(37,9)
Income taxes	0,22	(0,1)
Net result from operating activities (ongoing)	(42,0)	(37,9)
Result from held for sale and discontinued operations	42,8	(7,0)
Net result for the period	0,8	(45,0)
Minority interests	0,0	0,0
Group Net Result	0,8	(45,0)

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

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

- Separation of Financial Income and Financial Expenses items, instead of a single item Net Financial Income (Expense)

The revenues of the Tiscali Group in FY 2017 amounted to EUR 207.6 million, an increase by 5.4% as compared to EUR 196.9 million recorded in FY 2016.

The net change, equal to EUR 10.7 million, is mainly attributable to the following factors:

- Decrease by EUR 3.8 million in the revenues of Broadband Access segment, explained by the following:
 - Substantial stabilization of revenues of the Fixed BroadBand segment, which in FY 2017 fell slightly as compared to FY 2016 (EUR -0.9 million; -0.7%) after years of sharp reductions, amounting to EUR

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132.9 million. This result was achieved thanks to the growth in the total portfolio of Fixed BroadBand customers (+11 thousand units as compared to December 31, 2016), together with a strong improvement in the mix towards higher-value Fiber solutions (over 47 thousand customers in December 2017 as compared to around 10 thousand at the end of 2016).

- Reduction in the revenues from Broadband Fixed Wireless for about EUR 2.9 million due to the reduction of WiMax customers' portfolio as compared to December 31, 2016 (down by about 8.4 thousand units, from 75 thousand units as of December 31, 2016 to 66.6 thousand units as of December 31, 2017). This reduction is due to the termination of the sale of WiMax services in areas where the LTE service is still unavailable, due to the block of activities and investments established for the development of the LET Fixed Wireless network occurred in the third and fourth quarters of 2017. The delay in investments was due by the uncertainties related to the obtainment of the prorogation on the 3.5GHZ frequency band (as described in paragraph 4.7). The increase of LTE customers' portfolio (with an higher value than WiMax customers) as compared to December 31, 2016 (+39.5 thousand units, from 10 thousand to 49 thousand units) only partially compensated the reduction of WiMax customer portfolio.
- MVNO revenues remarkably increased (+35.4% YoY, from EUR 10.7 million in FY 2016 to EUR 14.4 million in FY 2017) thanks to the significant increase of the Mobile customers' portfolio, from about 166 thousands units in December 2016 to about 230.4 thousands units in December 2017.
- "Services to Business and Wholesale" revenues increased by EUR 7.6 million (+40.3%); the growth was mainly due to the wholesale activity, which increased by EUR 8 million, from EUR 4.9 million in December 2016 to EUR 12.9 million in December 2017.
- "Media & VAS" revenues decreased by EUR 1.1 million (a 7.3% decrease).
- "Other" revenues amounted to EUR 6.8 million, growing by EUR 4.1 million as compared to the data of FY 2016 (EUR 2.7 million), as a result of the revenues deriving from the rental of the IT business branch to Engineering, from the agreement with Fastweb for the management of B2B customers until their definitive physical migration to Fastweb and from the growth of revenues from Sa Illetta Headquarter office renting to third parties.

During 2017, Internet access – which includes the Fixed Broadband Access and Fixed Wireless components – accounted for approximately 70.23% of the total turnover.

Other income, amounting to EUR 3.7 million as of december 30, 2017, increased by EUR 0.4 million as compared to December 31, 2016.

Costs for purchases of materials and services amounted to EUR 143.3 million increased by EUR 14.2 million, compared to 2016, thanks to the increased activity volumes, also deriving from the costs associated with the outsourcing of IT activities to Engineering.

The significant reduction of EUR 5.8 million in personnel costs, amounting to EUR 29.1 million in 2017, is linked to the actions aimed to recover efficiency implemented and, in particular, as a result of the outsourcing of IT activities to Engineering, of the sale of B2B branch to Fastweb and of the incentivized retirement plans carried out during the last 12 months, which led to a significant reduction in the average staff as compared to 2016.

The above-mentioned effects, and in particular the positive impact of the reduction of personnel costs, result in a Gross Operating Profit (EBITDA) of EUR 29.1 million, increasing by EUR 2 million year-over-year (EUR 27.1 million). The total impact of non-recurring items (as for Consob decision n. 15519 27 July 2006) in 2017 on the adjusted gross operating profit (EBITDA) was positive by EUR 1 million, as compared to a positive EUR 7.4 million in 2016.

