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Testo del comunicato

Vedi allegato.

2019 Draft Budget

Tiscali: refocusing on the core business and sharp reduction in overall debt

- **Revenues at EUR 142.6 million, down by EUR 22.6 million as compared to 2018.**
- **EBITDA at EUR 25.6 million, an increase of approximately 25% as compared to 2018 (EUR 20.5 million).**
- **Net result from continuing operations of EUR -16.5 million, an improvement of EUR 28.8 million as compared to 2018 (EUR -45.3 million).**
- **Net loss of EUR 16.5 million compared with net income of EUR 83.2 million in 2018, which was affected by the gain on the sale of Fastweb of EUR 128.5 million.**
- **A reduction of over EUR 150 million in total debt as compared to 31 December 2018, mainly due to a reduction of EUR 72.1 million in gross financial debt and EUR 74.2 million in trade payables.**
- **Total customer portfolio of 668 thousand customers, up by approximately 28 thousand units as compared to 2018**
- **Change of governance and new management structure**

Cagliari, 28 April 2020

The Board of Directors of Tiscali S.p.A. met yesterday and approved all the items on the agenda, namely:

- it has examined and approved the 2020-2022 Industrial Plan;
- it has examined and approved the 2019 Draft Consolidated Financial Statements;
- it has examined and approved the 2019 Draft Separate Financial Statements;
- it has reviewed and approved the 2019 Sustainability Report;
- it has convened the Shareholders' Meeting for 28 May 2019, in single call.

With the strengthening of the Group's capital and financial structure, the Company has adopted an operating model based on refocusing on the core business, on relaunching the brand and on commercial agreements with the main operators in the sector. Thanks to a leaner and less capital-intensive structure, Tiscali could focus on the development of new UltraBroadband services, on marketing and sales activities and on excellence in customer management. The adoption of the new strategies and the commercial agreements entered into currently make Tiscali the Italian telecommunications operator with the highest Fiber coverage, as it can count on a significant expansion of market potential.

Renato Soru, CEO of the Group, has commented: *"Tiscali, also thanks to the competition between wholesale access network operators, has focused more on growth in the UltraBroadband services segment, both Fiber and LTE, improving the quality of service and assistance to its customers. Thanks to the substantial recovery in productivity and the reduction in industrial costs, operating margins are growing, continuing — without new extraordinary operations — to reduce overall debt. Finally, last March, the Tiscali.it portal reached the record figure of 18 million unique browsers with peaks of about 1.6 million in a single day. This audience, one of the largest on the Italian web sector, is ensuring the acquisition of new customers at significantly lower costs than traditional channels and represents an important catchment area to be further promoted through new e-commerce offers."*

Condensed Figures

Income statement	2019 (#)	2018
(EUR mln)		
Revenue	142,6	165,2
Adjusted Gross Operating Result (EBITDA)	25,6	20,5
Operating Result (EBIT)	(18,6)	(34,1)
Result from held for sale and discontinued operations	0,0	128,5
Ner Result	(16,5)	83,2
Statement of financial position	**31 December 2019**	**31 December 2018**
(EUR mln)		
Total assets (§)	181,2	346,1
Net Financial Debt	87,0	152,1
Net Financial Debt as per Consob	87,8	152,6
Shareholders' equity (§)	(56,0)	(44,7)
Investments	43,4	18,2
Operating figures	**31 December 2019**	**31 December 2018**
(thousands)		
Total number of Clients	668,2	640,1
Broadband Fixed	381,7	382,8
of which Fiber	163,7	79,1
Broadband Wireless	41,8	58,8
of which LTE	40,2	47,8
Mobile	244,7	198,5

(#) As a result of the entry into force of IFRS16 from 1 January 2019, the gross operating result ("EBITDA", a measure of Non-Gaap result) of 2019 is EUR 3.7 million higher than the amount determined in accordance with the previous accounting standard (IAS 17), while the operating result (EBIT) is EUR 0.4 million lower than the amounts that would have been determined by applying IAS 17 in the recognition of operating leases. These impacts derive from the combined effect of the recording of the amortisation of the rights of use recorded in application of IFRS 16 for EUR 3.2 million, and interest expenses on the related financial debt of EUR 0.9 million, against the non-recording of operating lease payments of EUR 3.7 million. Overall, the net result for 2019 and shareholders' equity as at 31 December 2019 were EUR 0.4 million lower than the value that would have resulted from the application of IAS 17, without taking into account tax effects due to the negative tax situation.

(§) The application of IFRS 16 also determined the recognition of rights of use for a net book value of EUR 17.2 million as at 31 December 2019, the recognition of the related financial debt of EUR 18.2 million and a reduction in trade payables of EUR 0.5 million.

Main results obtained during the FY 2019 and subsequent events

In 2018 and until March 2019, the Tiscali Group was engaged in a number of activities such as i) obtaining the extension of its licence for the 3.5 Ghz frequency spectrum it owned, ii) the conclusion of a transfer agreement in favour of Fastweb for the right to use 42 MHz in band3. 5 Ghz and the Fixed Wireless Access (FWA) business unit, and iii) the negotiation with the banking institutions (Intesa San Paolo and BancoBPM), counter-parties to the existing Senior Loan and the leasing companies, counter-parties to the "Sa Illetta" lease agreement aimed at obtaining a restructuring agreement for the Senior Debt and the "Sa Illetta" lease, actually obtained with the signing of the Restructuring Agreements on 28 March. These activities, together with the scarcity of available financial resources and the uncertainty about the future development of the Group, limited the operational action in the first months of 2019.

With the signing of the Debt Restructuring Agreements (March 2019) and the collection of the last part of the price relating to the Fastweb Transaction (July 2019), which resulted in a significant injection of financial resources and an overall strengthening of the Group's financial structure, the Company redefined and commenced implementation of a new development path, based on refocusing the Company on its core business, i.e., the sale of Fixed BroadBand and Fixed UltraBroadband services, Fixed Wireless and Mobile to Consumer, SOHO and SME retail customers, adopting an operating model which focuses on the ability to develop new services, on Marketing and Sales activities and on the excellence in customer management, increasing the efficiency of network infrastructure management activities and consequently investment commitments in line with the company's size and investment capacity, and with the changing technological and market context (Fibre, 5G).

