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statements: stable revenues and improved
net result in 2021

Testo del comunicato

Vedi allegato.

TISCALI 2021 DRAFT FINANCIAL STATEMENTS: stable revenues and improved net result in 2021

- **Revenues** at EUR **144.2** million, stable as compared to EUR 144 million in 2020.
- **EBITDA** at EUR **28** million, slightly down by EUR 1.1 as compared to 2020; however, EBITDA for the period was EUR 1.5 million higher than the figure forecast in the plan.
- **Net result of EUR -20.6 million**, improving by EUR 1.6 million as compared to 2020.
- **Net financial debt at EUR -88 million**, increased by EUR 4.1 million as compared to 2020.
- **Reduction in tax liabilities of EUR 12.7 million** YoY.
- Total **customer portfolio** at **642.6** thousand units, down approximately by 30 thousand units as compared to 2020 in ADSL technology, while reporting growth in **fibre customers and mobile customers of +26.1% and +1% respectively**.
- **The Senior loan covenants have been respected.**
- **The Tiscali Conv 2021 bond loan was renewed for an additional EUR 21 million and a new agreement with Nice&Green for a EUR 90 million bond loan was signed.**

Cagliari, 5 April 2022

The Board of Directors of Tiscali S.p.A., which met today under the chairmanship of Alberto Trondoli, approved the Tiscali Group Consolidated Financial Statements, the draft 2021 Separate Financial Statements of Tiscali S.p.A., the 2021 Consolidated Non-Financial Statement, and called the Shareholders' Meeting for 16 May 2021 in a single call.

The Board has also approved: *i)* the renewal of the Tiscali Mandatory Convertible Bond 2021 for further EUR 21 million and *ii)* a new significant agreement with the professional investor Nice & Green S.A. for the issue of a Mandatory Convertible Bond in Tiscali ordinary shares, to be exercised in several tranches, for a maximum amount of EUR 90 million, with option to extend for further EUR 90 million, reserved Nice & Green S.A.. This instrument, subject to the completion of the extraordinary operation of industrial integration with Linkem, will be finalized to allow the Company to find, with the flexibility typical of this instrument, resources to meet the liquidity needs of the Company necessary to implement its business plan.

2021 Condensed Figures

Highlights

Income statement	2021	2020
<i>(EUR mln)</i>		
Revenue	144.2	144.0
Adjusted Gross Operating Result (EBITDA)	28.0	29.1
Operating Result (EBIT)	(15.7)	(14.3)
Result from held for sale and discontinued operations	0.0	0.0
Net Result	(20.6)	(22.2)
Statement of financial position	31 December 2021	31 December 2020
<i>(EUR mln)</i>		
Total assets	143.2	151.4
Net Financial Debt	88.0	92.1
Net Financial Debt as per Consob	100.5	101.0
Shareholders' equity	(81.6)	(73.0)
Investments	36.0	35.9
Operating figures	31 December 2021	31 December 2020
<i>(thousands)</i>		
Total number of Clients	642.6	672.7
Broadband Fixed	350.5	376.7
<i>of which Fiber</i>	281.3	223.2
Broadband Wireless	33.3	39.9
<i>of which LTE</i>	33.3	39.9
Mobile	258.8	256.2

Financial Statements

	2021	2020
Consolidated Income Statement		
<i>(EUR mln)</i>		
Revenue	144.2	144.0
Other income	12.1	10.8
Purchase of external materials and services	105.2	100.5
Personnel costs	17.6	18.8
Other operating expense (income)	0.5	0.3
Write-downs accounts receivable from customers	5.0	6.2
Gross Operating Result (EBITDA)	28.0	29.1
Restructuring costs	0.6	2.1
Depreciations & amortizations	43.0	41.3
Operating result (EBIT)	(15.7)	(14.3)
Result from the investments evaluated at equity method	(0.4)	(0.3)
Financial Income	3.2	0.4
Financial Expenses	7.5	8.0
Income (loss) before tax	(20.3)	(22.1)
Taxation	0.3	0.1
Net result from operating activities (ongoing)	(20.6)	(22.2)
Result from held for sale and discontinued operations	0.0	0.0
Net result for the period	(20.6)	(22.2)
Minority interests	0.0	0.0
Group Net Result	(20.6)	(22.2)

Profit and Loss Statement of the Group

By business area (EUR mln)

Revenue	144.2	144.0
Access Broadband revenues	109.8	114.4
<i>of which fixed Broadband</i>	101.2	104.4
<i>of which Broadband FWA</i>	8.5	10.0
Revenues from MVNO	15.7	15.2
Business service revenues and Wholesale	12.1	7.1
<i>of which business service</i>	5.4	4.9
<i>of which Wholesale</i>	6.6	2.2
Media and value-added service revenues	3.2	2.5
Other revenues	3.5	4.8
Gross operating margin	51.2	53.9
Indirect operating costs	29.8	29.1
Marketing and sales	3.3	2.7
Personnel costs	17.6	18.8
Other indirect costs	8.9	7.6
Other (income) / expenses	(11.6)	(10.5)
Write-down of receivables	5.0	6.2
Gross Operating Result (EBITDA)	28.0	29.1
Restructuring costs	0.6	2.1
Depreciations & amortizations	43.0	41.3
Operating result (EBIT)	(15.7)	(14.3)
Net Result pertaining to the Group	(20.6)	(22.2)

Revenues by Business Area

Tiscali's revenues in 2021 amounted to EUR 144.2 million, stable as compared to 2020 – notwithstanding the decrease in the total number of customers.