Depreciation and amortization costs for 2017 amount to EUR 48.1 million, in slight reduction if compared to the EUR 49.5 million accounted for 2016. This item benefits from the application of a new depreciation rate of tangible fixed assets related to the Base Stations network of Aria and its subsidiary Media PA Srl (henceforth also Media PA) changed according to the revised expectations of useful residual life of these assets. The rate change resulted in a benefit in terms of lower depreciation for approximately 1.9 million euros.

Furthermore, during 2017, restructuring costs have been accounted for EUR 3.6 million, as compared to EUR 6 million in 2016. The restructuring costs incurred in 2017 are mainly related to the reorganization and downsizing of the workforce for total EUR 4.1 million (including the costs incurred for the incentivized retirement plans made during the first half of 2017 for EUR 1.8 million).

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As result of the above mentioned items, the net operating result (EBIT), net of provisions, write-downs and restructuring costs, is negative for EUR 22.6 million, recording an increase by EUR 6.1 million as compared to the result for 2016, which was negative by EUR 28.4 million.

The impact on the EBIT of the non recurring items in 2017 is negative for EUR 2 million, compared to positive EUR 1.7 million accounted in 2016.

Financial charges amount to EUR 19.6 million, compared to EUR 13.4 million in 2016, and include EUR 6.6 million in non-recurring costs resulting from the conversion of the convertible bond loan realized on December 14, 2017 (as described in paragraph 4.5).

The Result of operating activities (ongoing), negative for EUR 42.2 million, shows a worsening in relation to the comparable figure for 2016, amounting to EUR 37.9 million, mainly due to the impact of figurative charges from the conversion of the convertible bond loan, as described above. Net of this impact, the result of operating activities (ongoing) would have been EUR -35.6 million, higher than the previous year.

The Result from held for sale and discontinued operations, which is EUR 42.8 million, includes the capital gain on the sale of the BTB business branch to Fastweb (including the SPC Contract) accounted for upon completion of the transfer contract, occurred on February 10, 2017, equal to EUR 43.8 million, in addition to the period result for the same assets held for sale (for further details please refer to Note 9).

The Net Result of the Group is positive for EUR 0.8 million, improving compared to the comparable figure for 2016, negative for EUR 45 million. The improvement in the Group's Net Result, as compared to 2016, is mainly due to the positive balance of approximately € 34 million between extraordinary capital gains and negative accounting impact of extraordinary financial transactions.

Consolidated Statement of Equity and Liabilities

Consolidated Statement of Equity and Liabilities (*)	31 december 2017	31 december 2016
<i>(EUR mln)</i>		
Non-current assets	230,8	219,0
Current assets	69,6	59,9
Assets held for sale	(0,0)	6,2
Total Assets	300,4	285,2
Net equity of the Group	(128,0)	(167,6)
Net equity attributable to minority interests	0,0	0,0
Total net equity	(128,0)	(167,6)
Non-current liabilities	39,3	171,3
Current liabilities	389,1	277,9
Liabilities directly associated with assets sold	(0,0)	3,6
Total Net equity and Liabilities	300,4	285,2

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

Financial Situation of the Group

As at December 31, 2017, the Tiscali Group can count on cash, cash equivalents and bank accounts amounting to EUR 1.5 million in total, with a net negative financial position at the same date amounting to EUR 178.9 million (EUR 187.6 million as at December 31, 2016).

Net Financial Position	31 december 2017	31 december 2016
<i>(Thousands of Euro)</i>		
A. Cash and Bank deposits	1,5	1,3
B. Other cash equivalents	0,0	0,0
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	1,5	1,3
E. Current loan receivables	0,0	0,0
F. Non-current financial receivables (1)	0,5	4,3
G. Current bank payables (2)	13,3	14,7
H. Current accounting of bonds issued (3)	0,0	0,4
I. Current accounting of non-current debts (4)	94,6	13,5
J. Other current financial debts (5)	62,2	10,1
K. Current financial debt (G) + (H) + (I)+(J)	170,0	38,6
L. Net current financial debt (K)-(D)-(E)-(F)	168,1	33,0
M. Non-current bank Loans (6)	0,0	80,6
N. Bonds issued (7)	0,0	18,4
O. Other non-current intercompany debt (8)	10,8	55,6
P. Non-current financial debt (M)+(N)+(O)	10,8	154,7
Q. Net Financial Position (L)+(P)	178,9	187,6

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(*) The net financial position as of December 31, 2016, has been reclassified respect to the Net Financial Position included in the Annual Financial Report 2016, for effect of the inclusion of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for EUR 0.9 million as of December 31, 2016. The balance of those debts as of December 31, 2017, amounts to EUR 0.6 million.