The new operating model was further implemented and promoted by the new management team that took over the leadership of the Company following the change in governance in May 2019. A new logo has been launched and advertising investments were made in support of the brand and new commercial offers, geared towards the Company's mission to guarantee all citizens the right to access ultra-fast internet services, through the development of the Fibre market. The full implementation of the commercial agreements with Fastweb signed in November 2018 and of other agreements signed with other operators in July and December 2019 (Tim, Open Fiber and Linkem) have in fact made it possible to expand and strengthen the addressable market and Tiscali's commercial offer, in particular in the very high-performance Fibre services (UltraBroadband Fibre offer with speeds of up to 1 Giga) and Mobile 4G (with speeds of up to 150 Mbps).

In addition, in the second half of FY 2019, the significant financial resources generated by the Fastweb Transaction made it possible for the Company to negotiate crucial agreements with strategic suppliers, resulting in an overall reduction in overdue payables and operating costs.

Finally, at the beginning of 2020 Tiscali launched a policy of diversification and expansion of revenues generated by the portal through the signing of commercial agreements with various specialised operators (e-commerce, payments, lead generation).

A detailed analysis of the major activities undertaken by Tiscali in 2019, following the direction of the development path mentioned above, can be found below:

✓ Operational implementation of the Fastweb Operation:

From an operational point of view, the Wholesale Agreement has made it possible for Tiscali to:

- access to the Fastweb high-performance fibre network, allowing Tiscali to increase its fixed network coverage nationwide — without further incremental investment. The growth in the number of Fibre customers in 2019, from 79.1 thousand units to 163.7 thousand units at 31 December 2018, amounted to 106.8%, confirming the company's positive results in the relaunch and development of Fibre offerings;
- continue to market Fixed Wireless LTE services in the "Extended Digital Divide" areas, continuing to access the Fixed Wireless infrastructure sold to Fastweb under the terms of the agreement signed. In addition, Tiscali benefited from the fact that Fastweb continued to upgrade its antenna technology from WiMAX to LTE in 2019: 35 swaps were carried out between July and December, with the aim of completing the swap of the remaining 19 sites by the 2020 1Q. As such, Tiscali will be able to reach 4.9 million households and businesses in 2020, with FWA technology up to 100 Mb.

✓ New agreements with telecommunications operators

Thanks to the strategies and new agreements signed with Fastweb, Open Fiber and Linkem, Tiscali will be able to reach 4.9 million households and businesses with FWA technology up to 100Mb from 2020, thanks to the Fastweb network, and around 16 million households and businesses up to 30Mb thanks to the Linkem coverage.

In addition, from the end of 2019, Tiscali can provide services to households and businesses with Fibre technology to around 20 million potential users, with FTTC technology to around 13.5 million potential users and in FTTH technology to around 6.5 million potential users.

Thanks to the above mentioned agreements, Tiscali is currently the Italian telecommunication operator with the highest Fibre coverage available.

Moreover, in December 2019 Tiscali concluded an agreement with TIM — allowing it to offer its mobile customers 4G technology with speeds up to 150 Mbps, differentiating itself from low cost mobile operators that offer a 4G "Basic" technology with speeds up to 30 Mbps.

- ✓ Relaunch of the Tiscali brand through investments in communication

  Two television campaigns were carried out in 2019, aimed at revitalising the Tiscali brand, supporting the process of acquiring new customers as well as strengthening the company's image and communication: the new logo was launched and the Mission and Values were redefined.

- ✓ Strengthening of the Group's equity and financial structure

  - Subscription, on 31 January 2019, of the 2019-2020 Convertible Bond by the reference shareholders ICT and Sova Disciplined Equity Fund, for a nominal amount of EUR 10.6 million, corresponding to 106 convertible bonds by 31 January 2020. In July, September and October 2019, the Sova Disciplined Equity Fund fully converted its portion of bonds for a nominal amount of EUR 5.3 million. On 30 January 2020, the Board of Directors and the Shareholders' Meeting of Tiscali resolved to change the maturity of the bond issue, extending it from 31 January 2020 to 30 June 2020.
  - Signature, on 28 March 2019, of the Debt Restructuring Agreements; in particular, obtainment of the Senior Debt Restructuring Agreement with the Banking Institutions and of the Settlement Agreement with the Pool Leasing.

- ✓ Change of Governance of the Tiscali Group, as of May 2019

  On 10 May 2019, Amsicora S.r.l. — an Italian investment company founded and managed by Claudio Costamagna, Alberto Trondoli, Manilo Marocco and also owned by other private investors — acquired a total stake equal to 22.059% of the Tiscali's share capital.

  Amsicora and the founder Renato Soru, who had previously held a 7.94% stake in the Tiscali's share capital, and that jointly held a total stake of 29.99% of the Company's capital, signed a shareholders's agreement.

  Tiscali has thus returned to being an Italian company, and its founder Renato Soru is now leading the Company again. In May and June 2019, there were significant changes in the Group's management structure, with a reorganisation and a sharp reduction in the number of executives.

Renato Soru also took steps to launch the Company's new logo, back to the color purple, which had characterised the Tiscali logo since its origins, adding a new symbol "//" which recalls the writing of URLs of Internet addresses, in order to evoke the leading role that Tiscali has played in the history of the Internet in Italy.

