

Tiscali Financial Results 2019 First Half

Cagliari, 26 September 2019

The Board of Directors of Tiscali S.p.A., which met today, approved all the items on the agenda and, in particular, examined and approved the financial report as at 30 June 2019.

Results for the 2019 first half:

- **Revenues** of EUR 70.2 million, down by 20% as compared to 30 June 2018;
- **EBITDA** at EUR 14.9 million, up by 65.7% as compared to 30 June 2018; Ebitda at 30 June 2019 includes the effect of non-recurring items for a positive EUR 12.9 million;
- Reduction of the overall **customer portfolio** by approximately 43 thousand units, from a total of 697.4 thousand customers as at 30 June 2018 to a total of 654.4 thousand customers as at 30 June 2019;
- **Loss** of EUR 3.7 million, as compared to a positive result of EUR 3.3 million as at 30 June 2018. The loss as at 30 June 2019 includes the effect of non-recurring items for EUR 22.7 million;
- In July, a significant improvement in the balance sheet and financial position was achieved thanks to the full implementation of the effects of the Restructuring Agreements for the Senior Loan and the Sa Illetta loan, and the collection of the balance of the Fastweb Transaction for EUR 80 million;
- Relaunch of the Tiscali brand
- Restart of the commercial drive

Tiscali S.p.A.

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Share Capital EUR 44,455,159/37 fully paid-up | P.IVA 02375280928 | R.E.A. 191784 | C.C.I.A.A. Cagliari | tiscali.com

Condensed Figures

Dati economici	1° semestre 2019 (#)	1° semestre 2018 (*)
<i>(Milioni di Euro)</i>		
Ricavi	70,2	87,8
Risultato Operativo Lordo (EBITDA)	14,9	9,0
Risultato Operativo	(8,1)	(17,2)
Risultato delle attività cedute e/o destinate alla cessione	0,0	0,0
Risultato Netto	(3,7)	3,3
Dati patrimoniali e finanziari	30 giugno 2019	31 dicembre 2018
<i>(Milioni di Euro)</i>		
Totale attività	299,2	346,1
Posizione finanziaria netta	143,5	152,1
Posizione finanziaria netta "Consob"	144,5	152,6
Patrimonio netto (**)	(48,4)	(44,7)
Investimenti	22,7	18,2
Dati operativi	30 giugno 2019	31 dicembre 2018
<i>(Migliaia)</i>		
Customer base attiva	654,4	640,1
Broadband Fixed	383,9	382,8
di cui Fibra	121,6	79,1
Broadband Wireless	50,2	58,8
di cui LTE	43,6	47,8
Mobile	220,3	198,5

(#) As a result of the entry into force of IFRS 16 from 1 January 2019, the gross operating result (EBITDA) for the six-month period ended 30 June 2019 was EUR 1.6 million higher, while the operating result (EBIT) was EUR 0.2 million lower than the values that would have been determined by applying IAS 17 in the recognition of operating leases; This was due to the recording of amortization of the rights of use recorded in application of IFRS 16 for EUR 0.4 million, and of interest expense on the related financial debt of EUR 1.4 million, against the recording, provided for by the former IAS 17, of operating lease instalments of EUR 1.6 million. Overall, the net result for the half-year and the shareholders' equity at 30 June 2019 were EUR 0.2 million higher than the value that would have resulted from the application of IAS 17, without taking into account the tax effects due to the negative taxable situation. The application of IFRS 16 also led to the recognition of rights of use for a net book value of EUR 19 million at 30 June 2019, the recognition of the related financial debt of EUR 20.1 million and the reduction in trade payables of EUR 0.9 million.

As a result of the signing of the Senior and Sa Illetta Debt Restructuring Agreements and the application of IFRS 16, gross financial debt at 30 June 2019 was due within 12 months for EUR 58.8 million (EUR 164.4 million at 31 December 2018) and EUR 88.5 million after 12 months (EUR 7.1 million at 31 December 2018). Reference should be made to the remainder of the Directors' report for the identification of the impact of the economic components that the Directors consider as "non-recurring".

(*) The income statement figures for the first half of 2018 have been restated as follows: following the application of IFRS 15, the Company has offset revenues and costs relating to barter transactions carried out in the first half of 2018. In particular, the revenues presented in the Consolidated Half-Year Report as at 30 June 2018, amounting to EUR 92.4 million, included barter revenues with exchange of goods of a similar nature amounting to EUR 4.6 million. Similarly, costs for the purchase of materials and services fell by EUR 4.6 million, from EUR 65.8 million to EUR 61.2 million.

Economic Results of the First Half of 2019

Conto Economico Consolidato <i>(Milioni di Euro)</i>	1° semestre 2019 (#)	1° semestre 2018 (*)
Ricavi	70,2	87,8
Altri proventi	13,6	1,1
Acquisti di materiali e servizi esterni	51,0	61,2
Costi del personale	12,4	13,4
Altri oneri / (proventi) operativi	0,0	0,0
Svalutazione crediti verso clienti	5,5	5,4
Risultato operativo lordo (EBITDA)	14,9	9,0
Costi di ristrutturazione	2,2	0,3
Ammortamenti	20,8	25,9
Risultato operativo (EBIT)	(8,1)	(17,2)
Risultato delle partecipazioni valutate ad equity	(0,3)	(0,1)
Proventi Finanziari	12,0	1,0
Oneri finanziari	7,4	6,6
Risultato prima delle imposte	(3,7)	(22,8)
Imposte sul reddito	0,0	(26,1)
Risultato netto delle attività in funzionamento (continuative)	(3,7)	3,3
Risultato delle attività cedute e/o destinate alla cessione	0,0	0,0
Risultato netto	(3,7)	3,3
Risultato di pertinenza di Terzi	0,0	0,0
Risultato di pertinenza del Gruppo	(3,7)	3,3

The revenues of the Tiscali Group in the first half of 2019 amounted to EUR 70.2 million, down by 20% compared to EUR 87.8 million recorded in the first half of 2018.

