

TISCALI'S 2020 DRAFT FINANCIAL STATEMENTS: revenues and EBITDA grew in 2020 despite COVID-19 impacts

- **Revenues** at EUR **144** million, an increase by EUR 1.4 million (+1%) as compared to 2019.
- **EBITDA** at EUR **29.1** million, an EUR 3.6 million increase as compared to 2019 (+14%); this improvement – which is the result of the structural actions to save operating costs implemented during the year – is even more marked with regard to EBITDA net of non-recurring items, which is + EUR 8.8 million (+64.5%).
- **Net result of EUR -22.2 million**, down by EUR 5.7 million as compared to 2019, but **improving by EUR 14.2 million** net of non-recurring items (amounting to EUR 4.6 million in 2020 and EUR 24.5 million in 2019).
- **Net financial debt increased by EUR 5.2 million** as compared to 2019, against a **reduction in tax payables of EUR 15.4 million** and a reduction in trade payables of EUR 3.3 million.
- **Total customer portfolio at 672.7 thousand** units, up approximately by 5 thousand units on 2019, of which +36% on fibre customers.

Cagliari, 17 May 2021

The Board of Directors of Tiscali S.p.A. met in the evening of Friday 14 May, under the chairmanship of Alberto Trondoli, and approved the 2021-2023 Business Plan, the Tiscali Group Consolidated Financial Statements, the draft Separate Financial Statements of Tiscali S.p.A., the Consolidated Non-Financial Statement/Sustainability Report as at 31 December 2020, and called the Shareholders' Meeting for 24 June 2021 in a single call.

The Board also approved an agreement with the professional investor Nice & Green S.A. for the issue of a convertible bond into Tiscali ordinary shares, to be exercised in several tranches, for a maximum amount of EUR 21 million, with an option for Nice & Green S.A. to extend it for a further EUR 21 million.

The Board appointed the new Director Paolo Fundarò.

2020 **Condensed** **Figures**

Highlights

Income statement	2020	2019
<i>(EUR mln)</i>		
Revenue	144.0	142.6
Adjusted Gross Operating Result (EBITDA)	29.1	25.6
Operating Result (EBIT)	(14.3)	(18.6)
Result from held for sale and discontinued operations	0.0	0.0
Net Result	(22.2)	(16.5)
Statement of financial position	31 December 2020	31 December 2019
<i>(EUR mln)</i>		
Total assets	151.4	181.2
Net Financial Debt	92.1	87.0
Net Financial Debt as per Consob	92.9	87.8
Shareholders' equity	(73.0)	(56.0)
Investments	35.9	43.4
Operating figures	31 December 2020	31 December 2019
<i>(thousands)</i>		
Total number of Clients	672.7	668.2
Broadband Fixed	376.7	381.7
<i>of which Fiber</i>	223.2	163.7
Broadband Wireless	39.9	41.8
<i>of which LTE</i>	39.9	40.2
Mobile	256.2	244.7

The gross operating result (EBITDA) for the year was EUR 29.1 million compared to EUR 25.6 million in 2019; this improvement – the result of the structural cost-saving actions (on both fixed and variable costs) implemented in the year – is even more marked with reference to EBITDA net of non-recurring items¹. In fact, the change is the result of the combined effect of:

- An improvement, without considering non-recurring items, of EUR 8.8 million (+64.5%);
- A lower positive impact of non-recurring items in 2020 of EUR 5.2 million (impact on EBITDA in 2020 of positive EUR 6.8 million, compared to positive EUR 12 million in 2019).

Operating profit (EBIT), net of provisions, impairments and restructuring costs, was negative EUR 14.3 million, an improvement on the 2019 figure (negative EUR 18.6 million). The change in EBIT compared to the comparison period was also influenced by a lower impact of non-recurring items

¹ Pursuant to CONSOB Resolution No. 15519 of 27 July 2006

of EUR 5.4 million. The increase for the period of EUR 4.3 million is in fact the result of the combined effect of:

- An improvement in EBIT net of non-recurring items of EUR 9.7 million
- A lower positive impact of non-recurring items in 2020 of EUR 5.4 million (due to the presence of non-recurring items with an impact on EBIT in 2020 of positive EUR 4.6 million, compared to positive EUR 10 million in 2019).