Notes:

- (1) It includes various warranty deposits
- (2) It includes bank debts of Tiscali Italia S.p.A., Tiscali S.p.A., Vevisible S.r.l. e Gruppo Aria.
- (3) This item included, as at December 31, 2016, the short-term component of the convertible bond loan, which was converted on December 15, 2017.
- (4) It Includes mainly the short-term component of € 19.2 million relating to the debt to Senior Lenders (principal and interest repayable within 12 months) in addition to the long-term component, reclassified in the short term based on the forecasts of IFRS 3 pending standstill negotiations with Senior Lenders. The long reclassified portion in the short term is € 68.9 million.
- (5) It mainly includes the short-term portion of the "Sale & Lease Back Sa Illetta" debt in addition to the long-term component, reclassified in the short term based on IFRS 3 forecasts pending standstill negotiations with Mediocredito Italiano and Unicredit Leasing (" Pool Leasing "), to redefine the total amortization plan for the leasing debt relating to the property of Sa Illetta. The long reclassified portion in the short term amounts to 39.3 million euros. The item also includes leases related to the financing of network investments and the short-term component of two financial debts relating to loans granted by the Ministry of Development and the Ministry of University and Research for 0.6 million euros.
- (6) This item is zero following the reclassification made in consideration of the status of the process of obtaining the standstill on the debt to Senior Lenders and in accordance with the provisions of IFRS 3. Since the aforementioned standstill request has not been formalized within on 31 December 2017, and since Tiscali did not comply with the payment terms provided for in the First and Second Facility Agreements, the Group is obliged to classify this short-term loan, even though it is no longer a definition of the standstill.
- (7) This item included, at December 31, 2016, the long-term component of the convertible bond loan, which was converted on December 15, 2017.
- (8) This item shows a significant reduction following the reclassification carried out in consideration of the status of the process of obtaining the standstill on the debt to Pool Leasing and according to the provisions of IFRS 3. Since the aforementioned standstill request was not formalized within the December 31, 2017 and since Tiscali has not complied with the payment terms provided for in the First and Second Facility Agreements, the Group is obliged to classify the short-term "Sale & Lease Back Sa Illetta" debt, despite the fact that the standstill was defined. The long reclassified portion in the short term is 39.3 million euros.

The table above includes the guarantee deposits as "Other cash and cash equivalents" and "Non-current financial receivables". Below, for the sake of completeness, we also report the reconciliation of the above financial position, with the financial position prepared in light of the Consob communication no. DEM / 6064293 of 28 July 2006 and reported in the explanatory notes.

(*)	31 december 2017	31 december 2016
<i>(EUR mln)</i>		
Consolidated net financial debt	179.1	187.6
Non-current financial receivables	0,5	4,3
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	179.6	191.9

(*) The net financial position as of December 31, 2016, has been reclassified respect to the Net Financial Position included in the Annual Financial Report 2016, for effect of the inclusion of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for EUR 0.9 million as of December 31, 2016. The balance of those debts as of December 31, 2017, amounts to EUR 0.6 million.

Major events occurred in the year

January 25, 2017 - A partnership agreement was signed with Open Fiber for the implementation and marketing of the ultra-broadband telecommunication network in Italy

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On January 25, 2017 - Tiscali and Open Fiber, a company whose shares are held by Enel and Cassa Depositi e Prestiti, signed an agreement that integrates strategically, and in a complementary way, Tiscali's roll out of the latest generation Ultra Broadband LTE Fixed Wireless Access network, which will be developed with particular focus on the areas of the extended digital divide. The agreement, which is operational in 10 cities (Perugia, Cagliari, Bari, Catania, Florence, Genoa, Naples, Padua, Palermo and Venice) sets significant objectives in terms of Tiscali clients on Open Fiber ("Fiber OF") by spring 2019. The migration will take place in parallel to the roll-out plan of the Open Fiber fiber optics network. The Open Fiber work program requires the wiring of at least 80% of the building units, with the times indicated in the roll-out plan. This agreement is important for achieving client objectives through Tiscali offers in Fiber Optics as established in the Plan and for achieving efficiency on the network's operating costs also as established in the Plan.

February 3, 2017 - Signing of notarial deed for the lease of the IT corporate branch

On February 3, 2017, the Engineering group and Tiscali signed the final agreement for the "full outsourcing" management of Tiscali's IT services.