The BroadBand segment generated revenues of EUR 109.8 million in 2021 (EUR 101.2 million from *Fixed Access* and EUR 8.5 million from *Fixed Wireless Access*), down by 4% as compared to the 2020 figure (EUR 114.4 million). The change is attributable to the following elements:

- BroadBand Fixed decrease of EUR 3.2 million (-3%), attributable to the decrease in the number of customers (from 377 thousand units in 2020 to 351 thousand units in 2021). The number of Fibre

customers, however, increased significantly in 2021 (+26.1%), from approximately 223 thousand units as at 31 December 2020 to approximately 281 thousand units as at 31 December 2021;

• Broadband Fixed Wireless revenues decreased by approximately EUR 1.4 million as compared to 2020, due to the decrease in the customer portfolio (from approximately 40 thousand units as at 31 December 2020 to approximately 33 thousand units as at 31 December 2021).

Mobile revenues of EUR 15.7 million as at 31 December 2021 show a 3.1% increase as compared to the 2020 figure of EUR 15.2 million. The customer portfolio shows a 1% growth as compared to 2020.

Revenues from business services and wholesale of infrastructure and network services to other operators amounted to EUR 12.1 million in 2021, an increase of 69.3% as compared to 2020.

As at 31 December 2021, the Media segment revenues amounted to approximately EUR 3.2 million and were up by EUR 0.7 million on the 2020 figure thanks to the growth in advertising sales and revenues generated by the launch of new transactional services (*Tiscali Shopping* and *Tiscali Tagliacosti*).

Other Revenues in 2021 amounted to EUR 3.5 million, a decrease of EUR 1.3 million as compared to the 2020 figure.

Within Indirect Operating Costs:

- *Marketing Costs*: approximately EUR 3.3 million, an increase of EUR 0.6 million as compared to the 2020 figure;

- *Personnel Costs*: around EUR 17.6 million (12.2% of revenues), down as compared to 2020 (EUR 18.8 million, 13% of revenues), due to the reduction in the workforce as a result of a redundancy incentive plan drawn up by the Company in accordance with the 2021-2024 Business Plan (from 480 FTEs as at 31 December 2020 to 464 FTEs as at 31 December 2021) and the use of social shock security cushions in the management of the COVID-19 pandemic;

- *Other Indirect Costs*: approximately EUR 8.9 million and an increase of EUR 1.3 million as compared to 2020 (EUR 7.6 million).

Other (income) / expenses

Other income (net of other charges), amounting to EUR 11.6 million, includes the accrued portion of tax credits on investments under the “Bonus Sud” and “Industria 4.0” regulations for a total amount of EUR 2.5 million. This item includes net proceeds from settlements on debt positions for

approximately EUR 9.1 million, of which EUR 3.7 million for the write-off of payables to public entities.

Other items

The *Provision for Bad Debts* amounted to EUR 5 million in 2021, as compared to EUR 6.2 million in 2020. The ratio of this item to revenues decreased significantly, from 4.3% as at 31 December 2020 to 3.5% as at 31 December 2021.

Depreciation and Amortisation for the period amounted to EUR 43 million, an increase of EUR 1.7 million as compared to EUR 41.3 million in 2020.

Provisions for Restructuring Charges amounted to EUR 0.6 million in 2021 as compared to EUR 2.1 million recognised in 2020.

Net Financial Expenses amounted to EUR 7.5 million, as compared to EUR 8 million in 2020.

Financial Income amounted to EUR 3.2 million and related to the discounting income related to the extension of the Senior Loan repayment plan from 2024 to 2026 under the Senior Loan Modification Agreements signed on 7 October 2021.

The Group's *Net Loss* amounted to EUR 20.6 million, an improvement of EUR 1.6 million as compared to the 2020 figure of negative EUR 22.2 million.

Abridged Consolidated Statement of Equity and Liabilities:

Consolidated Statement of Equity and Liabilities	31 December 2021	31 December 2020
<i>(EUR mln)</i>		
Non-current assets	106.8	114.0
Current assets	36.5	37.4
Total Assets	143.2	151.4
Net equity of the Group	(81.6)	(73.0)
Total net equity	(81.6)	(73.0)
Non-current liabilities	108.6	38.6
Current liabilities	116.3	185.8

Total Net equity and Liabilities	143.2	151.4
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Group Financial Situation

As at 31 December 2021, the Tiscali Group had cash and cash equivalents of EUR 11.6 million (EUR 4.4 million as at 31 December 2020), while net financial debt at the same date was negative for EUR 88 million (EUR 92.1 million as at 31 December 2020).

