

Press Release

Draft 2018 Financial Statements

Cagliari, 2 April 2019

In addition to what was communicated on 29 March 2018 regarding the draft financial statements approved by the Board of Directors of Tiscali S.p.A., the evolution of the main economic-financial indicators for the 2018 financial year is described below:

- A **positive net result of EUR 83.2 million**, thanks to the net capital gain of around EUR 130 million deriving from the deal with Fastweb, which is significantly improved as compared to the positive figure of 2017, of EUR 0.8 million, in turn influenced by an extraordinary capital gain over EUR 40 million;
- **EUR 172.8 million in revenues, down by 16.8%** as compared to 2017;
- **EUR 20.5 million EBITDA, down by 29.5%** as compared to 2017;
- Reduction in the total customer portfolio of approximately **108 thousand units, from 748.2 thousand total customers as at 31 December 2017 to 640.1 thousand total customers as at 31 December 2018.**

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Condensed Figures

Income statement	2018	2017
<i>(EUR mln)</i>		
Revenue	172.8	207.6
Adjusted Gross Operating Result (EBITDA)	20.5	29.1
Operating Result (EBIT)	(34.1)	(22.6)
Net Result	83.2	0.8
Statement of financial position	31 December 2018	31 December 2017 (*)
<i>(EUR mln)</i>		
Total assets	345.9	300.4
Net Financial Debt	152.1	178.9
Net Financial Debt as per Consob	152.6	179.4
Shareholders' equity (*)	(44.7)	(128.0)
Investments	19.3	64.4
Operating figures	31 December 2018	31 December 2017
<i>(thousands)</i>		
Total number of Clients	640.1	748.2
Broadband Fixed	382.8	451.2
<i>of which Fiber</i>	79.1	47.1
Broadband Wireless	58.8	66.6
<i>of which LTE</i>	47.8	49.6
Mobile	198.5	230.4

(*) At the date of approval of these consolidated financial statements as at 31 December 2018, Tiscali S.p.A. is not included in cases provided by Article No. 2446 or 2447 of the Italian Civil Code.

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Main results obtained during the FY 2018 and subsequent events

In 2018, the Tiscali Group activities focused in particular on the preparatory actions for obtaining the extension of the license held on the 3.5GHz frequency and on the negotiation of the strategic agreement with Fastweb (signed on November 16, 2018, whose details will be given below) aimed at the full exploitation of the same frequency and the possibility of having access to the Fastweb Fiber access infrastructure in wholesale mode, to extend the size of the expressible market for Fiber services to end users. Furthermore, the negotiation process of agreements aimed at debt management, both of the one expired with the main strategic suppliers and of the financial one with Financial Institutions and Pool Leasing, continued and was completed successfully on 28 March 2019, with the signing of the Financial Debt Restructuring Agreements as per the press release concerned.

Extension of the license on the 3.5GHz frequency

During 2018, preparatory activities were finalized to obtain the extension of the license on 3.5GHz frequency of which Tiscali is the holder, from its natural expiry date established in May 2023 until December 2029, thus extending the duration of the license of over 6 years. This extension was obtained on November 12.

Strategic Agreement with Fastweb

On 30 July 2018, Tiscali signed a preliminary agreement with Fastweb (hereinafter referred to also as "Transfer Agreement"), aimed at strengthening the strategic partnership launched in December 2016 with Fastweb. The structure of the agreement with the Fastweb group is based on three pillars:

- the sale by Aria (a Tiscali group company holding the license) of the 42 MHz license in the 3.5 GHz frequency;
- the sale by Tiscali Italia of a Fixed Wireless Access (FWA) company branch, including all the FWA infrastructures (836 towers) owned by the Tiscali group on that date, as well as the transfer of 34 employees;
- a wholesale agreement (hereinafter referred to also as "Wholesale Agreement"), which allowed the Tiscali group to obtain full access to the Fastweb Fiber access network infrastructure and the FWA infrastructure sold to Fastweb.