The EUR 17.6 million net change is mainly due to the following factors:

- a reduction of approximately EUR 11.2 million (-16.2%) in revenues from Broadband Access. This reduction is directly linked to the decrease in the overall portfolio of Fixed Broadband customers, which fell by about 32.1 thousand units (-7.7%) from about 416 thousand units in June 2018 to about 384 thousand units in June 2019. The reduction in the portfolio, as compared to the first half of 2018, was due to the slowdown in commercial activity caused by the lack of available financial resources described above, in addition to the reduction in ARPU (average revenue per user);
- a reduction in MVNO revenues of approximately EUR -1.1 million (-16.5%) due to the trend in the customer base during the first half of 2019 (which increased only in recent months) and above all to the decrease of ARPU;
- a sharp reduction in revenues from “Business Services and Wholesale” of approximately EUR 2.1 million (-39.6%). This reduction was mainly due to the reduction in sales of products to low-margin business customers, and to the reduction in revenues from wholesale sales compared to the first half of 2018 (-49.9%);
- revenues in the Media segment (mainly relating to the sale of advertising space) amounted to approximately EUR 2 million and were down by EUR 2 million as compared to the figure for the first half of 2018 (EUR 4 million), due to the downturn in the market for advertising on the traditional web segment and the revision of the Sky agreement.
- other revenues amounted to approximately EUR 2 million in the first half of 2019, a decrease of EUR 1.3 million as compared with the equivalent figure for the first half of 2018 (EUR 3.3 million).

Other (income)/expenses, equal to a positive EUR 13.6 million, an increase as compared to the first half of 2018, equal to a positive EUR 1.1 million, mainly include the income from the sale of the property in Sa Illetta (EUR 11.4 million), in accordance with the Sa Illetta Leasing Transaction Agreement signed on 28 March 2019 and the write-off of trade payables.

The costs for the purchase of materials and services, amounting to EUR 51 million, decreased by EUR 10.2 million as compared to the first half of 2018, mainly due to the reduced volumes of activity.

Personnel costs amounted to EUR 12.4 million (17.7% of revenues), a decrease of approximately EUR 1 million compared to the first half of 2018 (EUR 13.4 million), representing 15.2% of revenues, mainly due to the reduction in the workforce compared to the first half of 2018.

The provision for doubtful accounts amounted to EUR 5.5 million in the first half of 2019 (7.8% of revenues), an increase in absolute terms compared with the first half of 2019 (EUR 5.4 million) and in percentage terms, rising from 6.1% at 30 June 2018 to 7.8% at 30 June 2019.

The above effects resulted in a gross operating profit (EBITDA) of EUR 14.9 million, an increase of EUR 5.9 million as compared with the figure at 30 June 2018 (EUR 9 million). It should be noted that the total effect of the non-recurring items in the first half of 2019 on the gross operating result (EBITDA) was positive for EUR 12.9 million, compared to negative EUR 1 million in the first half of 2018. The effect of the application of the new IFRS 16 standard in the recording of operating lease contracts determines an increase in EBITDA of EUR 1.6 million compared to the value that would have been determined by the application of the previous IAS 17 standard.

Amortization and depreciation for the period amounted to EUR 20.8 million, down by EUR 5.1 million as compared to EUR 25.9 million recorded in the first half of 2018. Amortization and depreciation include the effect of the application of IFRS 16 as from 1 January 2019.

In the first half of 2019, provisions and restructuring charges of EUR 2.2 million were recorded, as compared with EUR 300 thousand in the first half of 2018. These are mainly provisions for legal disputes and other provisions for future operating expenses.

Operating profit (EBIT), net of provisions, write-downs and restructuring costs, amounted to a negative EUR 8.1 million, an improvement of EUR 9.1 million on the loss of EUR 17.2 million posted in the first half of 2018. The total effect of the non-recurring items in the first half of 2019 on the operating result (EBIT) was positive for EUR 10.7 million as compared to a negative EUR 1.4 million in the first half of 2018.

Financial charges amounted to EUR 7.4 million, as compared to EUR 6.6 million in the first half of 2018. They include the effect of the recognition of interest on the financial debt arising from the application of IFRS 16 for EUR 0.4 million.

Financial income, amounting to EUR 12 million, mainly refers to income from de-recognition and the consequent recognition at amortized cost of the new financial debt resulting from the application of the Senior Debt Restructuring Agreements signed on March 28, 2019.

The Result from continuing operations was a negative EUR 3.7 million, a decrease of EUR 7 million on the comparable figure of 2018, equal to a positive EUR 3.3 million.

The result of assets sold and/or held for sale was zero, both in the first half of 2019 and in the first half of 2018.