The positive impact in terms of cost reduction deriving from this outsourcing agreement were already included in the development of the 2017-2021 Plan.

February 10, 2017 - Signing of notarial deed for the transfer of the Tiscali Business branch to Fastweb

On February 10, 2017 - Tiscali and Fastweb signed the notarial deed concerning the transfer of the Tiscali Business branch.

The total economic value of the Transaction is EUR 45 million, of which EUR 25 million in cash and EUR 20 million through Service Vouchers. In compliance with the provisions of the Transfer Agreement, at the Closing Date, Fastweb paid Tiscali Italia the Provisional Price of EUR 12.5 million (of which EUR 5 million in cash and EUR 7.5 million in connectivity services).

June 27, 2017- Proposed paid increase in share capital reserved for OCIL Ltd and Powerboom Investment Ltd

The Tiscali Board of Directors approved the proposal of paid increase in the share capital, in one or more installments, by December 31, 2017, with the exclusion of rights of first refusal pursuant to art. 2441, paragraph 4, of the Civil Code, to be reserved for Otkritie Capital International Limited and Powerboom Investment Limited (a wholly owned subsidiary of ICT - Investment Construction Technology Group Ltd), for a total maximum value of EUR 13,000,000.00 by issuing, even in several installments, a maximum of 314,000,000 ordinary shares having the same characteristics as the ordinary shares in circulation and with no nominal value.

July 26, 2017 - Tiscali and Sky Italia announced their digital partnership

On 26 July 2017, the partnership between Tiscali and Sky Italia was announced to maximize the commercial opportunities in the online market and consolidate their digital audience thanks to new publishing synergies. Tiscali Group chose to entrust, exclusively, online advertising sales to Sky Italia which, starting in August, will manage the sale of advertising on the Tiscali.it portal and on the sites that Vevisible, the licensee firm part of the Tiscali Group has in its portfolio and which it will continue to develop, consolidating its role as an aggregator of quality publishers. The agreement will also give rise to new publishing synergies. Tiscali.it, today the eighth site for news in Italy, will expand the proposal for contents of its platform thanks to the inclusion of a selection of Sky videos concerning various themes, from information through SkyTG24 to sports news through Sky Sports, up to great entertainment with contributions from Sky Atlantic, Sky Uno and Sky Cinema.

August 7, 2017 - Completion of the capital increase with the successful subscription and issue of the related shares

The capital increase transaction described in the previous paragraph ended on August 7, 2017 with the issue of 314,000,000 shares equally subscribed by OCIL and ICT, which paid at the same time EUR 5,903,200 each.

The subscription price of the new Shares was determined on the basis of the weighted average of official prices over a period of 10 stock exchange trading days prior to the date of the Board of Directors that set the aforesaid price, net of the application of a 10% discount.

From an economic-financial and assets point of view, the transaction had the typical effects of a capital increase with the exclusion of the rights of first refusal, further strengthening the asset structure through the reduction of the overall

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liabilities and ensuring the stability of the shareholders and their renewed and strengthened involvement, without leading to a decrease of the current shareholders of more than 9.99%.

December 14, 2017 - the Board of Directors of Tiscali Spa approved the proposal to modify the convertible bond loan converting "Tiscali conv 2016-2020".

The Meeting of the Debenture Holders and the Extraordinary Shareholders' Meeting held on December 14, 2017 approved the proposal to convert the convertible bond loan "Tiscali Conv 2016-2020".
In particular, the conversion occurred as follows:

- the extension of the Subscription Period of the residual amount of unsubscribed bonds amounting to EUR 1.5 million, from January 31, 2017 to January 31, 2018;

- the Conversion Price from EUR 0.06 to a price per share equal to the weighted average market price recorded in the two months preceding the date of the conversion request.

- the number of ordinary shares to be issued for the conversion of the bond issue, approved up to a total of a maximum of 530,000,000 shares.

On December 14, 2017 Otkritie Capital International Limited, already subscriber of EUR 8.5 million (17 bonds), subscribed 3 further bonds for an amount of EUR 1.5 million, equal to the entire residual amount of the bond.

In addition, on December 14, 2017 Tiscali received a request for voluntary conversion from the Debenture Holders of Rigensis and OCIL, respectively for EUR 8.5 million (17 bonds) and EUR 10 million (20 bonds).

The Board of Directors also decided the value of the conversion price of the bonds into newly issued shares, equal to EUR 0.0354, equal to the weighted average price of the previous two months.