On 7 October 2021, the Senior Loan Modification Agreements were signed, which defined an extension of the debt repayment plan. Compared to the previous agreements of March 2019, the maturity date of the final instalment of the debt was postponed from March 2024 to March 2026. As of 7 October 2021, the amortised cost of the Senior Loan was restated based on the new parameters of the Amending Agreement. The delta between the new discounted value and the previous one, amounting to EUR 3.2 million, was recognised as *Discounting Income* in the income statement.

Net Financial Position	Notes	31 December 2021	31 December 2020
<i>(EUR 000)</i>			
A. Cash and bank deposits		11,6	4,4
B. Cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		11,6	4,4
E. Current financial indebtedness			
F. Non-current financial indebtedness			
G. Current financial indebtedness		2.1	1.5
H. Net current financial indebtedness	(1)	6.0	0.0
I. Current part of on-current financial indebtedness	(2)	0.2	68.4
J. Other current financial indebtedness	(3)	8.8	8.9
K. Current financial indebtedness (G) + (H) + (I) + (J)		17.1	78.8
L. Net current financial indebtedness (K) - (D) - (E) - (F)		4.7	73.6
M. Non-current bank indebtedness	(4)	70.2	3.5

N. Issued Bonds			
O. Other non-current indebtedness	(5)	13.1	15.1
P. Non-current financial indebtedness (M) + (N) + (O)		83.3	18.5
Q. Net financial indebtedness (L) + (P)		88.0	91.1

Notes:

- (1) The item relating to the Convertible Bond refers to the issue of the fifth and sixth tranches of the "POC" converted into Tiscali ordinary shares on 7 January 2022;
- (2) This item includes the current portion of the debt to the Senior Lenders for EUR 0.2 million;
- (3) This item includes the following items: i) the short-term portion of financial lease payables related to network infrastructure investments and capitalised lease contracts in application of IFRS 16 for a total of EUR 7.8 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 2.6 million), ii) payable to Sarda factoring for EUR 1 million.
- (4) This item includes the long-term portion of the debt to Senior Lenders for EUR 66.7 million and other long-term bank loans for EUR 3.4 million.
- (5) This item includes the long-term portion of payables for financial leases relating to investments in network infrastructure and capitalised lease contracts in application of IFRS 16 for a total of EUR 13 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 9.6 million).

The table below includes security deposits under *Other Cash and Cash Equivalents* and under *Non-Current Financial Receivables*. For the sake of completeness, we also provide a reconciliation of the net financial debt shown above with the net financial debt prepared in light of the CONSOB Attention Notice No. 5/21 of 29 April 2021 and shown in the notes to the financial statements.

	31 December 2021	31 December 2020
(EUR mln)		
Consolidated net financial debt	88.0	92.1
Non-current financial receivables	0.7	0.8
Long-term trade payables and installment tax payables	11.7	8.1
Consolidated net financial debt prepared on the basis of Consob communication No. 5/21 dated 29 April 2021	100.5	101.0

It should also be noted that the company's severance indemnity fund amounts to EUR 2.6 million.

It should also be noted that the amount of *Payables to Suppliers* and *Payables to Other Parties* overdue by more than 12 months amounted to EUR 7.8 million as at 31 December 2021, as compared to EUR 7.2 million as at 31 December 2020 for severance pay.

Main activities carried out and results achieved in 2021

In terms of strategy, in 2021 Tiscali focused on perfecting its *Smart Telco* model, with the continuation of network rationalisation activities that will make it possible to reduce investments in network infrastructure, lower connection and traffic management costs and enable the acceleration of the fibre migration process, with a consequent improvement in service quality and reduction in churn rate. Another focus of attention was the development of the fibre market, for which Tiscali is confirmed as the Italian telecommunications operator with access to the greatest coverage thanks to commercial agreements with leading operators.

In both semesters of 2021, the Company received the award as Italy's fastest fixed network operator from Ookla®, a global leader in mobile and broadband network intelligence and in the testing of related applications and technologies, recording, among other things, an improvement in performance in the second half of the year.

Tiscali's Ultra BroadBand offerings (Fibre FTTH up to 1 Giga and FTTC up to 200 and 100 Mbps, Fixed Wireless up to 100 Mbps) have been very well received by users, so much so that they grew by 26.1% year-on-year, with a market share in the FTTH segment of 5% as at 30 September 2021. The customer base mix has thus improved with a significant growth in the number of Fibre customers, also thanks to the significant increase in FTTH network coverage, which reached 1,600 Municipalities as at 31 December 2021. In addition, thanks to the TIM NGA Bitstream network, Tiscali has further expanded its Ultra BroadBand coverage, and can provide Fibre services to around 28 million households and businesses, and through Linkem and Eolo's FWA network, will potentially reach 17 million.

