



SPAFID CONNECT

Informazione Regolamentata n. 0260-56-2017	Data/Ora Ricezione 21 Settembre 2017 16:46:10	MTA
--	---	-----

Societa' : TISCALI
Identificativo : 93945
Informazione
Regolamentata
Nome utilizzatore : TISCALIN07 - Robustelli
Tipologia : 1.2
Data/Ora Ricezione : 21 Settembre 2017 16:46:10
Data/Ora Inizio : 21 Settembre 2017 17:55:07
Diffusione presunta
Oggetto : I Half 2017 Tiscali Results

Testo del comunicato

Vedi allegato.

First half in the history of the Company with a net income (+EUR 24.5 million):

- **Increase in revenues (+ 6.9%) and customers (+ 7.8%, up to 716,700)**
 - **EBITDA (+ 16.3%) higher than expected.**
 - **Year-end targets confirmed**

Cagliari, September 20, 2017

The Board of Directors of Tiscali S.p.A. met today and approved all items on the agenda and in particular, has examined and approved the financial statement as at 30 June 2017.

Results of the first half of 2017:

- **Net income amounting to EUR 24.5 million** – This is the first half-year since the company's foundation in which the net result is positive. This is in line with the trend that will also lead to the first net profit in the 2017 full-year financial statements.

- **Revenues amounting to EUR 103.6 million, up by 6.9%** as compared to the first half of 2016, on the upper part of the 2017 target range (+ 5/8%) as reported to the market last July:

- +1.7% of increase in revenues for Fixed Broadband segment as compared to the first half of 2016: a positive percentage for the first time after more than five years.

- **EBITDA amounting to EUR 14.4 million, up by 16.3%** as compared to the first half of 2016, significantly above 2017 targets (+8/12%) as reported to the market last July.

- Further confirmation of the **growth trend in customers** in both UltraBroadBand (Fiber and Fixed Wireless Access) and Mobile, thanks to new Marketing&Sales strategies:

- **+32,000 customers (+8% as compared to first half of 2016) in Fixed BroadBand segment.**
- **+56,000 customers (+37% as compared to the first half of 2016) in Mobile Services.**
- **About 58,000 UltraBroadBand customers, 36,000 of which are LTE Fixed Wireless customers (Wireless Fiber To The Home – WFTTH) and about 22,000 are Fiber (FTTX) customers.**

- **Significant reduction of personnel costs: EUR - 4.2 million** as compared to the first half of 2016 as headcount went down by 27% (i.e. 268 units) as compared to December 2016.

- Deployment of WFTTH LTE Base Stations in line with expectations: about **300 LTE Base Stations** have been installed as at June 2017 as per the migration plan from Wimax to LTE, whose completion is expected within the year end.

Highlights

2016	Income statement	1° semester 2017	1° semester 2016
	<i>(EUR mln)</i>		
196.9	Revenue	103.6	96.9
27.1	Adjusted Gross Operating Result (EBITDA)	14.4	12.4
(28.4)	Operating Result (EBIT)	(12.9)	(12.6)
(7.0)	Result from held for sale and discontinued operations	43.6	1.5
(45.0)	Net Result	24.5	(17.7)
30 june 2016	Statement of financial position	30 june 2017	31 december 2016 - restated
	<i>(EUR mln)</i>		
294.8	Total assets	308.5	285.2
(165.5)	Net Financial Debt (*)	191.9	187.6
(172.6)	Net Financial Debt as per Consob (*)	192.4	191.9
139.8	Shareholders' equity (**)	(143.0)	(167.6)
17.0	Investments	33.5	56.7
30 june 2016	Operating figures	30 june 2017	31 december 2016
	<i>(Migliaia)</i>		
664.3	Total number of Clients (***)	716.9	681.2
421.6	Broadband Fixed	453.3	440.2
5.7	<i>of which Fiber</i>	22.4	9.8
96.3	Broadband Wireless	61.6	75.0
0.0	<i>of which LTE</i>	35.6	10.0
146.3	Mobile	202.0	166.0

Economic and financial values concerning noncurrent assets held for sale have been appropriately reclassified (included financial values as at June 30, 2016).