The Preliminary Sale agreement was finalized on November 16, 2018 through the signing of the definitive agreements (the "Sale Agreement") and with the payment of the part of the first installment of the expected price, totaling EUR 50 million, residual on advance payments previously made by Fastweb to support Tiscali's temporary liquidity needs that emerged during the trading period. The consideration agreed with Fastweb for the acquisition of the frequency and assets of the Fixed Wireless infrastructure, restated in its valuation on November 12, amounts for nominal EUR 198 million, of which:

- EUR 130 million cash (of which EUR50 million to be settled on the closing date and the remaining EUR80 million to be paid by June 30, 2019);
- EUR 55 million for "in-kind" vouchers to be spent on services that the Tiscali Group can acquire from Fastweb, on the basis of the conditions contained in the Wholesale Agreement; and
- The acquisition by Fastweb of about EUR 13 million of trade payables.
- The acceptance by Fastweb of ancillary charges for the extension of the license on 3.5GHz frequency.

The New 2018-2021 Business Plan and its asseveration as per Article 67

Thanks to the above-described Strategic Agreement with Fastweb, in order to redefine the business model and return to a financial and asset balance position, the Group has developed a 2018-2021 Business Plan (hereinafter referred to also as the "New 2018-2021 Business Plan") which, taking into account the effects that the sale of the spectrum to

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Fastweb implies on the development strategies and on the financial structure of the Tiscali group, aims to guarantee the Group's business continuity and relaunch, also taking into account the positive finalization of the agreements for the restructuring of debt with the Financial Institutions and the Pool Leasing which was concluded with the signature of the respective restructuring agreement on 28 March 2019.

In this context, the senior loan with Intesa San Paolo and BPM reflected in the New 2018-2021 Business Plan has been restructured as follows:

- New deadline: 30 September 2024
- Repayment plan structured as follows:
 - A prepayment of EUR 20 million to be made on 1 July 2019, followed by a three-year period of pre-amortization;
 - amortization of EUR 25 million to be paid in 5 six-monthly installments from 31 March 2022 to 31 March 2024;
 - balance of the residual debt to be paid in full on 30 September 2024.
- Significant reduction in the total cost of the loan.

Likewise, with regard to the "Sale & Lease Back Sa Illetta" debt outstanding with Mediocredito Italiano and Unicredit Leasing (the "Pool Leasing"), the final agreement with the Pool Leasing was signed on 28 March 2019 ("Agreement for the Restructuring of the Sa Illetta Lease" and, together with the Senior Debt Restructuring Agreement, the "Debt Restructuring Agreements") which for the property to return to the possession of the leasing companies and for Tiscali to pay on 1 July 2019 a payment of indemnity equal to EUR 10 million to fully repay the residual debt.

Tiscali has simultaneously entered into a rental agreement for the entire building, with a 9-year duration, renewable, with an annual rent of EUR 2.1 million plus VAT with the right to sublease.

The New Business Plan 2019-2021 of the Tiscali group, prepared considering the effects of the closing of the transaction with Fastweb, and the signature of the Debt Reorganization Agreements dated 28 March 2019, defines the new development path for the Group as a result of the sale, based on the following key elements:

- **Redefinition of the operating model:** following the operation with Fastweb, the Tiscali Group is to progressively change its operating model, reducing the direct management of network infrastructures and at the same time increasingly concentrating on the ability to develop new services, on the activities Marketing and Sales and excellence in customer management.
- **Strong reduction in investment commitments**, consistent with the new operating model and with the changed portfolio of activities managed by the company as a result of the sale.
- **Confirmation of the focus on the "core business":** the New 2019-2021 Business Plan provides for the full focus of the Tiscali Group on the "core business" of the sale of BroadBand and UltraBroadBand services (Fixed, Fixed Wireless and Mobile) to Consumer retail, SOHO and EMS customers.
- **Expansion of the addressable market:** this strategy will have the possibility to develop on a broader market than the one previously held by the Tiscali Group, thanks to the beneficial effects of the wholesale agreement signed with Fastweb, which allows:
 - on the one hand, **to continue to market LTE Fixed Wireless services** in the "Extended Digital Divide" areas thanks to the conditions of wholesale access to the assigned Wireless network provided for by the agreement and indeed on a wider market thanks to Fastweb's commitment to complete the migration of the same network from WiMAX technology to LTE technology at its own expense (from about 4 million to about 6.5 million households and businesses covered by the LTE service);
 - or on the other, to access the Fastweb Fiber network, allowing Tiscali – without further incremental investments – **to expand the addressable market of Fiber services** from about 8 million households and businesses to around 18 million
- **Full relaunch of the Tiscali brand to support the marketing of services**, by virtue of the investments in communication established in the New 2019-2021 Business Plan, and possible thanks to the proceeds from the agreement with Fastweb.