December 15, 2017 - Capital Increase - 37 bonds of the Convertible Bond Loan "Tiscali conv 2016-2020"

Following the conversion request received from Rigensis Bank AS ("Rigensis") and Otkritie Capital International Limited ("OCIL") on December 14, 2017, the "Tiscali Conv 2016 - 2020 Bond" has been converted on December 15, 2017, through the voiding of 37 bonds subscribed for a nominal value of EUR 18,500,000 and the issuing of 522,598,870 new shares, having the same characteristics as the outstanding ones, at a price per share of EUR 0.0354 and with an increase in the share capital of EUR 18,500,000.

The new share capital subscribed and paid up amounts to EUR 121,507,322.89

The transaction as a whole helped to strengthen the equity of the Tiscali Group, through the reduction of the liabilities to EUR 18.5 million, with consequent prospective savings in interests of approximately EUR 1.2 million per year.

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

Balance sheet and financial performance for the period

Tiscali Group closed FY 2017 with a consolidated loss amounting to EUR 0.8 million, improving compared to a loss of EUR 45 million in the previous year. This result was influenced by the positive effect, amounting to EUR 34.2 million, of the non-recurring transactions concluded in the period (including the capital gain for the transfer of the BTB Business Branch to Fastweb, amounting to EUR 43.8 million, netted by other non recurring costs for EUR 9,7 million).

Tiscali Group closed FY 2017 with a negative consolidated shareholders' equity amounting to EUR 128 million improving compared to EUR 167.6 million as of December 31, 2016).

Furthermore, as of December 31, 2017, the Group recorded a gross financial debt amounting to EUR 180.8 million, improved respect to the gross financial debt as of December 31, 2016, amounting to EUR 193,1 million, and current liabilities exceeding (non-financial) current assets for EUR 150.9 million, improved respect to the amount of EUR 181

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million respectively as of at December 31, 2016. These current liabilities include expired net trade payables (net of payment plans agreed with suppliers, of the receivable items and in dispute with the same suppliers) for EUR 46.2 million, improved respect to the amount of EUR 59.4 million as of Euro as of December 31, 2016.

In confirmation of the positive trend highlighted in the year, it should be noted that at 31 March 2018 the net financial debt amounted to EUR 176.1 million, with an improvement on the figure as at 31 December 2017 of EUR 3,3 million.

At the end of 2017 and in the first months of 2018, it became clearer how the 3.5GHz frequency, owned by Tiscali, is an important asset also for the development of the future Mobile Data 5G services. In the last Mobile World Congress held in Barcelona in February 2018, all the main technological vendors, together with ITU, the world's leading telecommunications standardization body, certified that the 3.5GHz frequency will be among the first to be used for the development of the future 5G Ultra BroadBand Mobile Data services, and have started to present a preview of enabling network devices and user terminals.

This evidence, which represents a further confirmation of the asset value of which Tiscali is the owner, followed a period of strong regulatory uncertainty that began in the first part of the year, in which the uncertainty about the probabilities and the related renewal procedures over the natural expiry (2023) of the licenses on the portion of the spectrum on 3.5GHz frequency recorded in Tiscali's assets became more acute.

On 11 April 2018, however, the publication by AGCOM of the summary of the public consultation called by Resolution No. 503/17 / CONS issued a favorable opinion with respect to the extension of the duration of the aforementioned licenses until December 31, 2029 , indicating the methods for calculating the consideration to be paid for this renewal and indicating the technical and legal obligations to be met in order to achieve such renewal.

Consistent with the increasing importance of the 3.5GHz frequency and, more generally, of the 5G technology, also in Italy the government has accelerated the process for the allocation of all the frequencies enabling the launch and development of future 5G services. In particular:

- The rules for the allocation of 3.6-3.8GHz, 700MHz and 26.5GHz frequencies by the end of 2018 have been included in the 2018 Stability Law;
- In the last months of 2017, the process of granting the extension until 2029 to the current license holders on 3.5GHz frequency (including Tiscali) expiring on 2023 was finally launched. In 2017, the request to MISE for the granting of the extension until 2029 was forwarded by Tiscali and by the current owners of the licenses in question. Following an initial assessment by the Ministry, the opinion of Agcom was requested, this being normal practice. The proposal of the Agcom Resolution containing the opinion on the granting of the extension, had been submitted to a public consultation which ended on February 21, 2018. The AGCOM Council's final approval of the Resolution took place on April 11, 2018, with subsequent publication of the opinion on the Authority's website. The MISE, having received the positive opinion of Agcom, will formally close the process of granting the extension of the rights of use presumably by the summer.