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

(**) The shareholders' equity of the parent company Tiscali Spa amounts to EUR 89.1 million as at June 30, 2017 (EUR 89.7 million as at December 31, 2016). At that date, the Company is not included in the specific cases as at Art. No. 2446 and No. 2447 of the Italian Civil Code.

(***) It is specified that, as at the present Financial Report, the Company has adopted a new way to classify its customer portfolio, in order to take into account the impact of the sale of the Business branch to Fastweb, and the refocusing strategy on core business. In particular, customers of voice and data narrowband – CPS, dialup – being progressively disposed, have been from the classification of its customer portfolio. With the same logic, users were re-restated at December 31, 2016 and at June 30, 2016.

Economic Situation of the Group

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

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

- removal of the level of "Adjusted gross EBITDA".
- Separation of Financial Income and Financial Expenses items, instead of a single item Net Financial Income (Expense).

Revenues

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

The net change, equal to EUR 6.6 million, is mainly attributable to the following factors:

- Increase by EUR 1.1 million (+ 1.7%) in the revenues from the "Fixed BroadBand" segment, reversing the negative trend of the last 5 years. This increase is mainly due to the trend of the Fixed BroadBand customer portfolio (+31.7 thousand units in June 2017, as compared to June 2016).
- Reduction in the revenues from Broadband Fixed Wireless for about EUR 2.7 million due to the increase of LTE customers with higher value (about 35,000 LTE customers in the portfolio as compared to about 10,000 in December 2016) less than compensated by the reduction of Wimax customer portfolio.
- MVNO revenues increased by 33.9%, thanks to the strong growth of Mobile customers, increased from 146,300 as at June 2016 to 202,000 customers as at June 2017.
- "Services to Business and Wholesale" revenues increased by EUR 4.9 million (+63.9%); growth was mainly due to the increase in sales of services and products.
- "Media & VAS" revenues decreased (a 10.7% decrease), growth of "Other" revenues (EUR 2.8 million increase as compared to the data of the corresponding semester of 2016).

Margins

Costs for purchases of materials and services amounted to EUR 70.7 million increased by EUR 9.3 million year-over-year thanks to the increased activity volumes.

The significant EUR 4.2 million decrease in personnel costs, amounting to EUR 15.9 million in the first half of 2017, is related to the efficiency gains and in particular is a result of the outsourcing of IT activities to Engineering and of the incentivized retirement activities carried out over the last 12 months which have led to a significant reduction in the average workforce if compared to the first half of 2016.

The above-mentioned effects resulted in a Gross Operating Profit (EBITDA) of EUR 14.4 million, with an increase by EUR 2 million year-over-year (EUR 12.4 million).

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

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

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

The Result from assets disposed of and/or held for sale includes the capital gain on the sale of the BTB business branch to Fastweb (including the SPC Contract) accounted for upon completion of the sale contract, on February 10, 2017, and equal to EUR 43.8 million, in addition to the period result for the assets held for sale.

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

Equity and Financial Position

31 december 2016 - Approved	Consolidated Statement of Equity and Liabilities (*)	30 June 2017	31 december 2016 - restated
	(EUR mln)		
224.4	Non-current assets	226.3	219.0
59.9	Current assets	81.7	59.9
6.2	Assets held for sale	0.5	6.2
290,509.5	Total Assets	308.5	285.2
(167.6)	Net equity of the Group	(143.0)	(167.6)
0.0	Net equity attributable to minority interests	0.0	0.0
(167.6)	Total net equity	(143.0)	(167.6)
176.3	Non-current liabilities	199.8	177.5
278.2	Current liabilities	251.3	271.7
3.6	Liabilities directly associated with assets sold	0.4	3.6
290.5	Total Net equity and Liabilities	308.5	285.2