Financial Statements

Consolidated Income Statement	2019 (#)	2018
(EUR mln)		
Revenue	142,6	165,2
Other income	15,5	3,5
Purchase of external materials and services	99,3	114,2
Personnel costs	22,4	24,3
Other operating expense (income)	0,8	0,0
Write-downs accounts receivable from customers	10,1	9,6
Gross Operating Result (EBITDA)	**25,6**	**20,5**
Restructuring costs	2,0	6,7
Depreciations & amortizations	42,2	48,0
Operating result (EBIT)	**(18,6)**	**(34,1)**
Result from the investments evaluated at equity method	(0,4)	(0,4)
Financial Income	14,5	1,1
Financial Expenses	11,8	11,6
Income (loss) before tax	**(16,4)**	**(45,1)**
Taxation	0,1	0,2
Net result from operating activities (ongoing)	**(16,5)**	**(45,3)**
Result from held for sale and discontinued operations	0,0	128,5
Net result for the period	(16,5)	83,2
Minority interests	0,0	0,0
Group Net Result	**(16,5)**	**83,2**

(#) As a result of the entry into force of IFRS16 from 1 January 2019, the gross operating result ("EBITDA", a measure of Non-Gaap result) of 2019 is EUR 3.7 million higher than the amount determined in accordance with the previous accounting standard (IAS 17), while the operating result (EBIT) is EUR 0.4 million lower than the amounts that would have been determined by applying IAS 17 in the recognition of operating leases. These impacts derive from the combined effect of the recording of the amortisation of the rights of use recorded in application of IFRS 16 for EUR 3.2 million, and interest expenses on the related financial debt of EUR 0.9 million, against the non-recording of operating lease payments of EUR 3.7 million. Overall, the net result for 2019 and shareholders' equity AS at 31 December 2019 were EUR 0.4 million lower than the value that would have resulted from the application of IAS 17, without taking into account tax effects due to the negative tax situation.

Consolidated Statement of Equity and Liabilities	31 December 2019 (#)	31 December 2018
(EUR mln)		
Non-current assets	120,5	164,5
Current assets	60,7	181,6
Assets directly related to held for sales	0,0	0,0
Total Assets	**181,2**	**346,1**
Net equity of the Group	(56,0)	(44,7)
Net equity attributable to minority interests	0,0	0,0
Total net equity	**(56,0)**	**(44,7)**
Non-current liabilities	101,3	24,9
Current liabilities	135,9	365,9
Payables directly related to held for sale	(0,0)	0,0
Total Net equity and Liabilities	**181,2**	**346,1**

(#) The application of IFRS 16 resulted in the recognition of rights of use for a net book value of EUR 17.2 million as at 31 December 2019 (included under Non-current assets), the recognition of the related financial debt of EUR 18.2 million (of which EUR 3.1 million included under Current liabilities and EUR 15.1 million included under Non-current liabilities), in addition to a reduction in trade payables of EUR 0.5 million (included under Current liabilities).

The Tiscali Group's revenues in 2019 amounted to EUR 142.6 million, down by 13.7% as compared to 2018.

The net change, equal to EUR 22.6 million, is mainly due to the following factors.

- Reduction in Broadband Access revenues of EUR 18.5 million (-14.1%) as compared to 2018, due to the following factors:
  - Reduction in Fixed Broadband revenues of EUR 16.6 million (-14%), which amounted to EUR 101.7 million, as compared to EUR 118.2 million in 2019.

    The change must be related to the reduction in average revenue per line (ARPU) as a result of the strong competitive pressure on the market, which for years now has recorded a downward trend in average prices, as well as the reduction in the average number of customers (-8.3% year-on-year), as compared to 2018.

    The number of Fibre customers, on the other hand, continued to increase significantly during the period, from approximately 79.1 thousand units in December 2018 to 163.75 thousand units in December 2019, confirming the Company's focus on the development of Fibre connections.

o A decrease in Fixed Wireless Broadband revenues of approximately EUR 1.9 million (-14.6%), due to the decrease in the customer portfolio (from 58.8 thousand units at 31 December 2018 to 41.8 thousand units at 31 December 2019).

- Substantial stability of Mobile revenues, equal to EUR 12.7 million, as compared to 2018

  The customer portfolio grew by 23.3% as compared to 2018, from 198.5 thousand units at 31 December 2018 to 244.7 thousand units in 2019, while revenues remained stable due to the substantial stability of the average number of customers during 2019.

- Revenues from Corporate and Wholesale Services increased by 4.7% to EUR 9.2 million in 2019, as compared to EUR 8.8 million in 2018.

- Average revenue decreased by 41.5%, amounting to EUR 3.9 million in 2019 as compared to EUR 6.6 million in 2018, due to the market downturn on traditional web segment revenues and the revision of the Sky agreement.

- Other revenues decreased by EUR 1.8 million as compared to 2018 (EUR 3.9 million in 2019, as compared to EUR 5.7 million in 2018).

Indirect operating costs in 2019 amounted to EUR 38.9 million, an increase of EUR 2.3 million as compared to 2018 (EUR 36.6 million).

Indirect operating costs include the following:

- Marketing costs: they amount to approximately EUR 5.2 million. The increase of EUR 3.7 million as compared to 2018 is mainly due to the increase in advertising campaign costs of approximately EUR 4.3 million (attributable to the campaigns carried out in March and September 2020), offset by a EUR 0.5 million reduction in distribution and sales costs;
- Personnel costs: these amounted to EUR 22.4 million (15.7% of revenues), down as compared to 2018 (EUR 24.3 million), representing 14.7% of revenues, mainly due to the reduction in the workforce as compared to 2018;
- Other indirect costs: these amount to approximately EUR 11.3 million, up as compared to 2018 (EUR 10.7 million).

Other (income) / charges

Other (income)/charges, amounting to EUR 14.7 million, mainly include the following:

- The income from the sale of the Sa Illetta property, in accordance with the Sa Illetta Lease Settlement Agreement signed on 28 March 2019, amounting to EUR 11.1 million;

- Income from transactions on debt positions amounting to EUR 2.6 million;
- Other non-recurring income and charges amounting to EUR 1 million.

Write-down of receivables

The provision for bad debts amounted to EUR 10.1 million in 2019, an increase as compared to 2019 (EUR 9.6 million).

The effects shown above resulted in an EBITDA of EUR 25.6 million, an increase of EUR 5.1 million as compared to the figure as at 31 December 2018 (EUR 20.5 million).

Amortisation and depreciation for the period amounted to EUR 42.2 million, down by EUR 5.8 million compared with EUR 48 million recorded in 2018. Amortisation and depreciation include the effect of the application of IFRS 16, effective from 1 January 2019, of EUR 3.2 million.