The Group's net loss therefore amounted to EUR 3.7 million, a result for the period that was EUR 7 million lower than the comparable figure of 2018, which was a positive EUR 3.3 million.

The result of assets sold and/or held for sale is zero, both in the first half of 2019 and in the first half of 2018.

The Group's net loss therefore amounted to EUR 3.7 million, a result for the period that was EUR 7 million lower than the comparable figure of 2018, which amounted to a positive EUR 3.3 million.

Non-recurring items included in the result for the period, totaling a positive EUR 22.7 million, include the following items:

- non-recurring items included in EBITDA for a positive EUR 12.9 million (as detailed above);
- provisions for legal disputes and other provisions for future operating charges of EUR 2.2 million;
- income deriving from the derecognition and the consequent recording at amortized value of the new financial debt deriving from the application of the Senior Debt Restructuring Agreements for EUR 11.4 million;

- income from the adjustment of the discounting of the Fastweb voucher determined on the basis of actual use as at 30 June 2019 and forecasts of use until the voucher is completely used, for EUR 0.6 million.

Equity Position of the Group as at 30 June 2019

Stato Patrimoniale Consolidato (in forma sintetica) <i>(Milioni di Euro)</i>	30 giugno 2019	31 dicembre 2018
Attività non correnti	130,3	164,5
Attività correnti	168,9	181,6
Attività destinate ad essere cedute	0,0	0,0
Totale Attivo	299,2	346,1
Patrimonio netto di pertinenza del Gruppo	(48,4)	(44,7)
Patrimonio netto di pertinenza di terzi		
Totale Patrimonio netto	(48,4)	(44,7)
Passività non correnti	102,7	24,9
Passività correnti	244,9	365,9
Passività destinate ad essere cedute	0,0	0,0
Totale Patrimonio netto e Passivo	299,2	346,1

Assets

Non-current Assets

Non-current assets at 30 June 2019 amounted to EUR 103.3 million (EUR 164.5 million euros at 31 December 2018).

Non-current assets include property, plant and equipment and intangible assets, totaling EUR 117 million, which decreased by EUR 17.6 million compared with 31 December 2018, and financial assets of EUR 13.2 million, down by EUR 16.6 million compared with 31 December 2018.

The decrease of EUR 17.6 million in Fixed Assets (Tangible and Intangible) can be broken down into the following macro factors:

- investments in network infrastructure for EUR 23.7 million, mainly attributable to costs for the activation of broadband services for EUR 10.5 million and network infrastructure and equipment for EUR 6.1 million.
- recognition of the right of use associated with operating leases as from 1 January 2019, in application of the new IFRS 16 standard for EUR €20.4 million (for further information, see paragraph 5.13 *Accounting standards*). This effect is mainly attributable to the lease agreement for the Sa Illetta headquarters, which took effect on 28 March 2019, under the conditions set out in the Debt Leasing Transaction Agreement;
- depreciation for the period of EUR 20.8 million;
- sale of the Sa Illetta Building for a net book value of EUR 40.9 million, as provided for in the Debt Leasing Transaction Agreement.

Other financial assets of EUR 13.2 million include the long-term portion of the receivable from Fastweb for Voucher of EUR 8.5 million (deriving from the Fastweb Transaction, as described in paragraph 4.2 *Main results and events during the first half of 2019 and subsequent events*).

The decrease of EUR 16.6 million as compared to 31 December 2018 is due to the following factors:

- A) decrease in the value of the long-term component of the receivable from Fastweb for service vouchers of EUR 17.1 million, due to the reclassification from long-term to short-term of the receivable caused by the recalculation of the total value of the voucher at 30 June 2019 on the basis of actual use at that date and forecasts of use in the coming months until exhaustion. This restatement resulted in a decrease in the discounting adjustment of the voucher (and therefore an increase in the short-term receivable from Fastweb) of EUR 0.6 million compared with 31 December 2018, in addition to the above reclassification;
- B) an increase in long-term deposits of EUR 0.5 million.

Current Assets

Current assets at 30 June 2019 amounted to EUR 168.9 million (EUR 181.6 million as at 31 December 2018) and mainly include trade receivables which, at 30 June 2019, amounted to EUR 28.7 million, compared with EUR 34.9 million at 31 December 2018.

In addition to cash and cash equivalents of EUR 2.8 million (EUR 18.9 million at 31 December 2018), this item also includes other current receivables and sundry assets of EUR 137.4 million (EUR 127.7 million at 31 December 2018), represented by advances to suppliers, prepaid expenses for services and sundry receivables.

Other current receivables and sundry assets include the short-term portion of the receivable from Fastweb relating to the balance of the sale price defined in the Fastweb Transaction, amounting to EUR 128.2 million, collected on 1 July 2019. This item increased by EUR 17.7 million due to the recalculation of the voucher as at 30 June 2019 on the basis of actual use as at that date and forecasts of use in the coming months until it is exhausted. This restatement involved:

- a reclassification, from long-term to short-term, of the receivable itself for EUR 17.1 million
- a decrease in the discount adjustment of the voucher (and therefore an increase in the short-term receivable from Fastweb) of EUR 0.6 million.

Shareholders' Equity

Consolidated shareholders' equity was a deficit of EUR 48.4 million as at 30 June 2019, a deterioration of EUR 3.7 million compared with shareholders' equity of EUR 44.7 million as at 31 December 2018. The change is attributable to the loss for the period.