(*) It has to be noted that, compared with the Consolidated Balance Sheet included in the Annual Financial Report 2016, the balances at 31 December 2016 of Current and Non-Current Liabilities have been restated by reclassifying the long-term portion of some debt positions from the line of Current Liabilities to the Non-Current Liabilities line for a total amount of EUR 6.2 million. Moreover, the long-term portion of two financial debts for loans granted by the Ministry of Development and the Ministry of University and Research for a total of Euro 0.9 million at 31 December 2016 has been reclassified from Current Liabilities to Non-Current Liabilities (for EUR 0.2 million). The item "Non-current assets" for a reclassification of EUR 5.4 million has also been restated.

Financial Situation of the Group

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

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

(*) The net financial position as at June 30, 2017 (and as at December 31, 2016) has been restated from the Net Financial Position included in the Annual Financial Report 2016, as well as that initiated pursuant to art. 114 of the TUIR at the above reference dates for effect of the inclusion of two financial debts of EUR 0.7 million as at June 30, 2017 and EUR 0.9 million as at December 31, 2016, incorrectly identified at the time of the preparation of the above-mentioned communications. In addition, with reference to the Net Financial Position disclosed in accordance with article 114 of the TUIR at June 30, 2017, there are also some additional adjustments in the amounts of some financial payables at the date.

Notes:

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

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

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

(*) The net financial position as at June 30, 2017 (and as at December 31, 2016) has been restated from the Net Financial Position included in the Annual Financial Report 2016, as well as that initiated pursuant to art. 114 of the TUIR at the above reference dates for effect of the inclusion of two financial debts of EUR 0.7 million as at June 30, 2017 and EUR 0.9 million as at December 31, 2016, incorrectly identified at the time of the preparation of the above-mentioned communications. In addition, with reference to the Net Financial Position disclosed in accordance with article 114 of the TUIR at June 30, 2017, there are also some additional adjustments in the amounts of some financial payables at the date.

Significant events during the first half of 2017

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

On January 25, 2017 – Tiscali and Open Fiber, jointly owned by Enel and Cdp, signed an agreement that strategically integrates and in a complementary manner to the roll out by Tiscali of the latest generation ultra-broadband LTE Fixed Wireless access network, which will develop with particular focus on areas of significant digital divide. The agreement for the 10 cities (Perugia, Cagliari, Bari, Catania, Firenze, Genova, Napoli, Padova, Palermo and Venezia) establishes considerable targets of Tiscali customers on OF Fiber by the spring of 2019. The migration will be in parallel with the roll-out plan for the Open Fiber's Optic Fiber Network. The Open Fiber's work schedule establishes the supply of the cabling of at least 80% of real estate units, with the timing indicated in the roll-out plan. This agreement is crucial for achieving the targets of customers with Tiscali Fiber Optics offers included in the Plan and for achieve the efficiencies of the network operating costs also provided for in the Plan.

February 1, 2017 – Suspension of Solidarity Contracts

On February 1, 2017 – Tiscali suspended the solidarity contract following the extraordinary operations carried out in 2016 and in early 2017.

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

On February 3, 2017, the Engineering Group and Tiscali signed the definitive contract for the “full outsourcing” of Tiscali Information Technology Services.

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

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

The total value of the transaction amounted to EUR 45 million, of which EUR 25 million in cash and EUR 20 million through Service Voucher. In accordance with the provisions of the Disposal Agreement, at the Closing date Fastweb paid Tiscali Italia the Provisional Price, for a total of EUR 12.5 million (out of which, EUR 5 million in cash and EUR 7.5 million through Service Voucher).

The payment of the remaining EUR 32.5 million was subject to the performance of the SPC Litigation between Consip S.p.A. and Telecom Italia S.p.A., pending before the Council of State, a dispute resolved by a judgment rejecting the appeal, issued on March 24, 2017. As a result of this, the final price of the divestment of the branch was confirmed at EUR 45 million, with a capital gain of EUR 43.9 million.