The Group's net loss amounted to EUR 22.2 million, compared to the 2019 figure (negative EUR 16.5 million). The EUR 5.7 million deterioration for the period resulted from the combined effect of:

- An improvement in the net result, net of non-recurring items, of EUR 14.2 million;
- A lower positive impact of non-recurring items in 2020 of EUR 19.9 million (due to the presence of non-recurring items with an impact on the net result in 2020 of a positive EUR 4.6 million, compared to a positive EUR 24.5 million in 2019).

Financial Statements

Consolidated Income Statement	2020	2019
<i>(Thousands of Euros)</i>		
Revenues	144,012	142,622
Other incomes	10,837	15,451
Purchase of materials and external services	100,467	99,260
Personnel cost	18,780	22,392
Other operating charges (incomes)	297	751
Write-downs of receivables from customers	6,158	10,103
Restructuring costs	2,142	1,997
Depreciations & amortizations	41,324	42,176
Operating result	(14,318)	(18,605)
Result from the investments evaluated at equity method	(285)	(359)
Financial Income	440	14,452
Financial Expenses	7,964	11,847
Income (loss) before tax	(22,127)	(16,359)
Taxation	75	109
Net result from operating activities (ongoing)	(22,201)	(16,468)
Result from held for sale and discontinued operations	0	0
Net result	(22,201)	(16,468)

Revenues by business area

Tiscali's revenues in 2020 amounted to EUR 144 million, up by 1% on 2019. The net change of EUR 1.4 million is attributable to the following factors:

- **Broadband Access** revenue increase of EUR 1.5 million (1.4%) compared to 2019, due to the following elements:
 - *Fixed BroadBand* increase of EUR 2.8 million (+2.7%), attributable to an increase in ARPU, against a slight decrease in the number of customers (from 382 thousand in 2019 to 377 thousand in 2020).

The number of Fibre customers increased significantly in 2020, from approximately 164,000 as at 31 December 2019 to approximately 223,000 as at 31 December 2020.

- Decrease in *Broadband Fixed Wireless* revenues of approximately EUR 1.2 million compared to 2019 (-11%), due to the decrease in the customer portfolio (from approximately 42 thousand units as at 31 December 2019 to approximately 40 thousand units as at 31 December 2020);
- **Mobile** revenue increase of EUR 2.5 million (+19.2%) compared to 2019.

The customer portfolio grew by 4.7% compared to 2019, from approximately 245 thousand as at 31 December 2019 to approximately 256 thousand as at 31 December 2020. In terms of average number/month over the period, the increase in customers amounts to 13% (average customers in 2020 are approximately 250 thousand compared to approximately 221 thousand average customers in 2019):

- Decrease in revenues from **Business Services and Wholesale** by EUR 2.1 million (-22.4%) compared to 2019;

Consolidated Reclassified Income Statement	2020	2019
<i>(EUR mln)</i>		
Revenue	144.0	142.6
Access Broadband revenues	114.4	112.8
<i>of which fixed Broadband</i>	104.4	101.7
<i>of which Broadband FWA</i>	10.0	11.2
Revenues from MVNO	15.2	12.7
Business service revenues and Wholesale	7.1	9.2
<i>of which business service</i>	4.9	4.7
<i>of which Wholesale</i>	2.2	4.5
Media and value-added service revenues	2.5	3.9
Other revenues	4.8	3.9
Gross operating margin	53.9	59.9
Indirect operating costs	29.1	38.9
Marketing and sales	2.7	5.2
Personnel costs	18.8	22.4
Other indirect costs	7.6	11.3
Other (income) / expenses	(10.5)	(14.7)
Write-down of receivables	6.2	10.1
Gross Operating Result (EBITDA)	29.1	25.6
Restructuring costs	2.1	2.0
Depreciations & amortizations	41.3	42.2
Operating result (EBIT)	(14.3)	(18.6)
Net Result pertaining to the Group	(22.2)	(16.5)

- Decrease in **Media** revenues of EUR 1.4 million (-35.6%) compared to 2019 due to the decline in advertising sales in the traditional web segment. The segment was affected by the COVID-19 emergency, which led to a decline in advertising investments.
- Increase in **Other Revenues** by EUR 0.9 million compared to 2019.

Indirect operating costs in 2020 amounted to EUR 29.1 million, down by EUR 9.9 million compared to 2019 (EUR 38.9 million).