In 2019, provisions for risks and charges amounted to EUR 2 million, compared with EUR 6.7 million recorded in 2018. These are mainly accruals to provisions for legal disputes and other future charges.

Operating income (EBIT), net of provisions, write-downs and restructuring costs, amounted to negative EUR 18.6 million, an improvement of EUR 15.5 million as compared to EUR 34.1 million recorded in 2018.

Financial charges amounted to EUR 11.8 million, compared with EUR 11.6 million in 2018. They include the effect of the EUR 0.9 million recognition of interest on financial debt arising from the application of IFRS 16.

Financial income, amounting to EUR 14.5 million, mainly refers (for EUR 12.9 million) to the income deriving from derecognition and the consequent recognition at amortised value of the new financial debt deriving from the application of the Senior Debt Restructuring Agreements signed on 28 March 2019.

The Result of continuing operations was negative for EUR 16.5 million, an improvement by EUR 28.8 million as compared to the comparable figure of 2018, negative for EUR 45.3 million.

Profit from assets sold and/or held for sale was nil as of 31 December 2019, while it amounted to EUR 128.5 million in 2018, when the figure included the net capital gain on the Fastweb Transaction.

The Group's net loss amounted to EUR 16.5 million, EUR 99.7 million lower than the comparable figure for 2018, i.e. a profit of EUR 83.2 million, which — as mentioned above — was affected by the capital gain on the sale of the Fixed Wireless business to Fastweb.

Non-recurring items included in the result for the period, totalling EUR 24.5 million, include the following items:

- non-recurring items included in the EBIT for EUR 10 million, of which EUR 11.1 million due to the completion of the headquarters building transaction and EUR -1.1 million in other net non-recurring charges;
- income deriving from derecognition and the consequent recognition at amortised value of the new financial debt deriving from the application of the Senior Debt Restructuring Agreements for EUR 12.9 million;
- Income of EUR 1.6 million from the release of the charge from the discounting process of the Fastweb voucher, recognised in 2018. The residual value of the Fastweb voucher is accounted for at nominal value as at 31 December 2019.

Financial Situation of the Group

As at 31 December 2019, the Tiscali Group can count on cash, cash equivalents and bank accounts amounting to EUR 11.7 million (EUR 19 as at 31 December 2018), with a net financial position as at the same date negative for EUR 87 million (EUR 152.1 million as at 31 December 2018).

Senior Loan

The net financial position as at 31 December 2019 includes the effects of accounting for the restructured Senior Loan on 28 March 2019, as provided for in the Senior Debt Restructuring Agreements.

The restructured debt was recorded as at 31 December 2019 at amortised value, equal to EUR 64.7 million (including interest and principal of the previous debt), as compared to an amortised value as at 31 December 2018 of EUR 93.4 million.

As at 31 December 2019, the long-term portion of the Senior Debt, defined on the basis of the new financial plan, was reclassified under *non-current bank debt*, amounting toEUR 64.4 million, while as at 31 December 2018, pending completion of the Senior Debt Restructuring Agreements and in the presence of certain default events, the debt itself was classified entirely as short-term.

Leasing IFRS 16

The net financial position as at 31 December 2019 includes the effects of the application of IFRS 16, applied from 1 January 2019, with the modified retrospective method, without restatement of comparative data. The application of this standard to existing lease contracts resulted in the recognition of payables for leases and rentals as at 31 December 2019 for a total of EUR 18.2 million, mainly relating to the lease contract for the Sa Illetta headquarters (effective from 28 March 2019, with a 9-year duration).

Net Financial Position	Note	31 December 2019	31 December 2018
(EUR 000)			
A. Cash and bank deposits		11,7	19,0
B. Cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		***11,7***	***19,0***
E. Current financial receivables			
F. Non-current financial receivables		**0,9**	0,5
G. Current bank payables		0,1	6,6
H. Current portion of bonds issued	(1)	5,2	
I. Current part of long-term loans	(2)	0,2	97,0
J. Other current financial payables	(3)	6,8	60,8
K. Current financial indebtedness (G) + (H) + (I) + (J)		***12,5***	***164,4***
L. Net current financial indebtedness *(K)-(D)-(E)-(F)*		**(0,1)**	**144,9**
M. Non-current bank loans	(4)	67,9	
N. Bonds issued			
O. Other non-current financial payables	(5)	19,1	7,1
P. Non-current financial indebtedness *(M)+(N)+(O)*		**87,0**	**7,1**
Q. Net financial indebtedness *(L)+(P)*		**87,0**	**152,1**

Notes:

(1) *This item relates to the Convertible Bond issued on 31 January 2019 for a nominal value of EUR 10.6 million, subscribed on the same date, for a value of EUR 10.1 million, by ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares. In July, September and October 2019, Sova Disciplined Equity Fund SPC converted a total*

nominal value of EUR 5.3 million, equal to the entire stake held. As at 31 December 2019, the residual nominal value of the bond loan, equal to EUR 5.3 million, corresponds to an amortised value of EUR 5.2 million. For further information, please refer to the Explanatory Report on the convertible bond loan published by the Company on 10 January 2019.