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

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

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

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



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

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

Other events after the fiscal year end

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

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

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

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

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

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

With the completion of the capital increase, Tiscali's share capital increased from EUR 91,200,922.89 to EUR 103,007,322.89.

Events and uncertainties concerning the business continuity

The Tiscali Group closed the first half of 2017 with a consolidated profit amounting to EUR 24.5 million (against a loss of EUR 45 million in the previous year) influenced by the positive effect, amounting to EUR 43.8 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) and with a negative consolidated shareholders' equity amounting EUR 143 million (EUR 167.6 million as at December 31st, 2016). Furthermore, as at June 30, 2017, the Group records a gross financial debt amounting to EUR 194.2 million and current liabilities exceeding (non-financial) current assets for EUR 136.6 million (EUR 193.1 million and EUR 174.7 million as at December 31st, 2016).

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

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

- **Continuation of the growth on the Core Business** in order to consolidate the trend reversal realized in 2016 on customer growth:
 - Further growth in the Fixed BroadBand portfolio, from about 422,000 customers in June 2016 to more than 453,000 customers in June 2017, marking a growth of approximately 31.6 thousand customers, or +7.5% year-over-year.
 - A particular boost on Fiber offers, which, thanks to the 2016 agreement with Open Fiber to develop highly capable offers of up to 1,000 MBps, led to a growth of the Fiber customers' portfolio of Tiscali by some 16,000 units compared to previous year, from approximately 6,000 customers in June 2016 to over 22,000 customers in June 2017.
 - A progressive diffusion of the new Tiscali LTE UltraBroadband Fixed Wireless offer with capacities up to 100MBps in the "Extended Digital Divide" areas thanks to the acceleration of the LTE antennas installation process in the first half of 2017 (installed system of about 300 antennas as at June 30, 2017, as compared with around 100 antennas installed in December 2016) and the progressive migration of WiMax users to LTE. Thanks to this, Tiscali's LTE customer portfolio has gone from about 10,000 customers in December 2016 to more than 35,000 customers in June 2017.
 - A progressive further acceleration of Mobile customer base's growth thanks to the development of Open, the new innovative modular mobile offer of Tiscali. Mobile customers have passed from 146,000 units in June 2016, to about 202,000 units in June 2017.
- **New communication strategy** culminated in the June 2017 communication campaign after years of absence from Italian media. The campaign is focused on the renewed Tiscali brand and on the use of a new international testimonial (Mr. Jeff Bridges), and aimed at supporting the process of acquisition of new customers through "pull" channels for a future reduction of the average cost of acquisition for client, and at relaunching the visibility of the Tiscali brand on the market.
- **Efficiency in operating costs.** During the first half of 2017, the process of making operating costs strongly efficient was continued. In particular, Tiscali has completed its revision of its business scope, bringing the number of employees (FTE) from 948 units in December 2016 to 697 units in June 2017, through the final implementation of the actions already undertaken in 2016 (Divestment of the BTB Business branch to Fastweb, outsourcing of IT activities to Engineering, Rationalization of Over The Top activities), as well as a further rationalization of the workforce.
- **Further strengthening of the Group's economic and financial structure**, which in the first half of 2017 continued thanks to:
 - Share capital increase reserved to OCIL and Powerboom Investment Limited for a total value of EUR 11.8 million. The transaction, endorsed by the Board of Directors of Tiscali dated June 27, 2017, took place on August 7, 2017, with the issue of 314,000,000 shares equally subscribed by OCIL and ICT, which paid EUR 5,903,200 each, with a total amount paid of EUR 11,806,400.