The effect of the application of IFRS 16 in the recording of financial leasing contracts determines a decrease in shareholders' equity at 30 June 2019 of EUR 0.2 million compared to the value that would have been determined on the basis of the application of IAS 17.

Liabilities

Non-current Liabilities

Non-current liabilities at 30 June 2019 amounted to €102.7 million, an increase of EUR 77.8 million on 31 December 2018 (EUR 24.9 million).

The increase of EUR 77.8 million with respect to 31 December 2018 is due for EUR 81.3 million to the items relating to the financial position (payables to banks and other lenders and payables for financial leases), for which reference should be made to the paragraph on the Group's financial position, and a change of EUR 3.5 million in non-financial long-term items. The latter include the following elements: provision for risks and charges of EUR 5 million (EUR 8.1 million at 31 December 2018), provision for severance indemnities of EUR 2.9 million (EUR 3.3 million at 31 December 2018), trade payables due beyond one year of EUR 3.7 million (EUR 3.3 million at 31 December 2018), other payables of EUR 2.7 million (EUR 3 million at 31 December 2018). The latter item includes payables for taxes to be settled for EUR 0.3 million.

The amount of financial debt recognized in accordance with IFRS 16 was EUR 20.1 million at 30 June 2019.

Current Liabilities

Current liabilities amounted to 244.9 million euro at 30 June 2019, down by 121 million euro from 365.9 million euro at 31 December 2018.

The decrease of €121 million with respect to 31 December 2018 is due to a reduction of €105.6 million due to the items relating to the financial position (bond issue, payables to banks and other lenders and payables for financial leases), for which reference should be made to the paragraph on the Group's financial position, a decrease of €14.4 million in payables to suppliers and a reduction of €1 million in other current liabilities. The latter include accrued expenses relating to the purchase of access and rental services, tax payables and other short-term payables.

As at 30 June 2019, net trade payables past due (net of payment plans agreed with suppliers, accounts receivable and disputed with the same suppliers) amounted to €38.9 million (€57.7 million as at 31 December 2018).

At the same date, overdue financial payables (net of receivables) amounted to approximately €1.2 million (€36.7 million at 31 December 2018).

In addition, overdue tax payables of approximately €23.7 million (€18.2 million at 31 December 2018) should be noted. There are also overdue social security payables to employees of €2.1 million.

Moreover, there were no suspensions of supply relationships that would jeopardize the normal course of the company's business. As at 30 June 2019, reminders had been received as part of the ordinary administration process. At that date, the main payment orders received by the Company and not paid as they were in the process of being negotiated or challenged amounted to €16.9 million (€16.9 million at 31 December 2018), while the total number of orders received amounted to €19.5 million (€31 million at 31 December 2018).

Financial Situation of the Group

At 30 June 2019, the Tiscali Group had cash and cash equivalents of EUR 2.8 million, compared with a net financial position of EUR 143.5 million at 30 June 2019 (EUR 152.1 million at 31 December 2018).

Senior Loan

The net financial position at 30 June 2019 includes the effects of accounting for the senior loan restructured on 28 March 2019, as provided for in the Senior Debt Restructuring Agreements.

The restructured debt was recorded at 30 June 2019 at the amortized value of EUR 84.9 million (including interest and principal of the previous debt), compared with an amortized value at 31 December 2018 of EUR 93.4 million.

At 30 June 2019, the short-term portion of the senior debt, defined on the basis of the new financial plan, was reclassified under "Non-current bank debt" for EUR 64.9 million, while at 31 December 2018, pending the completion of the Senior Debt Restructuring Agreements and in the presence of certain events of default, the debt itself was classified entirely as short-term.

Leasing IFRS 16

The net financial position at 30 June 2019 includes the effects of the application of IFRS 16, in force since 1 January 2019. The application of this principle to existing lease agreements resulted in the recognition of lease and rental payables at 30 June 2019 for a total of EUR 20.1 million, of which EUR 14.7 million relating to the lease agreement for the Sa Illetta headquarters (effective from 28 March 2019, with a duration of nine years), and EUR 5.1 million relating to the lease agreements for other operating assets (network infrastructure, industrial leases, company cars).

Posizione finanziaria netta	Note	30 giugno 2019	31 dicembre 2018
<i>(Migliaia di Euro)</i>			
A. Cassa e Depositi bancari		2,8	19,0
B. Altre disponibilità liquide			
C. Titoli detenuti per la negoziazione			
D. Liquidità (A) + (B) + (C)		2,8	19,0
E. Crediti finanziari correnti			
F. Crediti finanziari non correnti		1,0	0,5
G. Debiti bancari correnti		6,5	6,6
H. Parte corrente obbligazioni emesse	(1)	10,0	
I. Parte corrente dell'indebitamento non corrente	(2)	20,3	97,0
J. Altri debiti finanziari correnti	(3)	22,0	60,8
K. Indebitamento finanziario corrente (G) + (H) + (I) + (J)		58,8	164,4
L. Indebitamento finanziario corrente netto (K)-(D)-(E)-(F)		55,0	144,9
M. Debiti bancari non correnti	(4)	68,4	
N. Obbligazioni emesse			
O. Altri debiti non correnti	(5)	20,1	7,1
P. Indebitamento finanziario non corrente (M)+(N)+(O)		88,5	7,1
Q. Posizione finanziaria netta (L)+(P)		143,4	152,1