(2) *It includes the component due within the year of 0.23 EUR million relating to the Senior Lenders debt restructured on 28 March 2019 (principal and interest repayable within 12 months).*

(3) *It includes the following items: i) the short-term portion of finance lease payables relating to investments in network infrastructure for EUR 3.3 million and the lease contract for EUR 1.6 million, recognised in accordance with IFRS 16; ii) the short-term portion of the payable relating to the Sa Illetta lease contract (recognised following the application of IFRS 16) for EUR 1.5 million, iii) the short-term portion of the loans granted by the Ministry of University and Research and the Ministry of Production Activities for EUR 27 thousand and iv) the value of the convertible bond option described in note 1 above for EUR 0.4 million.*

(4) *It includes the following elements: i) the component due after one year of EUR 64.4 million relating to the Senior Lenders debt restructured on 28 March 2019; ii) the long-term portion of other long-term bank loans of EUR 3.5 million.*

(5) *It includes the following elements: 1) the long-term portion of the payable relating to the Sa Illetta lease contract (recognised following the application of IFRS 16) for EUR 12.5 million; ii) the long-term portion of financial lease payables relating to investments in network infrastructure for EUR 4 million, in addition to a further EUR 2.6 million recognised on lease contracts on network equipment capitalised in application of IFRS 16.*

The table above includes security deposits under *Other cash and cash equivalents* and under *Non-current financial receivables*. For the sake of completeness, we also provide below a reconciliation of the above financial position with the financial position prepared in the light of CONSOB communication Mo. DEM/6064293 of 28 July 2006 and reported in the Explanatory Notes

	31 December 2019	**31 December 2018**
(EUR mln)		
Consolidated net financial debt	**87,0**	**152,1**
Non-current financial receivables	0,9	0,5
Consolidated net financial debt prepared on the basis of Consob communication No. DEM/6064293 dated 28 July 2006	**87,8**	**152,6**

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Main events during FY 2019

31 January 2019 — Subscription by the reference shareholders ICT and Sova Disciplined Equity Fund of the 2019-2020 Convertible Bond for a nominal amount of EUR 10.6 million

The Board of Directors of the Company, which met on 31 January 2019, resolved, in partial exercise of the powers granted by the Shareholders' Meeting of 26 June 2018, to issue a Convertible Bond for the amount of EUR 10.6 million, as well as the capital increase to service the Bond. Also on that date, the Bond was fully subscribed for a nominal value of EUR 10.6 million by the shareholders ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares of EUR 5.3 million each.

28 March 2019 — Signature of the final Restructuring Agreements for the Financial Debt with the Financial Institutions and the Leasing Pool

On that date, the Financial Debt Restructuring Agreements were signed with the banks and the Pool Leasing. For further information, please refer to Paragraph 4.2 *Main results achieved during FY 2019 and subsequent events*.

10 May 2019 — Purchase of a 22.059% stake in the share capital of Tiscali by Amsicora S.r.l.

On 10 May 2019, Amsicora S.r.l., an Italian investment company founded and managed by Claudio Costamagna, Alberto Trondoli, Manilo Marocco and also owned by other private investors, signed a contract with ICT Holding Ltd for the purchase of the entire stake held in Tiscali, equal to approximately 20.79% of the share capital, as well as a contract with SOVA Disciplined Equity Fund SPC for the purchase of a stake equal to approximately 1.269% of the share capital of Tiscali, for a total of approximately 22.059% of the Tiscali's share capital.
Following this transaction, the new shareholders and the founder Renato Soru, who previously held a 7.94% share in Tiscali's share capital, hold a total interest of 29.99% of the Company's share capital.
The purchase of the equity investments was completed subject to the satisfaction of certain conditions precedent, which occurred during the first half of the year.

13 May 2019 — Revocation of the powers of the Board of Directors and appointment of Renato Soru as Chairman and Chief Executive Officer

On 13 May 2019, the Board of Directors of Tiscali Spa reassigned the powers of attorney, appointing Renato Soru as Chairman and Chief Executive Officer, replacing Alexander Okun and Alex Kossuta, respectively. The Board of Directors agreed to grant the newly elected Chairman of

the Board of Directors the power to convene an Ordinary Shareholders' Meeting to discuss and resolve on the following agenda:
(i) revocation of the current Board of Directors;
(ii) determination of the number of members of the Board of Directors;
(iii) appointment of the members of the Board of Directors through the list voting mechanism; and
(iv) remuneration pursuant to Article no. 2389, paragraph no. 1, of the Italian Civil Code.

Furthermore, on 13 May 2020, the Company announced that — with reference to the sale and purchase contract signed on 10 May 2020 between Amsicora S.r.l. and ICT Holding — the transaction concerned provides for a unit price of EUR 0.0085.

Finally, on 13 May 2020, the Shareholders' Meeting resolved the following:

- Approval of the 2018 Financial Statements
- Resolution on the first section of the Remuneration Report
- Replenishment of stock option reserves by reducing the share capital of Tiscali Spa by EUR 2,010,217.

<u>27 June 2019 — Appointment of the new Board of Directors by the Tiscali Ordinary Shareholders' Meeting</u>

The Tiscali Ordinary Shareholders' Meeting, held on 27 June 2019 in single call, has appointed the new Board of Directors, composed of the following 7 persons:

- Alberto Trondoli
- Renato Soru
- Manilo Marocco
- Sara Polatti
- Anna G. Belova (Independent Director pursuant to Article No. 148 TUF and Corporate Governance Code)
- Patrizia Rutigliano (Independent Director pursuant to Article No. 148 TUF and Corporate Governance Code)
- Federica Celoria (Independent Director pursuant to Article No. 148 TUF and Corporate Governance Code)

The Shareholders' Meeting resolved that the Directors of the Company are to remain in office until the approval of the Financial Statements for the FY ending on 31 December 2021.

The new Board of Directors was elected from the only list jointly submitted by the shareholders Renato Soru and Amsicora S.r.l. (who, together, hold a 29.9% share in the Company's share capital), which received 99.99% of the votes of those attending the Shareholders' Meeting.

It should be noted that Directors Alberto Trondoli and Manilo Marocco hold an indirect equity interest in Tiscali S.p.A. through Amsicora S.r.l., which holds 22.0627% of the Company's share capital, and Director Renato Soru holds a direct and indirect equity interest in Tiscali S.p.A. for a total of 7.9372% of the above-mentioned share capital.

15 July 2019 — Conversion of no. 5 bonds of the 2019-2020 Tiscali Conv. Convertible Bond

On 15 July 2019, following the exercise by Sova Capital Limited of the conversion right, 49,701,789 shares were issued to service the conversion of 5 bonds with a nominal value of EUR 500,000 of the 2019-2020 Tiscali Conv. Convertible Bond.