The revision of the 2018-2021 plan

As previously indicated, the desired extension of the 3.5GHz licenses represents an essential requirement for Tiscali to guarantee a long-term regulatory framework to protect the return, possible only over a medium-long term period, on the prospective investments necessary for a full exploitation of the license with a view to LTE and 5G. As a result of the positive opinion issued by AGCOM as previously indicated, the Company benefits from a greater valuation by the market of the licenses registered in the assets, and, in this context, has given a mandate to Mediobanca - Banca di Credito Finanziario SpA to act as financial advisor to the Company to assess possible strategic options for the Group, as already communicated in the past months.

In view of the above, and considering the above mentioned positive effects of the operations already carried out and underway over the next few months on the Group's financial structure, the management analyzed the results for FY 2017, finding they were influenced by the partial stop of development activities linked to the uncertainties described above in relation to obtaining the extension on the 3.5GHz frequency, which is the fundamental asset on which the growth plans included in the Business Plan approved by the Board of Directors on April 29, 2017, were based. The delays recorded are mainly linked to the sharp slowdown in investments related to the planned development of the

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LTE Fixed Wireless proprietary access network in the absence of reasonable certainty about the renewal of the license. This fact, associated with the changed technological and market framework related to the use of frequency owned by Tiscali to support the launch of 5G services and which the company must take into account for the definition of its future development plans, has determined the revision of the above mentioned Business Plan approved by the Board of Directors on April 29, 2017.

In particular, the new Business Plan 2018-2021 (hereinafter referred to as "Business Plan" or "2018-2021 Plan") confirms the strategic guidelines already included in the previous plan, as follows:

- the objective of fully maximising the asset represented by the spectrum owned by Tiscali through the expansion of the proprietary LTE Fixed Wireless access network to cover up to about 50% of the Italian population with new generation LTE UltraBroadBand Fixed Wireless services with capacity up to 100Mbps, with particular focus on the "Extended" Digital Divide areas;
- the full focus on the provision of Fixed network UltraBroadBand services to Consumer and SOHO customers with capacity up to 1Gbps, to support the growth of fixed network customers through higher quality services with significantly lower churn rates;
- the growth in Mobile services in line with what was also recorded in 2017.

The new Plan has revised the times for achieving the aforementioned objectives to take into account, as mentioned, the delays related to the uncertainty of the obtaining the prorogation on the 3.5GHz frequency previously referred to, as well as to optimize the development of the LTE Fixed Wireless network in view of the prospect linked to future 5G services.

Based on these premises, and in line with the provisions of the previous Plan, the investments established in the 2018-2021 Plan need to find additional financial resources beyond those generated by the Group through its operating cash flow.

The management reiterates that the achievement of a balance sheet, economic and financial situation of the Group is generally subject to the achievement of the results envisaged in the 2018-2021 Plan and related financial resources - including the positive finalization of agreements with financial institutions subsequently exposed in time consistent with the needs of business continuity and, therefore, the realization of the forecasts and assumptions contained therein related to the evolution of the telecommunications market, to the achievement of the growth targets set in a market context characterized by a strong competitive pressure

The methods for obtaining financial resources for the 2018-21 plan

On May 7, 2018, the main shareholders, Investment Construction Technology (ICT) Group Ltd and SOVA Capital Limited (henceforth also SOVA), formerly known as Otkritie Capital International Limited, expressed their commitment, formalized in special comfort letters presented to the Company, to provide for the Group's liquidity needs, for an amount equal to Euro 17.5 million each, directly or indirectly through one or more third party lenders, in the course of 2018. The letters show how the technical modalities disbursement, implemented directly or through third parties, will be defined subsequent to the date of approval of this document, and may provide for new injections of equity, the disbursement of new loans, the use of hybrid instruments or a mix of such solutions.

In addition, the 2018-21 plan envisaged the procurement of additional medium and long-term financial resources for the development of the investment plan, for which the methods and definitive timing of procurement are still under negotiation.

In continuity with the past, it was decided to ask the credit institutions with which the senior debt was refinanced in June 2016 (Intesa SanPaolo and Banca Popolare di Milano - "Senior Lenders") a moratorium on payments due by Tiscali Italia pursuant to the First Facility Agreement and the Second Facility Agreement, starting from payments due as of September 30, 2017, and up to September 30, 2019 (excluded), as well as granting the reset of the contractual covenants to the light of the new Plan 2018-2021

With regard to the payment of the Second Facility Agreement installment due by Tiscali Italia expired on March 31, 2017, Tiscali has proposed to make such payment on September 30, 2018.