Notes:

- (1) This item refers 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. These quotas correspond to a total of EUR 10 million at amortized cost. For further information, reference should be made to the Illustrative Report on the convertible bond loan published by the Company on 10 January 2019.
- (2) This item includes the component due within one year of EUR 20.3 million relating to the debt to the Senior Lenders restructured on 28 March 2019 (principal and interest repayable within 12 months).
This item includes the following elements: i) the debt of EUR €10 million for the indemnity for the cancellation of the related debt "Sale and Lease Back Sa Illetta", as resulting from the restructuring agreement signed on 28 March 2019; ii) the short-term portion of debts for financial leases relating to investments in the network infrastructure for EUR 7.6 million, in addition to a further EUR 2.3 million recorded on the lease contracts capitalized in accordance with IFRS 16; iii) the short-term portion of the debt relating to the Sa illetta lease agreement (recognized following the application of IFRS 16) for EUR 1.6 million, iii) the short-term portion of loans granted by the Ministry of Universities and Research and the Ministry of Productive Activities for EUR 0.1 million and iv) the value of the option on the convertible bond loan for EUR 0.4 million, as better described in note 1 above).
This item includes the following elements: i) the component due after one year of EUR 64.9 million relating to the debt to the Senior Lenders restructured on 28 March 2019; ii) the long-term portions of other long-term bank loans for EUR 3.5 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 and reported in the explanatory notes.

	30 giugno 2019	31 dicembre 2018
<i>(Milioni di Euro)</i>		
Posizione finanziaria netta consolidata	143,5	152,1
Altre disponibilità liquide e crediti finanziari non correnti	1,0	0,5
alla comunicazione Consob n. DEM/6064293 del 28 luglio 2006	144,5	152,6

2019 First Half Main Results and following events

During 2018 and until March 2019, the Tiscali Group was engaged in a series of activities such as (i) obtaining an extension of the license for the 3.5 GHz frequency spectrum of which it was the holder, (ii)

concluding an agreement to transfer the license for the right to use 42 MHz in the 3.5 Ghz band to Fastweb (the "Fastweb Transaction") and a business unit of the Group (the "Fixed Wireless Access (FWA) Business Unit"), iii) the negotiation with the banking institutions (Intesa San Paolo and Banco BPM, together with the "Banking Institutions") counterparty of the existing Senior loan and the leasing companies counterparty of the leasing contract on "Sa Illetta" (Mediocredito Italiano and Unicredit Leasing, together with the "Pool Leasing" and, together with the Banking Institutions, the "Financial Institutions") aimed at obtaining an agreement to restructure senior debt and the "Sa Illetta" lease (the "Financial Debt Restructuring Agreements") actually obtained with the signing of the Financial Debt Restructuring Agreements signed on 28 March 2019 (for further information on these activities, see the 2018 Annual Financial Report), which, together with the scarcity of financial resources available and the uncertainty about the Group's future development, limited its operations. These factors caused a stagnation in operations, which in 2018 led to lower-than-expected results, with a permanent effect on the customer base, which also generated a contraction in revenues in the first half of 2019.

With the completion of the Fastweb Transaction and the signing of the Financial Debt Restructuring Agreements (which resulted in a significant injection of financial resources and an overall strengthening of the Group's financial structure), the Company has redefined a new development path, based on the Company's refocusing on its core business, namely the sale of fixed BroadBand and UltraBroadband services, Fixed Wireless and Furniture to retail customers Consumer, SOHO and SME, adopting an operating model that focuses on the ability to develop new services, on marketing and sales activities and on excellence in customer management, reducing the activities of network infrastructure management (and consequently the investment commitments in line with the size and investment capacity of the company and changed technological and market environment (Fiber, 5G).

The first half of 2019 was characterized by the following main events and activities carried out by the Tiscali Group, which go in the direction of the above-mentioned development path undertaken by the Company:

C) Expansion of the target market through the operational implementation of the Strategic Agreement with Fastweb and the negotiation of new agreements with telecommunications operators

A.1) Operational implementation of the Fastweb Transaction

During the first half of 2019, Tiscali proceeded with the implementation of the Fastweb Transaction, signed on 16 November 2018, thanks to which Tiscali obtained full access to Fastweb's fiber network and the FWA infrastructure sold to Fastweb. In addition, on 1 July 2019 Tiscali received the last part of the agreed price of EUR 80 million ("Fastweb Transaction Price Balance"). Finally, throughout the first half of the year, Tiscali used the price component in kind ("Voucher") originally amounting to EUR 55 million, which allowed the reduction of operating cash outflows during the period. In the first half of 2019, the use of this voucher amounted to EUR 3.6 million, while the remaining credit will be used, on the basis of available management estimates, within the next two years.

From an operational point of view, the Wholesale Agreement allowed Tiscali to:

- access Fastweb's high-performance fiber network, allowing Tiscali, without further incremental investment, to increase its fixed network coverage nationwide, having access to a market of around 8 million households and businesses to around 18 million. The growth of fiber users in the first half of 2019, equal to approximately 53.6%, from 79.1 thousand users to 121.6 thousand, confirms the expected growth trend;
- continue to market LTE Fixed Wireless 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, in the first half of 2019 Tiscali benefited from the fact that Fastweb migrated the remaining antennas from WiMax to LTE at its own expense. This commitment was included in the Agreement itself. In this way, the target market for Tiscali was expanded from the current 4 million households and businesses to around 6.5 million.