18 July 2019 — Conversion n. 10 bonds of the 2019-2020 Tiscali Conv. Convertible Bond

On 18 July 2019, following the exercise by Sova Capital Limited of the conversion right, 96,246,391 shares were issued to service the conversion of 10 bonds with a nominal value of EUR 1,000,000 of the 2019-2020 Tiscali Conv. Convertible Bond.

4 September 2019 — Conversion n. 19 bonds of the 2019-2020 Tiscali Conv. Convertible Bond

On 4 September 2019, following the exercise by Sova Capital Limited of the conversion right, 182,951,593 shares were issued to service the conversion of 19 bonds with a nominal value of EUR 1,900,000 of the 2019-2020 Tiscali Conv. Convertible Bond.

22 October 2019 — Conversion n. 19 bonds of the 2019-2020 Tiscali Conv. Convertible Bond

On 22 October 2019, following the exercise by Sova Capital Limited of the conversion right, 197,916,667 shares were issued to service the conversion of 19 bonds with a nominal value of EUR 1,900,000 of the 2019-2020 Tiscali Conv. Convertible Bond.

Assessment on the business as an ongoing concern and business outlook — facts and uncertainties concerning the business as a going concern

Financial and economic performance for the period

The Tiscali Group closed FY 2019 with a loss of EUR 16.5 million as compared to a profit of EUR 83.2 million in 2018. The result for 2018 was primarily attributable to the net gain on the sale of the licence of 40 Mhz in the 3.5 Ghz band and the Fixed Wireless Access (FWA) business branch to

Fastweb of EUR 128.5 million, net of which the net result for 2018 would have been a loss of EUR 45.3 million.

The 2019 net income was significantly impacted by non-recurring factors amounting to EUR 24.5 million, mainly relating to:

- The proceeds from the sale of the Sa Illetta Property, in accordance with the Sa Illetta Leasing Agreement entered into with the Pool Leasing on 28 March 2019, for a total of EUR 11.1 million.
- The income, recorded following the signing of the Restructuring Agreements, given by the difference between the amortized value of the Senior Loan recorded in the financial statements and the new book value of the new Senior Loan calculated on the basis of the Restructuring Agreements signed;
- Other net non-recurring income and charges totalling EUR 0.5 million.

Net of non-recurring net income, thus, the net loss for the period (before taxes) would have been EUR 41 million in 2019, an improvement of approximately EUR 4.3 million as compared to the 2018 result net of the extraordinary capital gain.

From an equity point of view, the Tiscali Group closed 2019 with a negative consolidated net equity of EUR 56 million, as compared to negative EUR 44.7 million as at 31 December 2018. The change in shareholders' equity is attributable to the loss for the period of EUR 16.4 million, net of the partial conversion of the Tiscali 2019-2020 Convertible Bond Loan in the second half of FY 2019.

From a financial point of view, as at 31 December 2019 the Group recorded a gross financial debt of EUR 99.5 million, an improvement of EUR 72.1 million as compared to the gross financial debt as at 31 December 2018 (EUR 171.6 million), and current liabilities in excess of current (non-financial) assets of EUR 74.3 million, a worsening of EUR 35.5 million as compared to net current liabilities as at 31 December 2018, amounting to EUR 38.8 million.

The worsening of the balance of net non-financial current liabilities, as stated above, by EUR 35.5 million, is due to i) the reduction in current assets, by EUR 113.6 million, mainly due to receivables from Fastweb for approximately EUR 85.7 million, and ii) the reduction in current liabilities, by EUR 78.2 million, mainly due to the reduction in trade payables (equal to EUR 74.3 million), as a result of overdue supplier payments and transactions with certain suppliers which led to some write-offs and/or rescheduling of debt positions.

Lastly, current liabilities include 14.3 million euros in net trade payables past due (net of payment plans agreed with suppliers, as well as assets and disputed accounts payable to the same suppliers), a significant improvement compared with the corresponding amount of 57.7 million euros at December 31, 2018, in addition to past-due financial payables (net of credit positions) of approximately EUR 0.1 million (EUR 36.9 million at 31 December 2018), past-due tax payables of approximately EUR 27.9 million (EUR 18.2 million at 31 December 2018), and past-due social security payables to employees of EUR 0.1 million (EUR 0.5 million at 31 December 2018). During the year, agreements were made to write off trade payables of EUR 5.7 million (EUR 4.6 million in 2018).

Finally, current liabilities include net trade payables past due (net of payment plans agreed with suppliers, as well as assets and disputed items with the same suppliers) for EUR 14.3 million, a clear improvement as compared to the corresponding amount of EUR 57.7 million as at 31 December 2018, in addition to past-due financial payables (net of credit positions) of approximately EUR 0.1 million (EUR 36.9 million as at 31 December 2018), past-due tax payables of approximately EUR 27.9 million (EUR 18.2 million as at 31 December 2018), and past-due social security payables to employees amounting to EUR 0.1 million (EUR 0.5 million as at 31 December 2018). During the year, agreements were made to write off trade payables for an amount of EUR 5.7 million (EUR 4.6 million in 2018).

It should be noted that, on 21 February 2020, the Company sent the Lending Institutions (Intesa San Paolo and Banco BPM) the *covenant certificate* certifying compliance with the covenants set out in the loan agreements. With reference to one of the parameters concerned, the Directors deemed it appropriate, following the introduction in 2019 of the IFRS16 accounting standard, to proceed with the pro-forma process of the parameter in order to neutralize it from the effects of the change in the standard, as the metrics included in the loan agreements were based on the prospective data included in the 2018-2020 Business Plan sworn for the companies Tiscali Italia and Aria pursuant to Article No. 67 of the Royal Decree No. 267/1942, which did not take into account the effects of this standard. The Company requested the banks a formal confirmation of this calculation method, as well as indications on how to operate in future semesters. This confirmation was received on 24 April 2020, through the signature of the agreement amending the Senior Loan which includes, in the calculation of the above mentioned parameter, the pro-forma effect pursuant to IFRS16.