Pursuing its mission of offering equal and free access to digital life to all, Tiscali has confirmed its presence in areas C and D of the country, the so-called *extended digital divide* zones, where it was among the first operators to be present with its offers, and where Open Fiber's FTTH coverage has grown by 84.76% with 1,600 Municipalities covered by the end of 2021.

In 2021, the Company completed activities related to Phase 1 of the “*Connectivity Voucher Plan*”, the MiSE measure aimed at promoting the deployment of Ultra BroadBand connectivity services in the country with the objective of overcoming the *digital divide* and supporting the population with geographical and income limitations. At the end of 2021, Tiscali promptly joined Phase 2 of the Voucher reserved by the MiSE for VAT numbers and Public Medium Enterprises, to activate Ultra BroadBand connectivity services >30Mbit/s that improve on those already present. This is a crucial measure that provides an economic contribution from EUR 300 to EUR 2,500. The business voucher will be operational from 1 March 2022 and Tiscali has prepared its own set of offers for new customers and the Customer Base.

With the aim of widening its offerings, also with a view to reducing the churn rate, in July 2021 Tiscali launched the fixed-mobile convergent service and the Fibre+Smart Home bundle in partnership with Enel X. This strategic collaboration aims to make the Smart Home increasingly accessible, allowing families to manage their homes remotely via modem. Home automation is a high-growth market and therefore an extremely interesting area of differentiation.

In 2021, thanks to renewed MVNO agreements with TIM, mobile service performance was boosted with the maximum speed levels achievable by 4G technology and with offers that allow it to compete even with low-cost operators (70-100 GB). Mobile customers increased slightly by 1% with 259 thousand units as at 31 December 2021.

2021 was also significant for the relaunch of business services, which guarantee high margins. In April 2021, Tiscali signed a multi-year agreement with ReeVo S.p.A., an Italian provider listed on the AIM Italy market, for over 15 years in the provision of a complete range of products of Cloud, Hybrid Cloud, Multi Cloud and Cybersecurity services. Thanks to ReeVo’s expertise, Tiscali will have the opportunity to innovate its service offering, to be delivered through its own data centre, to business customers and local public administrations, with a very short time to market and high flexibility.

As part of its services for the Public Administration, in November 2021, Tiscali signed a MoU with ALI – Autonomie Locali, an association of local authorities, and Leganet, ALI’s service company, for the promotion of specialist consultancy and support services for the digital transition among local authorities (Municipalities and associations of Municipalities). The agreement will enable Tiscali to offer AgID-qualified IaaS, PaaS and SaaS services, as well as fibre connectivity in dedicated point-to-point mode (the so-called “shared gpon”), using the infrastructure available to Tiscali. The collaboration between Tiscali, ALI and Leganet will allow to take advantage of the

remarkable investments provided by the National Recovery and Resilience Plan (PNRR), specifically in the Mission “Digitalization, Innovation and Security in the PA”.

In addition, in the broader context of the Project of Common European Interest (IPCEI) on Cloud Infrastructure and Services (CIS), hereinafter also referred to as the “IPCEI Project”, Tiscali Italia’s own project “VILLANOVA – Cloud-edge continuum for AI-based public services in rural areas and peripheral regions” (hereinafter also referred to as the “Villanova Project”) was selected by the MiSE in May 2021, and today completed the match making phase with pre-notification of the documentation to the European Community.

The Villanova Project involves a significant investment in research, development and innovation and first industrial deployment for the creation of platforms that, with the aim of helping to reduce the *digital divide* in rural areas, enable the intelligent processing, analysis and aggregation of data from multiple sources through innovative artificial intelligence (AI) systems and components deployed on new continuum cloud-edge infrastructures. A modular application framework will also be implemented to allow stakeholders (PA, citizens, companies, research institutions) to easily create innovative cloud-native services that fully exploit large data sets and AI-based algorithms. The development and implementation of a marketplace containing reusable open source components with modular functionalities will enable the creation of large vertical projects and services for the PA.

In particular, thanks to the availability of a shared cloud platform, PAs located in rural areas will have the possibility to use the same central digital services as the central PA and have quick access to all the data contained in a single Data Lake. The deployment of cloud and edge computing nodes will allow the local PAs to significantly reduce service management costs, increase security and provide a better experience for citizens. The positive externalities associated with the implementation of the Villanova Project are countless and of significant importance. Within the IPCEI Project, Tiscali had the possibility to activate significant collaborations at national and European level with other selected companies, resulting in the exchange of best practices and the creation of important synergies at the highest level, and is set to become a partner in a major project to build the European Cloud of the future to support and protect the economic and social development of Europe.