A.2) Conclusion of new agreements with telecommunications operators

During the first half of 2019, in line with its strategy to relaunch and develop the fiber market, Tiscali negotiated and formally concluded agreements with other telecommunications operators in early July to expand the potential market.

As anticipated in July 2019, the strategic partnership with Open Fiber was extended for the diffusion of UltraBroadBand services in the 7,635 municipalities of "C" and "D" areas. The agreement, already in place in 271 cities, covers the entire perimeter of the Open Fiber cabling plan that provides coverage of more than 19 million real estate units. A few weeks after the signing of the agreement, Tiscali was one of the first operators to start marketing Fiber services in the first 70 of the 800 municipalities expected by 2019 included in these areas, areas that, for reasons related to the morphology of the territory or the economy of scale, so far had no access to the ultra-wide band.

Also in July 2019, the Company signed an important commercial agreement with Linkem to expand its connectivity offering thanks to Linkem's national Fixed Wireless Access 4.5G network and, therefore, to implement its strategy of expansion towards the most modern and performing technological infrastructures available in the country.

Thanks to the agreements signed with Fastweb, Open Fiber and Linkem, Tiscali is now the Italian telecommunications operator with the highest Fiber coverage available.

D) Relaunch of the Tiscali brand through new investments in communication

A confirmation of the Company's recovery and growth plan is provided by the advertising campaign launched in March 2019, aimed at revitalizing the Tiscali brand and supporting the process of acquiring new customers.

The campaign was broadcast from 24 March for 3 weeks on generalist, satellite and digital TV, as well as on the main radio stations. On the Internet, it was present on social media, as well as on the main national sites.

In addition, the significant contribution of financial resources resulting from the Fastweb Transaction enabled the Company to negotiate and formalize the restructuring of the Group's senior debt (see point C below), in addition to the negotiation of other important agreements with strategic suppliers, allowing, from the second half of 2019, an overall reduction in overdue payables to suppliers, tax authorities and social security institutions, as detailed below.

E) Strengthening the Group's capital and financial structure

During the period, the Group signed a number of agreements aimed at strengthening its capital structure, as described below.

C.1) Subscription on 31 January 2019, 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, corresponding to No. 106 convertible bonds by 31 January 2020.

The underwriting of the bond loan allowed the Group to provide additional liquidity. Subsequently, until the date of approval of this consolidated financial report as at 30 June 2019, the Sova Disciplined Equity Fund (see the section "Subsequent events") converted 34 bonds for a total nominal amount of EUR 3.4 million, on 15 and 18 July and 4 September 2019 respectively.

C.2) Signing, on 28 March 2019, of the Debt Restructuring Agreements, and in particular the agreement to restructure senior debt with the banks and the settlement agreement with the pool leasing ("Sa Illetta Leasing Transaction Agreement").

The agreements concerned, whose negotiations began in 2018 and was completed in the first quarter of 2019, confirmed the contractual assumptions already made in 2018 and included in the business plan approved by the Board of Directors on 19 February 2019 (the "New 2018-21 Business Plan"), of which the

Company had provided full information in its Annual Financial Report as at 31 December 2018, to which reference should be made.

In particular, the main elements of the Debt Restructuring Agreement of the senior debt with Intesa San Paolo and BPM follow:

- Extension of the deadline to 30 September 2024, with a consequent strengthening of the financial structure;
- New repayment plan structured as follows:
 - a prepayment of EUR 20 million, to be made on 1 July 2019;
 - A period of pre-amortization until March 2020 without further repayments;
 - payment of about EUR 5 million for 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 overall cost of the loan, with an interest rate that goes from a nominal rate of 4.5% on the previous debt, to a fixed rate of 1% on the portion of debt that will be amortized over the period 2022-2024 (EUR 25 million), and a fixed rate of 1.25% on the portion of debt to be repaid in full on 30 September 2024 (approximately EUR 40 million). In the first half of 2019, the impact in terms of lower nominal financial charges on senior debt is estimated at EUR 0.6 million.

On July 1, 2019, the reimbursement of EUR 20 million provided for in the Agreement was made.

With reference to the Sale & Lease Back Sa Illetta debt, the Agreement signed on 28 March 2019 provides for the following conditions:

- return of the property in the possession of the leasing companies;
- payment of an indemnity of EUR 10 million to be made on 1 July 2019 for the cancellation of the related leasing debt of approximately EUR 53 million;
- at the same time, Tiscali Italia S.p.A. signed a 9-year lease of the property for an amount of approximately EUR 2.1 million, with the option of subletting the space.

It should be noted that on 1 July 2019 the reimbursement of EUR 10 million provided for in the agreement was made.

F) Change in the Governance of the Tiscali Group, as from May 2019

The first half of 2019 was marked by a significant change in the governance of the Tiscali Group, which began to produce its effects at the end of the period.

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, has 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 share capital of Tiscali.

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 to replace Alexander Okun and Alex Kossuta, respectively.

On 15 May 2019, the majority of the members of the Board of Directors of Tiscali Spa resigned and, consequently, the Shareholders' Meeting was convened on 27 June 2019.

On 21 May 2011, subject to the completion of the purchase of the equity interest from ICT Holding Ltd, Amsicora and Renato Soru signed a shareholders' agreement, which groups together a total equity interest equal to 29.99% of the Company's share capital, with the aim of providing a single direction for the organization and management of Tiscali.