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- **Future access to 5G services**, thanks to the possibility of using the Fastweb 5G network to commercialize the future 5G Mobile services to its customers, thus increasing the overall value proposition of its Mobile offer, also in light of the extension of the license term to 2029.
- **Strengthening of the Group's financial and equity** thanks to the signature of the Debt Restructuring Agreements and the issue of the 2019-2020 Convertible Bond, finalized on 31 January 2019 and subscribed by the ICT shareholders and Sova Disciplined Equity Fund, for EUR 10 million.

Moreover, as already mentioned – with the signature of the Debt Restructuring Agreements dated 28 March 2019 - the financial requirements of the New 2018-2021 Business Plan are consistent with the Group's resources deriving both from its operations and from the collection of fees provided for by the sale itself.

It should be also noted that on 27 March 2019 the appointed professional signed the asseveration report as per Article N. 67, paragraph 3, letter d) of the Royal Decree No. 267/1942 for the New 2018-2021 Business Plan.

Financial Situation of the Group

As at 31 December 2018, the Tiscali Group can count on cash, cash equivalents and bank accounts amounting to EUR 19 million in total, with a net financial position as at the same date negative for EUR 152.1 million (EUR 178.9 million as at 31 December 2017).

The conditions and terms included in the Debt Restructuring Agreements described above are not reflected in the financial statements as at 31 December 2018 as they were completed after that date.

The Senior Loan and the Sa Illetta lease were therefore accounted for on the basis of the conditions and parameters contained in the contracts in force at 31 December 2018, with classification under current net debt.

Net Financial Position	Notes	31 December 2018	31 December 2017
<i>(EUR million)</i>			
A. Cash and Bank deposits		19.0	1.5
B. Other cash equivalents		0.0	0.0
C. Securities held for trading		0.0	0.0
D. Liquidity (A) + (B) + (C)		19.0	1.5
E. Current loan receivables		0.0	0.0
F. Non-current financial receivables	(1)	0.5	0.5
G. Current bank payables	(2)	6.6	13.3
H. Current accounting of bonds issued		0.0	0.0
I. Current accounting of non-current debts	(3)	97.0	94.6
J. Other current financial debts	(4)	60.8	62.2
K. Current financial debt (G) + (H) + (I)+(J)		164.4	170.0
L. Net current financial debt (K)-(D)-(E)-(F)		144.9	168.1
M. Non-current bank Loans	(5)	0.0	0.0
N. Bonds issued		0.0	0.0
O. Other non-current intercompany debt	(6)	7.1	10.8
P. Non-current financial debt (M)+(N)+(O)		7.1	10.8
Q. Net Financial Position (L)+(P)		152.1	178.9