In 2021, the Tiscali.it portal recorded significant growth in average monthly traffic, with over 227 million page views and around 9.3 million unique browsers, maintaining its policy of enhancing the portal as a vehicle for e-commerce.

Marketing activities continued with performance-based campaigns on the web and top-level sponsorships in the sports sector (Back Jersey Sponsor of Cagliari Calcio and Premium Sponsor and provider of AS Roma for the 2020/2021 season, as well as Gold Sponsor Dinamo Basket for the 2021/2022 season).

On 30 December 2021, the Boards of Directors of Tiscali S.p.A. and Linkem Retail S.r.l. – a company wholly owned by Linkem S.p.A. – approved the project of merger by incorporation of Linkem Retail S.r.l. into Tiscali S.p.A.: the operation of industrial integration with Linkem Retail S.r.l. (hereinafter referred to as the “Transaction”) aims to integrate in a single corporate and commercial reality the Tiscali Group and the retail branch of Linkem Group in order to develop synergies, consolidate and strengthen the market position, as a result of which, Tiscali will be the fifth operator in the fixed market and first in the segment of Ultra BroadBand access in FWA+FTTH technologies – the most innovative and promising one – with an overall market share of 19.4% (Source: AGCOM data), strategically positioned to exploit the potential of FTTH and 5G FWA technologies. In this way, it will be possible to better exploit the market and development opportunities associated with the implementation of the PNRR thanks to the offer of fixed, mobile, 5G, cloud and smart city services dedicated to households, businesses and public administrations.

Bond loans reserved for the qualified investor Nice & Green S.A.

Today, the Board of Directors ratified the request to renew the agreement with the professional investor Nice & Green S.A. signed on 14 May 2021 for the issue of a maximum of seven further tranches, of EUR 3 million each, of convertible bonds with a nominal unit amount of EUR 100,000, for a total maximum amount of EUR 21 million (hereinafter also referred to as the “POC 2021”).

The Board has also approved a further important agreement with Nice & Green S.A. for the issue of a Mandatory Convertible Bond Loan into Tiscali ordinary shares reserved to Nice & Green S.A., to be exercised in several tranches, for a maximum amount of EUR 90 million, with an option to extend for further EUR 90 million, upon agreement of the parties (hereinafter also referred to as the “POC 2022”). The possibility to request the subscription of the first tranche of the POC 2022 is subject to the completion and execution of the merger by incorporation of Linkem Retail S.r.l. in Tiscali. The investment agreement provides for a total issuance period of the 2022 POC of 21 months; at the end of the 24th month following the issuance of the first tranche of the loan, all outstanding bonds of the 2022 POC not yet converted will be irrevocably converted into Tiscali shares. The subscription price of each tranche of bonds is equal to 95.5% of the nominal amount of each bond, equal to EUR 100,000. The conversion price of the Bonds is equal to 95% of the second lowest daily volume weighted average price (“VWAP”) of the ordinary shares of the

Company recorded in the 6 open market days preceding the date of request of conversion of the Bonds by the Investor.

The instrument, subject to the completion of the extraordinary operation of industrial integration with Linkem, will be finalized to allow the Company to find, with the flexibility typical of such instrument, resources to meet the liquidity needs of the Company necessary to implement its business plan. The issue of the POC 2022 and the consequent capital increase to service the conversion of the individual tranches of the POC 2022 will be resolved upon by the Extraordinary Shareholders' Meeting of the Company called for 16 May 2022.

Please note that the opinion on the fairness of the issue price of the Tiscali shares to service the conversion of the POC 2022 will be issued by the auditing firm Deloitte & Touche S.p.A.

It should be noted that, pursuant to the investment agreement signed today, upon subscription of the first tranche of the POC 2022, any agreement relating to the POC 2021 will be considered terminated.

Assessment on the business as an ongoing concern and business outlook

The business combination transaction with Linkem is subject to some conditions precedent to be fulfilled by 31 July 2022; however, given the importance of the Transaction, the Directors have proceeded to verify the presence of the going concern assumption both in a stand-alone perspective, and therefore without considering this Transaction, and in the event of its completion.

Group performance in 2021

Given the significance of this Transaction, also with regard to the assessment of the Group's business as an ongoing concern over the next 12 months, the Directors considered it correct to proceed with the verification of the presence of the going concern assumption both from a stand-alone perspective, and therefore without considering the Transaction, and in the hypothesis of its completion.