On 27 June 2019, the Shareholders' Meeting appointed the new Board of Directors, which appointed Alberto Trondoli as Chairman of the Board of Directors and confirmed Renato Soru as Chief Executive Officer.

Tiscali has therefore returned to being an Italian company, and its founder Renato Soru has returned to leading the Company. In May and June 2019, the Group's management structure underwent significant changes, with a reorganization and significant downsizing of its executives.

Renato Soru also launched the Company's new logo, which returns to the purple color that has characterized the Tiscali logo since its inception, adding a new symbol “//” that 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.

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

Equity, financial and economic performance of the period

The Tiscali Group closed the first half of 2019 with a loss of EUR 3.7 million, worse than the profit of EUR 3.3 million recorded in the first half of 2018. However, the result for the first half of 2018 benefited from the allocation, for EUR 26.1 million, of deferred tax assets relating to estimated prior-year losses on the tax burden relating to the capital gain realized in the second half of 2018 with the Fastweb Transaction. Net of this provision, the net result for the period to 30 June 2018 would have been a loss of EUR 22.8 million, thus showing an improvement of EUR 19.1 million in the result for the period to 30 June 2019 compared with the same period of the previous year.

Moreover, as indicated above, the net result for the period was significantly affected by non-recurring factors (detailed and described in the section Non-recurring transactions), amounting to EUR 22.7 million, mainly relating to:

- the income from the sale of the Sa Illetta Building, in accordance with the Sa Illetta Leasing Agreement entered into with the Pool Leasing on 28 March 2019 for a total of EUR 11.4 million.
- the income from the partial elimination of the senior debt resulting from the implementation of the Debt Restructuring Agreements signed on 28 March 2019 for EUR 11.4 million

Net of non-recurring net income, therefore, net profit for the period (before taxes) would have been EUR 3.6 million lower than in the first half of 2018.

In addition, the result for the year was influenced by the application of IFRS 16, which led to a negative impact on the net result for the period of EUR 0.2 million.

As mentioned in section 4.2 *“Main events and results achieved in the first half of 2019 and subsequent events”*, the results for the first half of 2019 are still partially affected by the stagnation of operating activities in 2018, due to the lack of financial resources and the management's focus on negotiating and subsequently entering into the Fastweb Transaction and the Debt Restructuring Agreements (Senior Debt and Debt Leasing Sa Illetta).

Following the completion of the Fastweb Transaction and the signing of the Debt Restructuring Agreements, which resulted in a significant injection of financial resources and an overall strengthening of the Group's financial structure, the Company has redefined a new strategic path of development and growth, and in the first half of 2019, and with greater intensity in the second half, has undertaken a series of actions consistent with this path.

From an equity point of view, the Tiscali Group closed the first half of 2019 with a negative consolidated net equity of EUR 48.4 million, a decrease by EUR 3.7 million as compared to the net equity as at 30 June 2018, equal to a negative EUR 44.7 million. The change in shareholders' equity is mainly attributable to the result for the period.

With specific reference to financial items, at 30 June 2019 the Group had gross financial indebtedness of EUR 147.2 million, an improvement on the gross financial indebtedness of EUR 171.6 million at 31 December 2018, and current liabilities exceeding current (non-financial) assets of EUR 20 million, an improvement on the amount of EUR 38.8 million at 31 December 2018.

In addition to the improvement in the financial and debt situation described above, on 1 July 2019 the Company received the Fastweb Transaction Price Balance of EUR 80 million. This significant collection has allowed a further improvement in the financial situation, and in particular has made it possible:

- the payment of EUR 20 million on senior debt in accordance with the Senior Debt Restructuring Agreements;
- the payment of EUR 10 million under the Sa Illetta Leasing Transaction Agreement;
- the payment of approximately EUR 20 million in trade payables;
- the payment of approximately EUR 20 million in trade payables.

The New 2018-2021 Business Plan

The Tiscali Group has embarked on a development process which it implemented in the first half of 2019, the founding pillars of which are included in the New 2018-2021 Business Plan, approved by the Company's Board of Directors on 19 February 2019 and approved pursuant to 67 of the RD 267/1942 for the companies Tiscali Italia and Aria. The contents of this Plan are confirmed by the current management and, briefly, include:

- the confirmation of the focus on the core business: sale of Broadband and UltraBroadBand services (Fixed, Fixed Wireless and Mobile) to retail customers Consumer, SOHO and SME;
- the redefinition of the operating model, increasingly focused on the development of new services, marketing and sales and on excellence in customer management, reducing the direct management of network infrastructures;
- a significant reduction in investment commitments, in line with the new operating model;
- the expansion of the target market, thanks to the beneficial effects of the Fastweb Transaction and the signing in July 2019 of new agreements with Linkem and Open Fiber
- the future access to 5G services thanks to the possibility of using the Fastweb 5G network to market future 5G mobile services to its customers
- the relaunch of the Tiscali brand, thanks to new investments in communication, of which a first investment is represented by the advertising campaign launched in March 2019;
- the maintenance of a balanced financial and equity structure.

While confirming the guidelines and general objectives included in the New 2018-2021 Business Plan, the management is assessing its update also taking into account the results of the actions undertaken at the time and the evolution of the market and the new strategic actions necessary to achieve the objectives of the Plan.