- Continuation of the negotiations undergoing with Intesa SanPaolo and BancoBPM (formerly named BPM), already disclosed in the financial updates included in the 2016 Consolidated Financial Statements, in order to reach a standstill agreement on payments due to these two banks in the next twelve months.
- Continuation of the negotiations with Mediocredito Italiano and Unicredit Leasing (together mentioned as “Pool Leasing”), already disclosed in the financial updates included in the 2016 Consolidated Financial Statements, in order to redefine the overall amortization plan of the debt for leasing loan concerning to Sa Illetta’s property.
- Collection, on March 31, 2017, of the payment for the sale of the Business branch to Fastweb, amounting to EUR 20 million, following the finalization of sale contract, on February 10, 2017.

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

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

In this context, the management confirms the validity of the Plan itself and expresses a positive opinion on the feasibility of achieving the objectives set out in the Plan for the next twelve months and reiterates that the achievement of a Group’s economic and financial balance is generally subordinated to the achievement of the results set out in the 2017-2021 Plan - including the positive finalization of agreements with financial institutions expected in a timely manner consistent with the requirements of business continuity - and therefore, to realize the forecasts and assumptions contained therein regarding the evolution of the telecommunications market, to the achievement of the growth objectives set in a market context characterized by strong competitive pressure.

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

Tiscali has formalized the standstill request to the Banks for payments owed to them in September 2017, and in March 2018 for capital and interest

On September 15, Tiscali received two additional comfort letters from both Banks where the which Lender Institutions are advising, even without taking irrevocable commitments, that they have started the investigative activities and that at the end of the same, the standstill requests made by Tiscali will be submitted to the competent deliberative bodies. Similarly, on 19 September, Mediocredito Italiano and Unicredit Leasing sent a similar content communication with reference to renegotiation of the leasing contract.

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

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

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

- Benefit from a significant entry of new financial resources into the company and from a significant reduction in cash outflows over the next 12 to months for the payment of financial charges and the repayment of principal amount to the banks, guaranteeing the development of the Business Plan approved on April 29, 2017.
- Reduce further the base of operating costs by improving the size of the company in terms of staffing and putting in use the outsourcing of IT services to Engineering.
- Consolidate the virtuous path of customer and revenue growth, which is a key element in the implementation of the Business Plan.

The Directors, nonetheless, acknowledge that at present there are significant uncertainties about events or circumstances that could give rise to significant doubts about the Group's ability to continue to operate on the basis of the business continuity assumption, in particular with reference to the evolution of the telecommunications market and the achievement of the growth targets set for Ultrabroadband LTE services, the main development area envisaged in the Industrial Plan, in a market context characterized by strong competitive pressure as well as the finalization of the standstill procedure by the Financial Institutions.

In light of the above, after having carried out the necessary verifications and assessing the significant uncertainties identified in the light of the above elements, having taken into account the improvement of financial exposure and the status of relations with the Banks, they are also confident: (i) in the ability to implement the provisions of the 2017-2021 Plan even in a market context characterized by a strong competitive pressure; ii) in the positive finalization of the granting of standstill agreements by the Leasing Pool and by the Financial Institutions in a timely manner consistent with the requirements of business continuity; iii) in maintaining the Banks and suppliers' financial support so far and have reasonable expectation that the Group has adequate resources to keep up with payment obligations in the next twelve months and to continue operating in the foreseeable future, thus leading to the assumption of business continuity in the preparation of the 1st half 2017 consolidated financial statements.

This determination is, of course, the result of a subjective judgment, which compared the degree of probability of their adversity with respect to the opposite situation compared to the above-mentioned events. 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 track of the evolution of the factors considered (as well as of any further circumstantial evidence) so that it can take the necessary measures promptly.

Business Outlook

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

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

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

Information on Tiscali

Tiscali S.p.A. (Borsa Italiana. Milan: TIS) is one of the leading alternative telecommunications companies in Italy. Tiscali provides its private and business customers with a vast range of services: internet access through ADSL, Fixed Wireless Access and Fiber Optic technology, as well as voice, VoIP, media, and added-value services and other technologically advanced products. As at December 31, 2016 Tiscali reported about 697 thousand customers.

The Tiscali website may be accessed at www.tiscali.it

Fine Comunicato n.0260-56

Numero di Pagine: 14