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- (1) Includes several guarantee deposits.
- (2) Includes bank payables of Tiscali Italia S.p.A., Tiscali S.p.A., Veesible S.r.l. and Aria Group.
- (3) Includes the following: i) the component falling due within the financial year of EUR 27.3 million relating to the debt with Senior Lenders (principal and interest repayable within 12 months), ii) the component originally due beyond the exercise of the above loan, reclassified as due within the FY due to the presence of certain events of default and pending completion of the Senior Debt Restructuring Agreements, amounting to 64.9 million Euro, iii) the short-term installments of other long-term bank loans for EUR 4.7 million.
- (4) Includes the following elements: i) the short-term component of the "Sale and Lease Back Sa Illetta" debt of EUR 22.4 million; (ii) the component originally due beyond the year of the same debt, reclassified as expiring within the FY due to the presence of certain events of default and pending completion of the Agreements for the Restructuring of the Sa Illetta Lease for EUR 30.6 million, iii) the short-term portion of payables for financial leases related to investments for the network infrastructure for EUR 7.6 million and iv) the short-term portion of the loans provided by the Ministry for Universities and Research and by the Ministry of Productive Activities for EUR 0.2 million.
- (5) This item is equal to zero following the reclassification carried out (in compliance with the provisions of IAS 1) in consideration of the status of the process of completion of the Senior Debt Restructuring Agreements and the Sa Illetta Leasing Restructuring Agreement (referred to previous note 3))
- (6) This item includes the long-term portion of finance lease payables relating to investments for the network infrastructure of EUR 7.1 million. This item shows a significant reduction following the reclassification carried out (in compliance with the provisions of IAS 1) in consideration of the status of the process of finalizing the Senior Debt Restructuring Agreements and the Sa Illetta Leasing Restructuring Agreement (signed on 28 March 2019) successive to 31 December 2018 (as referred to the previous notes 3) and 4))

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 and reported in the explanatory notes, follows:

	31 december 2018	31 December 2017
(EUR mln)		
Consolidated net financial debt	152.1	178.9
Non-current financial receivables	0.5	0.5
Consolidated net financial debt prepared on the basis of CONSOB communication No. DEM/6064293 dated 28 July 2006	152.6	179.4

Major events occurred in FY 2018

The major events occurred during FY 2018, following the approval of 2017 Financial Statements by the Board of Directors in office at that time, follow:

10 May 2018 - The Board of Directors of Tiscali SpA approves the 2017 Draft Financial Statements

The Board of Directors of Tiscali S.p.A. met on 10 May 2018, examined and approved the Draft Financial Statements for the 2017 financial year, in addition to the impairment test, to the deeds resulting from the occurrence of the circumstances as per Article No. 2446 of the Civil Code, and the conferment of powers for the issue of a convertible bond loan and the related capital increase.

Furthermore, following the positive opinion AGCOM on the renewal of the license to Tiscali on a 3.5GHz frequency until 2029, the Board approved the New 2018-2021 Business Plan. Finally, the Board of Directors gave a mandate to the CEO, Riccardo Ruggiero, for the convening of the Ordinary and Extraordinary Shareholders' Meeting (subsequently convened for 26 June 2018).

22 May 2018 – Resignation of the CEO

On 22 May 2018 Riccardo Ruggiero resigned from his post of CEO.

25 May 2018 – Appointment of the new Director General Alex Kossuta

On 25 May 2018, the Board of Directors of Tiscali S.p.A. conferred on Alex Kossuta the position of Director General.

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With the entry of the new Director General, the proxies within the Board have been adjusted in order to facilitate the Company in the timely execution of the provisions of the 2018-2021 Business Plan approved on 10 May 2018, as well as in pursuing the already-defined objectives and work programs.

The proposal of agreement between the Company and Mr. Kossuta had been approved by the Appointments and Remuneration Committee and by the Board of Directors on 22 May. On 25 May 2018, Mr. Kossuta took over the same position as Director General also in Tiscali Italia S.p.A.

26 June 2018 – Approval of the 2017 Financial Statements and appointments of the new members of the Board of Director and the Board of Auditors

Tiscali Ordinary and Extraordinary Shareholders' Meeting approves all the items on the agenda: approval of the Financial Statements for the year ended December 31, 2017; appointment of the members of the Board of Directors; appointment of the members of the Board of Statutory Auditors and its Chairman.

Tiscali ordinary Shareholders' Meeting, after determining the number of members of the Board of Directors at 7, has provided for the renewal of the Board of Directors, which had arrived at the end of its mandate. The new Board then proceeded to confirm the Chairman of the Board of Directors in the person of Alexander Okun and the appointment of the Chief Executive Officer in the person of Alex Kossuta, former Director General. The members of the new Board of Directors are: Alexander Okun, Alex Kossuta, Oleg Anikin, Anna Belova (independent member), Paola De Martini (independent member), Alina Sychova and Renato Soru.