Final Assessment by the Board of Directors of the business as a going concern

In this 2019 Half-Yearly Report, the Directors point out that the Group:

- showed a loss for the year of EUR 3.7 million;
- showed a negative net financial position as at 30 June 2019 of EUR 143.5 million, of which EUR 58.8 million is current and EUR 88.5 million is due after 12 months;
- current liabilities are higher than current (non-financial) assets by EUR 20 million;
- shows net overdue trade payables (net of the payment plans agreed with suppliers, as well as the receivables and disputed items with the same suppliers) of EUR 38.9 million, in addition to overdue financial payables (net of credit positions) of approximately EUR 1.2 million, overdue tax and social security payables of approximately EUR 25.8 million.

In this situation, management reiterates that the achievement of a short and medium/long-term balance sheet, income statement and financial position of the Group is always subject to the achievement of the results envisaged in the 2018-2021 Business Plan – which establishes the achievement of economic balance in 2021 and, therefore, to the realization of the forecasts and assumptions contained therein in a market context characterized by strong competitive pressure, as well as to the Group's ability and possibility to find the financial and equity resources necessary for the pursuit of the New 2018-2021 Business Plan.

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

- has stabilized its fixed broadband customer base, which shows a slight increase of 0.3%, rising from approximately 383 thousand users as at 31 December 2018 to approximately 384 thousand users as at 30 June 2019. The growth of the customer portfolio, which took place in the second quarter of 2019, shows a positive change in pace, compared to the stagnation in 2018 due to the slowdown in operating activity for the reasons set out in paragraph 4.2;

- continued, during the first half of 2019, with the implementation of industrial activities consistent with the new path of development and growth, and in particular:
 - o continued with the operational implementation of the Fastweb Agreement, which allowed the Company to expand its addressable market thanks to the possibility of continuing to market LTE services in the digital divide areas under the terms of the Agreement, in a wider market thanks to Fastweb's commitment to complete the migration from Wi Max to LTE technology at its own expense, and to the possibility for Tiscali to access Fastweb's Fiber network;
 - o concluded in July 2019 new contracts with other operators (Open Fiber and Linkem) that go in the direction of a further expansion of the addressable market;
 - o began the relaunch of the Tiscali brand, launching an institutional advertising campaign in March 2019;
- in July 2019, launched significant management measures aimed at improving the marginality of the services offered, both through repricing policies and through policies to contain fixed and variable costs;
- finalized, on March 28, 2019, the signing of the Senior Debt Restructuring Agreements with the Lender Institutions (Intesa San Paolo and Banco BPM) and the Sa Illetta Leasing Transaction Agreement, in place with the Leasing Pool (Mediocredito Italiano and Unicredit Leasing), achieving a rebalancing of the current financial situation;
- generated cash flows from operating activities during the first six months of 2019 before changes in working capital of EUR 7.9 million, in addition to negative changes in working capital of EUR 20.3 million;
- in the period between 30 June 2019 and the date of approval of this report, reduced its exposure to financial institutions, suppliers and the tax authorities, as indicated in the previous paragraph;
- negotiated and stipulated important agreements with strategic suppliers, also thanks to the payment of trade payables due to them for approximately EUR 20 million;

The Board of Directors changed the Company's governance structure in May 2019, when its founder, Renato Soru, returned to the Company's governance structure.

On the basis of these events, the Directors believe, in conclusion, that the extent of the benefit to the economic, equity and financial situation deriving from the significant transactions mentioned above concluded between the end of 2018 and the reporting date of this Report, are such as to suggest that - despite the aforementioned situation of uncertainty regarding the implementation of the 2018-2021 Business Plan over the next twelve months, resulting from the existence of uncontrollable exogenous variables that may lead to worse results than those forecast in the forecast data - the short-term capital and financial balance and the business continuity associated with it is not at risk.

It is on this basis, therefore, that the Directors have a reasonable expectation that the going concern of the company over the next 12 months will be recurring 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 judgement, which compared, with respect to the events indicated above, the degree of probability of their occurrence with the opposite situation. It should be noted that the prognostic opinion underlying the determination of the Board of Directors is likely to be contradicted by the evolution of the facts. Precisely because it is aware of the intrinsic limits of its own determination, the Board of Directors will maintain constant monitoring of the evolution of the factors taken into consideration (as well as of any further circumstance that may become relevant), so as to be able to promptly take the necessary measures.

Business Outlook

In line with the above and in line with the objectives of the New 2018-2021 Business Plan, the Group's commitment in the coming months will be focused on the full implementation of the plan, with particular attention to:

- the full restart and continuation of the commercial drive, with the recovery started in the second quarter after the slowdown recorded in 2018, with particular focus on the acquisition of new customers in Fiber, LTE and Mobile. Full exploitation of the wholesale agreements signed with Open Fiber, 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 continuation of the operating cost efficiency plan.

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About Tiscali

Tiscali S.p.A. (Borsa Italiana. Milan: TIS), one of the leading alternative telecommunications companies in Italy, provides its customers, both private and corporate, with a wide range of services: fixed Broadband and Fixed Wireless Broadband Internet access, mobile telephony services and value-added services (including email, web streaming, security services). At 30 June 2019, Tiscali had a customer portfolio of 654.4 thousand customers. The Tiscali website can be reached at www.tiscali.it