It is also to point out that the Group:

- i) Showed a negative result for the Year, i.e. a loss of EUR 20.6 million, showing an improvement of EUR 1.6 million as compared to 2020. In addition, in the same period, the Group's EBITDA decreased by EUR 1.1 million, from EUR 29.1 million in 2020 to EUR 28 million in 2021;
- ii) Has current liabilities at the consolidated level exceeding current (non-financial) assets by EUR 74.3 million, compared to net current liabilities of EUR 74 million as at 31 December

2020;

- iii)* Generated a flow from operations before changes in working capital of EUR 27.2 million, lower than the flow of EUR 41.2 million generated in 2020 (although this decrease was largely influenced by the use of the Fastweb voucher in 2020 for an amount of EUR 15.4 million higher than in 2021);
- iv)* Recorded a decrease in the Fixed BroadBand customer base (approximately 351 thousand units as at 31 December 2021, compared to 377 thousand units as at 31 December 2020, or 6.9%).
- v)* Shows a consolidated equity deficit of EUR 81.6 million, which increased as compared to a value of EUR 73 million, as at 31 December 2020, mainly due to the combined effect of the capital increases resulting from the conversion of the first four tranches of POC Nice & Green SA for a total of EUR 12 million and the negative operating result of EUR 20.6 million.

In view of the economic, financial and management results described above, the Group has taken the following actions with the aim of strengthening its equity and financial structure:

- i)* On 17 September 2021, it approved a Business Plan for the 2021-2024 period (the “2021-2024 Business Plan”), sworn pursuant to Article No. 67 of the Italian Finance Law, which envisages a number of management strategies aimed at increasing revenues in the period concerned, such as to guarantee that the Group will break even by 2023 and will be able to generate sufficient cash to guarantee the development of the business and the fulfilment of corporate obligations over the period of the plan itself. Although actual revenues as at 31 December 2021 are lower than those expected in the Business Plan (EUR 4.1 million less than the Plan), the EBITDA for the period is EUR 1.5 million higher than the Plan, with a mix that includes higher non-recurring income. It is also believed that the slowdown accumulated at the end of 2021 on the achievement of operating targets can be recovered over the Plan period and does not affect the overall feasibility of the Plan. In fact, the failure to achieve the targets for 2021 is partially attributable to the delayed development of services dedicated to business customers and Media services, as well as to certain non-recurring factors;
- ii)* Signed, on 14 May 2021, an agreement with N&G for the issuance of a Mandatory Convertible Bond Loan (the “N&G Bond”) for a maximum amount of EUR 21 million, with an option for the Company to extend it for a further EUR 21 million, issuable in several tranches at the Group’s discretion. At the date of approval of the annual report, all 7 tranches for a total amount of EUR21 million had been issued and converted.

iii) Started and concluded, on 7 October 2021, a negotiation process with the lending banks Intesa San Paolo and Banco BPM (hereinafter referred to as the “Bank Pool”) which led to the modification of its debt, amounting to EUR 75.9 million at the date of the agreements, towards these banks (the “Senior Loan Amendment Agreements”). These amendments provide for the rescheduling of the loan repayment plan, thus allowing a grace period of two years (2021-2022) and a progressive rescheduling of the repayment instalments in the years 2023-2026, in order to make them compatible with the cash flows expected by the Group and included in the forecasts of the 2021-2024 Business Plan.

iv) Drew up a cash flow plan for the period April 2022-March 2023, which incorporates the financial effects of delays in achieving the Plan’s objectives accumulated at 31 March 2022. This plan, which is conservative in nature, shows cash requirements over the period consistent with the sources already identified by the Directors.

In addition to these actions, the Directors highlight the existence of some positive signs linked to both the performance for the period and the forecasts for future performance. In particular, it should be noted that the Group:

i) Presents a total net financial indebtedness of EUR 88 million, an improvement of EUR 4.1 million with respect to 31 December 2020 (EUR 92.1 million), with a more sustainable debt structure thanks to the different time profile of the repayments provided for by the Senior Loan Amendment Agreements;

ii) Has cash and cash equivalents of EUR 11.6 million, as compared to EUR 4.4 million in the comparison period;

iii) Generated a flow from operations of EUR 34.9 million, higher than the flow of EUR 29.4 million generated in the year;

iv) Showed an improvement in the mix of the Customer Base with a significant growth in the number of fibre customers, which increased by 26.1% from 223 thousand units as at 31 December 2020 to 281 thousand as at 31 December 2021. This objective was also achieved thanks to the significant increase in network coverage in FTTH mode, which reached 1,600 Municipalities as at 31 December 2021 as compared to the 886 Municipalities reached at the end of 2020. Moreover, thanks to the NGA Bitstream network, Tiscali has further expanded its Ultra BroadBand coverage, and can provide fibre services to approximately 28 million households and businesses: in FTTC technology to

approximately 19 million households and businesses and in FTTH technology to approximately 9 million households and businesses;

v) Shows net trade payables past due (net of payment plans agreed with suppliers, as well as accounts receivable and in dispute with the same suppliers) of EUR 21.4 million (compared to EUR 22.1 million as at 31 December 2020), financial payables past due net of credit positions of EUR 0.4 million (compared to EUR 0.5 million as at 31 December 2020) and tax and social security payables past due of EUR 5.4 million (compared to EUR 10.6 million as at 31 December 2020). In total, therefore, the overdue amounts in question amounted to EUR 27.2 million, as at 31 December 2021, compared to total overdue amounts of EUR 33.2 million in the previous year, an improvement of EUR 6 million.