The 2020-2022 Business Plan

As previously indicated, in the context of the economic, equity and financial situation described above, the Tiscali Group has undertaken a development path implemented in 2019, whose founding pillars are included in the 2020-2022 Business Plan, approved by the Company's Board of Directors on 27 April 2020. The 2020-2022 Business Plan, which originates from the previous 2018-2020 Plan sworn for the companies Tiscali Italia and Aria pursuant to Article No. 67 of the Royal Decree No. 267/1942 — of which it shares the inspiring lines — provided for the updating of the operations to be taken in the light of market developments, the actions already taken and the results highlighted by these actions. The need to update the previous business plan had been determined, firstly — as it is common practice, as well as mandatory for the accounting principles — for the need to have a three-year horizon, thus each year projections are lengthened by one year; secondly, to take into account the deviations on the income statement and balance sheet items recorded in 2019. The contents of this Plan, briefly, include:

- A return to substantial breakeven in the next financial year (2021) and a return to profit in 2022;
- The confirmation of the focus on the core business: sale of Broadband and UltraBroadband services (Fixed, Fixed Wireless and Mobile) to Consumer, SOHO and SME retail customers;
- The redefinition of the operating model, increasingly focused on the development of new services, marketing and sales and excellence in customer management, reducing the direct management of network infrastructures;
- The reduction in investment commitments, in line with the new operating model;
- The containment of fixed and variable costs to support margins;
- The expansion of the addressable market, thanks to the beneficial effects of the Fastweb Transaction and the conclusion in July 2019 of new agreements with Linkem, Open Fiber and Tim, with a particular focus on Fibre offerings (UltraInternet Fibre) with speeds of up to 1 Giga and Mobile 4G, with speeds of up to 150 Mbps;
- The relaunch of the Tiscali brand, thanks to new investments in communication;
- The maintenance of a balanced financial and asset structure;
- The diversification in the business area of the portal.

Uncertainties connected to the COVID-19 pandemic

Since January 2020, the national and international scenario has been characterized by the spread of the Coronavirus ("COVID-19") pandemics and the consequent restrictive measures for its containment, implemented by the public authorities of the various countries. As part of the risk management operations carried out by the Directors, they carried out a careful assessment of the situation and, despite the uncertainty inherent in the case, resulting primarily from the lack of knowledge of the COVID-19 virus within the scientific community, they highlighted, in the current scenario, the possible repercussions related to the spread of the COVID-19 and the measures taken by governments to slow down its spread. In particular, the effects on the Group hypothesised in the scenarios include i) operational effects, linked to possible restrictions on operations resulting from possible prohibition measures imposed by the authorities, as well as restrictions on national movements that could delay certain business processes (continuation of personnel-intensive activities such as call centres and service centres; installation of equipment at customers' premises; possibility of dealing with line failures and/or possibility of installing new equipment at third party sites); furthermore, a possible operational risk linked to COVID-19 is represented by the need for more bandwidth to respond to the increased traffic resulting from the measures to contain movements; (ii) effects on the market, linked to the possible contraction of the global economy and global production, to which could correspond a more pronounced crisis in the Italian economic system and, therefore, a depression in the spending capacity of users; (iii) effects on the financial balance, linked to the possible deterioration in the solvency of commercial counter-parties and/or the reduction in collections with manual payment methods (postal orders), already partly found in March and April 2020; and iv) effects on the supply chain, due to possible difficulties in procuring equipment in the event that the measures restricting the circulation of people currently in place should become more stringent, including the transport of non-perishable/urgent goods. The Directors analysed these possible effects and prepared a management and response document concerning these risks. Although they have prepared these plans with extreme diligence, the above-mentioned effects may not be mitigated, or only partially mitigated, by the actions of the Directors since the multiple hypotheses considered are not under their control.

As at 31 March 2020, the risks identified above have highlighted the following possible effects:

a) A reduction in March and April in the number of new contracts for Mobile as compared to budget forecasts (-12%). A recovery is expected with the end of the emergency;
b) Operating costs due to the use of more voice traffic have increased and an impact on 2020 is estimated equal to higher costs of approximately EUR 200 thousand, as well as additional investments of approximately EUR 60 thousand. The increased bandwidth usage has also been substantially absorbed by the network infrastructure with adjustments already budgeted for;
c) A delay in receipts which showed, with the same turnover, a reduction in March of about 10% (about EUR 1.6 million). This reduction, which is not due to the worsening of customers' solvency, but to the movement difficulties that have limited movements, is substantially attributable solely to non-automatic collections and is expected to be recovered during the year given the strategic nature of the service offered to customers.

Final assessment of the Board of Directors on the business as an ongoing concern

The Directors, in this 2019 Annual Financial Report, with regard to the recurrence of the assumption of going concern and the application of the accounting principles of a company in operation, point out that the Group:

- Reported a consolidated net loss for the FY of EUR 16.5 million;
- Reported a consolidated EBITDA of EUR 25.6 million;
- Had a consolidated net financial position as at 31 December 2019 of EUR 87 million, of which EUR 12.5 million current and EUR 87 million falling due after 12 months;
- At consolidated level, current liabilities exceed current (non-financial) assets by EUR 74.4 million;
- Has a consolidated equity deficit amounting to EUR 56 million;
- Shows net trade payables past due (net of payment plans agreed with suppliers, as well as assets and disputed items to the same suppliers) for EUR 14.3 million, in addition to financial payables past due (net of credit positions) substantially nil (equal to EUR 41 thousand), tax and social security payables past due of approximately EUR 27.9 million.

Furthermore, the Directors point out that the 1Q 2020 shows a performance lower than expected, mainly due to the effects of the COVID-19 emergency in March.

In this situation, the management reiterates that the achievement of a medium- and long-term equity, economic and financial equilibrium of the Group is in general always subject to the achievement of the results expected in the 2020-2022 Business Plan, which foresees the achievement of economic equilibrium in 2021 and, therefore, the realisation of the forecasts and assumptions contained therein in a market context characterised by strong competitive pressure, a macroeconomic context of difficulty linked to recent events linked to the diffusion in Italy of the COVID-19 pandemic, as well as the Group's ability and possibility to raise the financial and equity resources necessary to pursue the 2020-2022 Business Plan.