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Lastly, it should be noted that Tiscali Italia has requested the leasing companies to redefine the overall amortization plan for the leasing debt concerning the property of Sa Illetta, including a moratorium on payments due up to and including September 30, 2019. Payment commitments unfulfilled amount to a total of overdue and unpaid debts of EUR 4.4 million as of December 31, 2017. Negotiations are ongoing however the leasing companies have not formally replied to the requests made by the Company yet.

To date, numerous meetings have already taken place between the Group's management and the technical and commercial structures of the aforementioned Credit Institutes and leasing companies, and the preparatory activities for the operation have already been completed.

On May 9, 2018, each of the Credit Institutions sent a comfort letter to Tiscali in order to communicate that it will initiate the investigation process related to the transaction, not having detected critical status regarding the request and confirm its commitment, subject to *i*) the contribution of new financial resources to the Group through the commitment of the ICT and SOVA members in the terms previously indicated, *ii*) to the payment to Intesa SanPaolo of the installment due at March 31, 2017 in the manner described above, *iii*) to the provision of further documentation by the Company on how to allocate the liquidity generated by the sale of the business unit, *iv*) definition of the terms and conditions of medium and long-term funding sources provided for supporting the investments envisaged in the Plan, to submit the matter to the competent decision-making bodies.

Final Assessment by the Board of Directors

In this Annual Financial Report, the Board of Directors, with reference to the applicability of the going concern assumption and to the use of the accounting principles proper of an operating company, point out that the Group:

- generated in FY 2017, before working capital changes, cash and cash equivalents from operating activities amounting to approximately EUR 31,2 million;
- proceeded in the growth of its customers portfolio for Tiscali's core business (the total customers portfolio of the Tiscali Group amounted to 748.2 thousand units in December 2017, with an increase by 64.4 thousand units as compared to December 2016);
- generated in FY 2017 a growth by 5.4% in total revenues as compared to the previous year;
- has improved the quality of its customer portfolio, achieving about 97 thousand UltraBroadBand customers (LTE and Fiber) as of December 2017, against the approximately 20 thousand units as of December 2016;
- has created a LTE Fixed Wireless network of 320 antennas in December 2017, thanks to which, with its ULtraBroadBand LTE service, it can cover a market of about 4 million households and businesses, in particular in the "Extended Digital Divide" areas, with capacity up to 100 Mbps;
- completed the focus on the core business of supply of Fixed, Wireless and Mobile BroadBand services to Consumer, SOHO and Small Business customers, by finalizing the sale of the Business segment to Fastweb, the sale of OTT assets and by the contract signed with SKY in relation to the joint management of the online advertising market;
- finalized the reserved capital increase for OCI and ICT, for a total value of EUR 11.8 million, further strengthening the equity structure;
- carried out the conversion of the convertible bond loan, through a reduction in debt and an increase in share capital, for an amount of EUR 18.5 million;
- took note of the publication by AGCOM of the summary of the public consultation called by Resolution No. 503/17 / CONS in which it issued a favorable opinion with respect to the extension of the duration of the aforementioned licenses until December 31, 2029 , indicating the methods for calculating the consideration to be paid for this renewal and indicating the technical and legal obligations to be met in order to achieve such renewal;
- has received from two shareholders a letter of commitment to pay or to obtain from one or more third parties new financial resources in 2018, for a total amount of about EUR 35 million;

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- positively continued the negotiations aimed at obtaining the standstill agreements until September 2019 on payments owed to both Intesa SanPaolo and BancoBpm, in relation to the Senior Loan, obtaining the start of the preliminary investigation procedure for the approval of the standstill agreements by the Credit Institutions;
- positively pursued negotiations with the Pool Leasing aimed at redefining the amortization plan for the real estate leasing, receiving a specific comfort letter.

The Directors, nonetheless, underscore that the going concern assumption is based on the achievement of the objectives contained in the 2018-2021 Plan, with particular reference to the time frame of the 12 months, and acknowledge that at present there are some material uncertainties about events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern. The above uncertainties are related to the evolution of the telecommunications market and the achievement of the short term growth targets set for Ultrabroadband LTE services, the main development area envisaged in the Business Plan, in a market context characterized by strong competitive pressure as well as the finalization of the standstill procedure by the Credit Institutions, and the ability to maintain flexibility in the payment times of expired suppliers in line with the cash balance needs.