The Shareholders' Meeting resolved that the Directors of the Company will remain in office until the approval of the financial statements for the year which will close at 31 December 2020, and approved the remuneration to be attributed to the Directors.

On the same date, the Appointments and Remuneration Committee was also appointed, composed of Paola De Martini (Chairman), Anna Belova and Alina Sychova.

Tiscali Ordinary Shareholders' Meeting also provided for the renewal of the Board of Statutory Auditors, which had arrived at the end of its mandate. The members of the new Board of Statutory Auditors are: Barbara Tadolini (Chairman), Emilio Abruzzese, Valeria Calabi. The Shareholders' Meeting resolved that the appointed Board of Statutory Auditors will remain in office until the approval of the financial statements for the year which will close at 31 December 2020, and approved the remuneration to be attributed to its members.

12 July 2018 – Liquidation of Indoona S.r.l.

On 12 July 2018, the liquidation of the company Indoona Srl was finalized.

30 July 2018 – Fastweb - Tiscali Agreement for strengthening the strategic partnership

On 30 July 2018, Tiscali closed an agreement with Fastweb a Preliminary Sale Agreement aimed at strengthening the strategic partnership initiated in December 2016 with Fastweb. The Preliminary Sale agreement was finalized on November 16, 2018 through the signing of the definitive agreements (the "Sale Agreement") and with the payment of the part of the first installment of the expected price, totaling EUR50 million, residual on advance payments previously made by Fastweb to support Tiscali's temporary liquidity needs that emerged during the trading period. This subscription took place following the occurrence of all the conditions precedent, and in particular:

1. the approval by the Ministry of Economic Development, on November 12, 2018, to the transfer of the right of use and of the maintenance of the extension of the right to use of frequencies up to 2019;
2. the receipt on November 14 and 15 of the comfort letter by the Financial Institutions and the Pool Leasing, which undertake to bring into approval the Debt Restructuring Agreements on terms and conditions consistent with those reflected in the New 2018-2021 Business Plan;
3. the asseveration of the New 2018-2021 Business Plan as per Article No. 67, paragraph 3, letter d), of the Royal Decree dated 16 March 1942, No. 267, of Tiscali Italia and Aria.

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As already said, the asseveration was issued subject to the completion of the Debt Restructuring Agreements described in the previous paragraph “The New 2018-2021 Business Plan and its asseveration pursuant to Article No. 67”.

- The consideration agreed with Fastweb for the acquisition of the frequency and assets of the Fixed Wireless infrastructure, restated in its valuation on November 12, amounts for nominal EUR198 million, of which:
- EUR130 million cash (of which EUR50 million to be settled on the closing date and the remaining EUR80 million to be paid by June 30, 2019);
- EUR 55 million for “in-kind” vouchers to be spent on services that the Tiscali Group can acquire from Fastweb, on the basis of the conditions contained in the Wholesale Agreement; and
- The acquisition by Fastweb of about EUR13 million of trade payables.

10 September 2018 – Risk Control Committee, Convertible Bond Loan and change to the event calendar

The Board of Directors of Tiscali S.p.A. (the “Company”), which met on 10 September 2018, established the Control and Risk Committee, with the appointment of Anna Belova (Chairman), Paola De Martini and Oleg Anikin, and of the Committee for Transactions with Related Parties, with the appointment of Paola De Martini (Chairman) and Anna Belova.

On that date, the Company also announced that negotiations were commenced with the main shareholders of the Company (ICT and Sova Disciplined Equity Fund), for the subscription of a convertible cum-warrant bond for a maximum of EUR 15.6 million. These negotiations were interrupted in October, as announced by the Company with a press release dated 23 October.

Also on 10 September 2018, the Board of Directors resolved to postpone the approval of the half-year report as at 30 June 2018 – originally scheduled for 14 September – after September 30, given the pending negotiations with Fastweb.

9 October 2018 – Liquidation of Tiscali Uk Holdings

On 9 October 2018, the liquidation of the company Tiscali Uk Holdings was finalized.