In the face of these uncertainties, the Directors point out that the Group:

a) Stabilized its Fixed Broadband customer base, which is substantially in line with the customer base at 31 December 2018 (going from approximately 383 thousand users as at 31 December 2018 to approximately 381.7 thousand users as at 31 December 2019), but showing significant growth in the number of Fiber customers, which increased by 106.8%, from 79.1 thousand users as at 31 December 2018 to 163.7 thousand users as at 31 December 2019, and a growth trend in the second half of the year after a first half in which the customer base had continued to decline, as a result of the Group's re-launch and development, and also thanks to the Fiber offerings on which the Company is focusing;

b) Continued, during 2019, to implement industrial activities consistent with the new development and growth path, namely:

    - continued to expand the addressable market, thanks to the conclusion/implementation of the following agreements:

- operational implementation of the Fastweb Agreement, which has allowed the expansion of the addressable market of the Company thanks to the possibility to continue to market LTE services in the "Digital Divide Areas" extended under the terms of the Agreement, on a wider market thanks to the commitment signed by Fastweb to complete the migration from Wi Max technology to LTE technology at its own expense, and the possibility for Tiscali to access Fastweb's Fibre Network;
- In July 2019, new agreements were signed with other operators (Open Fiber and Linkem) allowing Tiscali to use the FWA and Fibre network of these operators.
- The above agreements now enable Tiscali to reach 10.9 million households and businesses with FWA technology (4.9 million households with speeds of up to 100Mb thanks to Fastweb's network and around 16 million households with speeds of up to 30Mb thanks to Linkem coverage). With regard to the Fibre market, Tiscali has been able to provide fibre services to around 20 million households and businesses since the end of 2019 (13.5 million in multi-mode fibre technology and 6.5 million in FTTH technology).

- concluded, in December 2019, an agreement with TIM that allows it to offer its Mobile customers 4G technology with speeds of up to 150 Mbps, differentiating itself from low cost mobile operators offering a 4G "Basic" technology with speeds of up to 30 Mbps, with an offer available in 7565 Italian municipalities (98.2% of national coverage);
- began the relaunch of the Tiscali brand, launching an institutional advertising campaign in March 2019, and a subsequent campaign in September 2019 — following the rebranding and launch of the new logo undertaken following the change in governance during the year;

c) In July 2019, it launched significant management actions aimed at improving the marginality of the services offered, both through policies to review the prices applied and through policies to contain fixed and variable costs. These strategies, together with the Agreements previously indicated in item b), have led to an improvement in operating profit in 2019, while explaining most of the beneficial effects on 2020 and future results;

d) On 28 March 2019, it finalised the signature of the Debt Restructuring Agreements on 28 March 2019, achieving a rebalancing of the current financial situation and, more generally, a reduction in its exposure to financial institutions and suppliers;

e) Generated cash flows from operating activities in 2019 before changes in working capital of EUR 26.9 million, in addition to positive changes in working capital of EUR 19.2 million;

f) Negotiated and entered into important agreements with strategic suppliers, also thanks to the almost full payment of overdue trade payables;

g) Started a process of diversification of the Group's activities in the portal through the launch of commercial partnerships with specialized operators (e-commerce, lead generation, payments, etc.).

Furthermore, the Directors have drawn up a cash plan for a 12-month period from the date of approval of this document, which also takes into account the financial effects of obtaining extraordinary finance as part of the measures taken to support businesses to deal with the crisis arising from the COVID-19 emergency. On the basis of this cash flow plan, the Group, assuming compliance with the 2020-2022 Business Plan and assuming that it obtains further extraordinary finance, would be able to meet its obligations while maintaining a level of past due payment substantially in line with the current one.

The Directors, therefore, think that the actions undertaken in 2019 allow the Group and the Company to continue along the virtuous path undertaken and are such as to suggest that — even in the presence of the aforementioned situations of uncertainty about the implementation of the 2020-2022 Business Plan over the next twelve months and about obtaining the extraordinary financial resources connected with the COVID-19 emergency, linked to the existence of uncontrollable exogenous variables which may cause results to be worse than those forecast — the short-term financial and equity balance and the going concern connected with it is not at risk.

It is therefore on this basis that the Directors have a reasonable expectation that the Company will continue as a going concern over the next 12 months and that the Group will be able to use the accounting principles of a going concern in the preparation of this Report.

This determination is, of course, the result of a subjective opinion, which compared the degree of probability of their occurrence with the opposite situation to the events listed above.

It should be stressed that the prognostic judgement underlying the Board of Directors' determination could be contradicted by further developments. Precisely because it is aware of the intrinsic limits of its determination, the Board of Directors will maintain constant monitoring of the evolution of the factors taken into consideration (as well as of any further circumstances that may acquire importance), so that it can promptly take the necessary measures.

Business Outlook

Consistent with the above, and in line with the objectives of the 2020-2022 Business Plan, in the coming months the Group's commitment will be focused on the full implementation of the plan itself, with particular attention to:

- The full restart and continuation of the commercial drive, with particular focus on the acquisition of new customers in Fiber, LTE and Mobile. Full exploitation of the wholesale agreements signed Open Fiber, with Fastweb and Linkem. Particular attention will be paid to improving margins;
- The relaunch of the Tiscali brand to support the process of acquiring new customers;
- The transformation of the company's operating model, in line with the renewed focus on all new service development, marketing, sales and customer management activities;
- The development of the portal diversification activity;
- The continuation of the operating cost efficiency plan;
- The development of a path of diversification through the expansion of the services offered to customers.

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About Tiscali
Tiscali S.p.A. (Borsa Italiana. Milan: TIS) is one of the main alternative telecommunications companies in Italy and provides its clients, individuals and companies, with a wide range of services: Fixed Broadband and Broadband Fixed Wireless Internet access, mobile telephony services and value-added services (including e-mail, web streaming, security services). As at 30 June 2019, Tiscali had a customer portfolio of 654.4 thousand customers. Tiscali's website can be reached at www.tiscali.it

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