In light of the above, after having carried out the necessary verifications and assessing the significant uncertainties identified in the light of the above elements, taking into account the aforementioned commitment made by the Shareholders for financial support and the possibility of deferring the payment of certain tax debts in compliance with the regulations in force, they are also confident: (i) in the ability to implement the provisions of the Business Plan ,with particular reference to the 12-month period, even in a market context characterized by a strong competitive pressure; ii) in the positive finalization of the granting of standstill agreements by the Lenders and the Leasing Pool in the same time period; iii) in maintaining the Lenders, Leasing Pool, and suppliers's financial support so far recognized, and have, therefore reasonable expectation that the Group has adequate resources to keep up with payment obligations in the next twelve months and to continue operating in the foreseeable future, consequently, the Directors have decided to adopt the assumption of business continuity in the preparation of the present Annual Financial Report.

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

Business Outlook

Consistent with the above and in line with the objectives of the Business Plan, in the next months the company's commitment will be particularly aimed at consolidating the results achieved in 2017, focusing on the protection of the Italian Fixed and Mobile BroadBand market, on the Consumer, SOHO and SME segments through, in particular, improving the customer mix, leveraging the growth of UltraBroadBand solutions in Fiber and LTE. This thanks to:

- o the progressive completion of the migration of WiMax antennas still active at the end of 2017 towards the LTE technology;
- o the growth in the number of customers with Fiber solutions up to 1GBps;
- o the growth of the mobile customer base in line with what happened in FY 2017, also thanks to the development of specific Fixed-Mobile integrated offer solutions.

Furthermore, the identification of all the actions necessary to increase the overall efficiency level of the company will continue, with the ultimate aim of obtaining further cost reductions, also in light of the competitive advantages resulting from the renewal of existing licenses, in the context of the development of future 5G services, as well as to carry out the prodromal activities to define the medium-long term financing strategy of the overall investment plan.

Other resolutions of the Board of Directors

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The Board of Directors has given a mandate to the CEO to convene the Shareholders' Meeting in Ordinary and Extraordinary place. The Assembly will decide, among other things, on: modification of articles. 10 and 11 of the by-laws, approval of the financial statements for the year ended 31.12.2017, resolutions pursuant to art. 2446 of the Italian Civil Code, examination of the first section of the remuneration report, renewal of the administrative and control bodies, attribution of delegations to the Board of Directors pursuant to art 2420 ter and 2443 of the Italian Civil Code for the implementation of the € 35 million financial operation to be carried out by 2018.

With reference to this last point, it should be noted that the Shareholders' Meeting will be called to resolve on the attribution to the Board of Directors:

- of a delegation, pursuant to art. 2420 ter of the Italian Civil Code, for the issue of a convertible bond loan for a maximum total amount of € 35,000,000.00, reserved for qualified investors pursuant to art. 34-ter, paragraph 1, lett. b) of the Regulations adopted with Consob resolution no. 11971/1999 and subsequent amendments, with the faculty to establish the rate and duration of the loan as well as all the other conditions of the same;

- of a delegation, pursuant to art. 2443 of the Civil Code, to increase the share capital, for a fee, for a maximum amount of Euro 35,000,000.00, including any premium, to be executed in one or more tranches, in a divisible way, within five years from the date of the resolution - using the individual tranches also for the conversion of the bond loan referred to in the previous point - by issuing a maximum of no. 1,300,000,000 ordinary shares with no par value, in dematerialization, having the same characteristics as those in circulation and enjoyment regular, with the exclusion of the option right pursuant to paragraph 5 of the art. 2441 of the Civil Code, to be reserved for qualified investors pursuant to art. 34-ter, paragraph 1, lett. b) of the Regulations adopted with Consob resolution no. 11971/1999 and following.

Any further information relating to the aforementioned transactions, which to date is not available as it has not yet been determined, will be disclosed to the market at the time of its determination pursuant to applicable law.

The Board announces that it intends to exercise the aforementioned delegations, subject to their approval by the Shareholders' meeting, by 2018 in order to execute the procedure for obtaining financial resources for a total amount of Euro 35,000,000.00.

The Board also assessed the existence of the independence requirements set forth in the Corporate Governance Code by the directors Belova, De Martini and Grimaldi.

Lastly, the Board informed that, pursuant to the procedure on transactions with related parties adopted by the Company, two transactions of minor significance have been approved with Open Campus srl, of which the director Alice Soru is sole director, and an operation of minor importance. with the company Istella srl, of which the director Renato Soru is a partner.

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