12 November 2018 – The Board of Directors of Tiscali Spa approved the New 2019-2021 Business Plan

Following the approval by the Ministry of Economic Development, on the same date, of the assignment of the right to use and the maintenance of the extension, non-onerous for the Tiscali Group, of the rights to use the frequencies until 2029, on 12 November 2018 the Board of Directors of Tiscali Spa proceeded with the approval of the New 2019-2021 Business Plan.

14 November and 15 November 2018 – Receipt of comfort letter by the Financial Institutions and the Pool Leasing

As anticipated and better detailed in paragraph 4.2, on 14 and 15 November 2018 the Company received confirmation through comfort letter of the agreements negotiated with the Senior Lenders and the Pool Leasing, agreements reflected in the New 2019-2021 Business Plan.

15 November 2018 – Receipt of the certification by the asseverating expert

On 15 November 2018, the asseveration procedure as per Article 67, paragraph 3, letter d) of the Royal Decree dated 16 March 1942, No. 267, of the New 2019-2021 Business Plan for the companies Tiscali Italia and Aria was positively closed. This positive conclusion is conditional on the final signature of the Agreements underlying the financial maneuver for the restructuring of senior debt and the leasing debt relating to the Sa Illetta building previously described.

16 November 2018 – Closing of the Sale Agreement with Fastweb and letters of commitment from the reference shareholders to the disbursement of bridge loans

As previously illustrated, on 16 November 2018 the companies Tiscali Italia S.p.A. and Aria S.p.A. signed the Sale Agreement with Fastweb concerning the LTE business unit and the license to use the 3.5GHz frequency. On the same date, the remaining part of the first tranche of the price for a total of EUR 50 million was collected.

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On the same date, the reference shareholders ICT and Sova Disciplined Equity Fund sent the Board of Directors of Tiscali S.p.A. a letter in which they commit to the disbursement of two EUR 5 million bridge loans each, aimed at making available financial resources to the group, also in order to facilitate the approval by the decision-making bodies of the Financial Institutes and Pool Leasing of the Debt Restructuring Agreements.

31 January 2019 – The 2019-2020 Convertible Bond was issued for EUR 10.0 million

Analysis of the economic, financial and assets situation of the Group

The Tiscali Group closed FY 2018 with a profit of EUR 83.2 million, an improvement as compared to the profit of EUR 0.8 million recorded in FY 2017. This profit was achieved thanks to the capital gain of approximately EUR 130 million realized following the transfer of the 40 MHz license in the 3.5 GHz band and the Fixed Wireless Access (FWA) company branch to Fastweb.

Furthermore, the Tiscali Group closed FY 2018 with a negative consolidated shareholders' equity of EUR 44.7 million, an improvement as compared to the negative amount of EUR 128 million as at 31 December 2017.

As at 31 December 2018, the Group finally showed a gross financial debt of EUR 171.6 million, an improvement as compared to the gross financial debt as at 31 December 2017 and equal to EUR 180.8 million, and current liabilities higher than (non-financial) current assets for EUR 38.8 million, an improvement as compared to the amount of EUR 146.6 million as at 31 December 2017.

Current liabilities include overdue net trade payables (net of payment plans agreed with suppliers, as well as assets and disputed assets with the same suppliers) for EUR 57.7 million, a deterioration as compared to the corresponding amount of EUR 46.2 millions as at 31 December 2017, in addition to overdue financial payables (net of credit positions) of around EUR 36.9 million (EUR 20.9 million as at 31 December 2017), overdue tax payables of around EUR 18.2 million (EUR 11 million as at 31 December 2017), as well as overdue social security payables to employees of EUR 0.5 million (EUR 1.9 million as at 31 December 2017).