Furthermore, we point out that an agreement was signed with Nice & Green for the exclusion of the extraordinary operation with Linkem from the causes of significant negative event that could have allowed Nice & Green to suspend the N&G Bond, as well as to have notified the will to extend it for further EUR 21 million as per existing contractual agreements. The Directors have therefore considered the amount of the extension of the N&G Bond for a further EUR 21 million as part of the funds available to finance the 2021-2024 Business Plan, and more specifically to meet corporate obligations in the foreseeable future.

In the situation described above, it should be reiterated that the achievement of a situation of medium- and long-term balance sheet, economic and financial equilibrium for the Group from a stand-alone perspective is always subject to (i) The achievement of the results envisaged in the 2021-2024 Business Plan, which envisages achieving economic equilibrium in 2023, and (ii) the realisation of the forecasts and assumptions contained therein in a market context characterised by strong competitive pressure.

Moreover, and with specific reference to the use of the assumption of the business as an ongoing concern in the preparation of this consolidated annual report in the stand-alone perspective, it is confirmed that the available financial sources are sufficient to guarantee the corporate obligations in the time horizon of 12 months.

With reference to the extraordinary operation of industrial aggregation concerned, in the hypothesis of completion of the Transaction, it is specified that the Directors of Tiscali S.p.A., jointly with the Directors of Linkem Retail S.r.l., have started the preparation of the 2022-2025 Combined Business Plan. Such plan, although in an advanced phase of definition, has not yet been approved by the Boards of Directors of the Companies and, therefore, it could be subject to changes.

The 2022-2025 Combined Business Plan will be based on the following assumptions:

- i)* The consolidation of the business-to-consumer (“B2C”) customer base, to be achieved primarily through the exploitation of 5G Fibre – Fixed Wireless technologies, in which the combined entity will be market leader;
- ii)* The strengthening the business-to-business (“B2B”) and business-to-government segments by expanding sales channels and proposing new offerings in line with market needs
- iii)* Exploiting the opportunities arising from “Smart Cities” projects and the digitalisation needs of public administration, including through public-private partnership mechanisms;
- iv)* The repositioning of the brand on digital services and the strengthening of sales on digital channels also through a greater focus on the Tiscali.it portal
- v)* Minimising non-customer related investments and further reducing network costs thanks to the agreement signed with Tim on fixed-line and MVNO services.

From a financial point of view, the 2022-2025 Combined Business Plan is strongly influenced by the growth metrics envisaged therein, which will negatively impact expected cash flows, particularly in the first few years, due to the need to finance new customer acquisitions and the replacement of terminations. These activities foresee, from a financial point of view, a significant cash absorption.

In the circumstances described, the implementation of the plan is based on the following assumptions:

- i)* The drawdown and conversion of the “extension” of the POC signed with N&G for EUR 21 million;
- ii)* The cash flow savings resulting from the use of the tax credits provided by the “Bonus Sud” and “Industria 4.0” regulations;
- iii)* The improvement of the financial terms and conditions already agreed with the suppliers OpenFiber and TIM, particularly regarding new activations;
- iv)* The finalisation of the investment agreement with N&G concerning the Mandatory Convertible Bond Loan reserved for N&G itself, for the amount of EUR 90 million;
- v)* The raising of financial resources from the banking market, thanks to the reduction of the financial leverage deriving from a strong increase in the EBITDA of the Group expected as a result of the Transaction, even without a significant increase in the Net Financial

Indebtedness, presenting the business unit Linkem Retail a lower financial exposure. It is believed, in fact, that the improvement of the NFP/Ebitda ratio will allow greater possibilities of access to the financial market by the Group after the completion of the Transaction.

In the hypothesis being analysed, therefore, it is indicated that the achievement of a medium and long-term balance sheet, economic and financial situation of the Group in the Combined perspective is always subordinate to:

- i)* The achievement of the results envisaged in the 2022-2025 Combined Business Plan, which envisages the creation of operating cash flow from 2024 and the realisation of the forecasts and assumptions contained therein in a market context characterised by strong competitive pressure.
- ii)* Obtaining the approval of the Shareholders' Meeting for the issue of the new convertible and convertible bond reserved for N&G for a total amount of EUR 90 million;
- iii)* Obtaining further financial resources from the banks in the medium term.

It should be noted that if condition *ii)* above is not satisfied, and in the absence of the identification of sufficient alternative financial resources to ensure the continuity of the Group post-merger, a condition precedent to the Transaction would be imposed which – if not waived – would lead to the stop to the Transaction. For this reason, the Group's continuity in the event of completion of the Transaction implies the identification of the financial resources needed to finance the 2022-2025 Combined Business Plan for a period of not less than 12 months from the effective date of the Transaction (which is assumed to be effective as of July 2022).

With specific reference to the use of the going concern assumption in the preparation of the consolidated annual report from a Combined perspective, it is confirmed that the financial sources already identified, and in particular those relating to the new bond reserved for N&G of EUR 90 million, are sufficient to guarantee the corporate obligations in the Combined hypothesis over a 12-month period.

Conclusions on the going concern assumption

Under these circumstances, after having analysed the uncertainties and the results of the period, it is believed that the Group can meet its obligations maintaining a level of overdues substantially in line with the current one both in the stand-alone and in the Combined hypothesis.

On this basis, there is a reasonable expectation that the Group will be able to continue its business as a going concern for the next 12 months and that it will be able to use the accounting principles

of a going concern. This determination is, of course, the result of a subjective judgement, which compared, with respect to some of the above events, the degree of probability of their occurrence with the opposite situation. It must be emphasised that the prognostic judgement underlying the Board of Directors' determination is liable to be contradicted by developments in the facts. Precisely because it is aware of the intrinsic limits of its own determination, the Board of Directors will maintain constant monitoring of the evolution of the factors taken into consideration (as well as of any further circumstance that may acquire importance), so as to be able to promptly take the necessary measures.

Environmental sustainability targets achieved in 2021

In 2021, Tiscali continued and strengthened its commitment, set off in the ISO 14001 certification obtained in December 2019, towards greater environmental sustainability of all its activities, with the aim of actively contributing to the ecological transition process underway in the country, in the interest of all stakeholders and the community in which it operates.

In February 2021, the photovoltaic system positioned on the roofs of the Sa Illetta Campus went into production. Photovoltaic systems provide electricity without damaging the ecosystem, through the inexhaustible and clean resource of the sun, and reduce the demand for energy from other traditional sources, participating in the reduction of climate-altering emissions. As of February 2021, the energy generated by photovoltaics, in exclusive self-consumption only on the Data Center, was equal to 516,099 kWh.

During the year, Tiscali improved its energy efficiency objectives, thanks to the contribution of a series of interventions, including:

- Improving the efficiency of air-conditioning systems, which involved replacing some highly energy-intensive elements of the cooling systems with new generation technologies characterised by higher energy efficiency. Thanks to the energy efficiency initiatives on the Data Center and on the air conditioning systems implemented by the Group, and taking into account the self-produced energy through the photovoltaic system, the reduction in energy consumption for the year 2021 was 10.9% as compared to the previous Year;
- Significant work was also carried out to improve the efficiency of the Data Processing Center's premises, with the adoption of solutions for shielding from solar radiation and thermal insulation, aimed at reducing the need for electrical energy used in air conditioning systems;
- With a view to limiting the production of waste, in light of the continuing mitigation measures arising from the COVID-19 emergency, Tiscali continued to use desktop

virtualisation systems (VDI) rather than purchasing local PCs, and the resulting reduction in the amount of electrical equipment to be disposed of;

- Finally, the Company has reduced the number of cars in the corporate fleet, enabling a significant decrease in fuel consumption and CO₂ emissions, with 4 units, 2 of which are hybrids as of 31 December 2021. In addition, in order to raise awareness among its employees about sustainable mobility, with a view to greater environmental protection, Tiscali has made carpooling systems available to the corporate population for travel from headquarters to the local area.

Organisational management of the COVID-19 emergency

Since the outbreak of the COVID-19 emergency, Tiscali has worked to protect its employees and collaborators: thanks to the timely and massive adoption of smart working and the application of strict protocols for the prevention of contagion, the Company has ensured the safety and peace of mind of all staff, while preserving a high level of productivity as a prerequisite for maintaining jobs, in a constant and fruitful dialogue with the social partners.

Continuation of solidarity initiatives in favour of the Ukrainian population

In order to express solidarity with the Ukrainian population, hit by the ongoing conflict, Tiscali has made available to its customers a series of facilities to communicate with families and friends: calls to fixed and mobile numbers in Ukraine will be free from both fixed and mobile Tiscali networks. Similarly, all traffic (voice, text messages and data) made and received while roaming in Ukraine by Tiscali SIM cards will be free of charge. This will be valid until 30 April, unless further extensions are announced at a later date.

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About Tiscali

Tiscali S.p.A. (Italian Stock Exchange. Milan: TIS), Smart Telco with the largest Fibre coverage in Italy, provides its customers – individuals, businesses and public administrations – with a wide range of services: Broadband and Ultra BroadBand fixed and fixed wireless Internet access, Mobile Telephony services and value-added services (including security, cloud and social media services). At 31 December 2021, Tiscali had a customer portfolio of 642.6 thousand units. Tiscali is also one of the main Italian news portals, with 10 million visitors per month. Tiscali's website can be reached at www.tiscali.it.

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