Final Assessment by the Board of Directors on the business as an ongoing concern

In this 2018 Annual Financial Report, the Board of Directors, with reference to the applicability of the going concern assumption and to the use of the accounting principles proper of an operating company, point out that the Group:

- slowed its growth path for the reasons set out in the previous paragraphs and consequently recorded a decline in its customer base on the core business in the year (the total customer portfolio of the Tiscali Group is equal to 640 thousand units in December 2018, down by around 108 thousand units as compared to December 2017);
- generated in FY 2018, before working capital changes (positive for EUR 25.0 million), cash and cash equivalents from operating activities amounting to approximately EUR 30.8 million;
- signed a strategic agreement with Fastweb, whose structure and nature have been extensively described in the previous paragraphs. This agreement was executed on 16 November 2018, collecting the first part of the price equal to EUR 50 million and finalizing the takeover of EUR 13 million of payables to suppliers. This agreement establishes, as at 30 June 2019, the collection of a further EUR 80 million, in addition to financial savings deriving from obtaining a voucher for Fastweb services with a nominal value of EUR 55 million.
- issued a convertible bond with a nominal value of EUR 10.6 million, fully subscribed to 95% of the nominal value by the reference shareholders ICT and Sova Disciplined Equity Fund on 31 January 2019;
- signed the Senior Debt Restructuring Agreement on 28 March 2019;
- signed the Agreement for the Restructuring of the Sa Illetta Leasing on 28 March 2019;
- drew up the New 2019-2021 Business Plan, which includes in particular the impact of the sale to Fastweb, the

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debt restructuring agreements with the Financial Institutions and the Pool Leasing, the effects of the disbursement of the bridge loans, and consequently redefines the new strategy for the development of Tiscali Group.

The Directors – pointing out that the going concern assumption is based on the achievement of the objectives contained in the New 2018-2021 Business Plan – acknowledge that at present the realization of the New 2018-2021 Business Plan is, in any case, subject to some residual material uncertainties, and in particular:

1. the payment of the residual portion of the price provided for by the Sale Agreement;
2. the market trend characterized by strong competitive pressure;
3. the maintenance of support from suppliers that have overdue receivables from the Group until the completion of the plan aimed to reduce the overdue, concentrated in the first half of 2019 and realized using the new financial resources generated by the sale to Fastweb, by the restructuring of debts and from the subscription of the 2019-2020 Convertible Bond, which will allow to realign the payment terms to the average terms of the reference sector, as reflected in the New 2019-2021 Business Plan.

This said, the Directors, (i) in light of the events occurred between 16 November 2018 and 28 March 2019, and (ii) the significant liquidity injection following the collection of the first tranche of the agreement with Fastweb, think that the uncertainties previously pointed out will cease and that:

- the second payment tranche (equal to EUR 80 million) will also be collected within the contractually time frame established, and the financial savings deriving from the wholesale agreement with Fastweb will take place in accordance with the new 2018-2021 Business Plan;
- the management will be able to maintain the support from the suppliers, also thanks to the immediate reduction of the expired payable through the use of financial resources coming from the collection of the first payment tranche of the consideration established in the Sale Agreement;
- the size of the benefit to the income statement, balance sheet and financial position, deriving from the sale to Fastweb and from the reasonable finalization of the restructuring of the financial debt are so significant as to suggest that – even in the presence of the aforementioned situation of uncertainty on the realization of the New 2019-2021 Business Plan over the next twelve months, deriving from the existence of uncontrollable exogenous variables that can make results worse than those expected in the forecast data – the assets and financial balances are not at risk.

It is on this basis therefore that the Directors have a reasonable expectation that the business can be considered as an ongoing concern over the next 12 months and that the Group can use the accounting principles of the assumption of going concern in the preparation of this consolidated annual financial report as at 31 December 2018.

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

Business outlook

Consistent with the above and in line with the objectives of the New 2019-2021 Business Plan, the company's commitment will be particularly aimed at the full implementation of that plan, with particular focus on:

- the full restart of commercial activities, after the slowdown suffered during the entire FY 2018, with a particular focus on the acquisition of new Fiber and LTE customers for a full exploitation of the wholesale agreements signed with Fastweb;
- the relaunch of the Tiscali brand to support the process of acquiring new customers;
- the transformation path of the company's operating model, in line with the renewed focus on all the activities of developing new services, Marketing, Sales and customer management;
- the efficiency plan in operating costs also due to the simplification of the infrastructures made possible by the positive effects of the agreement signed with Fastweb;

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- the final subscription of payment plans with the main strategic suppliers to normalize the level of expired commercial debt and to guarantee the support of suppliers for the full realization of the objectives of the New 2018-2021 Business Plan.

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