Within indirect operating costs:

- Marketing costs: these amounted to approximately EUR 2.7 million, down by EUR 2.6 million compared to the 2019 figure of EUR 5.2 million. In 2019, this item included higher investments

in TV advertising;

- Personnel costs amounted to EUR 18.8 million (13% of revenue), down compared to 2019 (EUR 22.4 million, accounting for 15.7% of revenue), due to the reduction in headcount (from 499 FTEs at 31 December 2019 to 480 FTEs at 31 December 2020) and the recourse for certain sectors to the redundancy fund as from April 2020;
- Other indirect costs: these amounted to approximately EUR 7.6 million and were down by EUR 3.7 million compared to 2019.

Other (income) / charges

Other income (net of other charges), amounting to EUR 10.5 million, mainly includes the share of tax credits on investments under the “Bonus Sud”, Industria 4.0 and Research and Development regulations for a total amount of EUR 8.3 million. This item also includes net proceeds from settlements on debt positions for approximately EUR 2.2 million.

In 2019, this item, amounting to EUR 14.7 million, mainly included the income from the realisation of the transaction for the sale of the Sa Illetta property as well as income from transactions on debt positions and other contingent assets.

Other Items

The provision for doubtful debts amounted to EUR 6.2 million in 2020, compared to EUR 10.1 million in 2019. The incidence of this item on revenues decreased significantly, from 7.1% as at 31 December 2019 to 4.3% as at 31 December 2020.

Depreciation and amortisation for the period amounted to EUR 41.3 million, down by EUR 0.9 million compared to EUR 42.2 million in 2019.

In 2020, provisions for risks and charges amounted to EUR 2.1 million compared to EUR 2 million accounted for in 2019, and mainly included provisions of EUR 1.9 million related to network infrastructure rationalisation charges, as well as provisions for corporate restructuring charges of EUR 0.4 million, in relation to the redundancy incentive plan prepared by the Company. This item also includes releases of previous provisions for litigation, for the settlement of cases, for about EUR 0.2 million.

The operating result (EBIT), net of provisions, write-downs and restructuring costs, was a loss of EUR 14.3 million, compared to a loss of EUR 18.6 million in 2019. The 2019 figure, as mentioned above, is affected by non-recurring items of EUR 10 million, while in 2020 non-recurring items amounted to a positive EUR 4.6 million.

Net financial expenses amounted to EUR 8 million, compared to EUR 11.8 million in 2019.

Financial income amounted to EUR 0.4 million and related to the release of the value of the put option resulting from the conversion of the bond realised in 2020. In 2019, financial income of EUR 14.5 million was entirely related to non-recurring items, mainly consisting of the discounting income from the new Senior Loan.

Abridged Consolidated Statement of Equity and Liabilities

Group financial situation

As at 31 December 2020, the Tiscali Group had cash and cash equivalents of EUR 4.4 million (EUR 11.7 million as at 31 December 2019), while the net financial position at the same date was negative for EUR 92.1 million (EUR 87 million as at 31 December 2019).

Consolidated Statement of Equity and Liabilities	31 December 2020	31 December 2019
<i>(EUR mln)</i>		
Non-current assets	114.0	120.5
Current assets	37.4	60.7
Total Assets	151.4	181.2
Total net equity	(73.0)	(56.0)
Non-current liabilities	38.6	101.3
Current liabilities	185.8	135.9
Total Net equity and Liabilities	151.4	181.2

With reference to the accounting classification of the Senior Loan, granted by Intesa SanPaolo and Banco BPM (hereinafter referred to as “Bank Pool”), it should be noted that, as a result of the negotiations begun in the first months of 2021, an agreement amending the Senior Loan was requested, providing, *inter alia*, that the financial covenants would not be subject to verification as at 31 December 2020 and 30 June 2021 (hereinafter referred to as the “Amendment Agreement”). On 14 May 2021, each of the Lenders sent Tiscali a comfort letter (hereinafter referred to as the “Comfort Letter”) in order to inform the Company that it had commenced the process of assessing the Amendment Agreement formulated by Tiscali in the terms referred to above, that it had not found any critical aspects of the request and to confirm its commitment to submit the approval of

such request to the deliberating bodies. Consequently, on the basis of the provisions of international accounting standard IAS 1, given that the Amendment Agreement will be signed after the end of the 2020 financial year, the financial liability related to the Senior Loan was classified among *Current Liabilities*.

However, it must be underlined that, as of today, in consideration of the status of the negotiations underway with the banks, as well as the reasonable expectation of a positive conclusion of the same, based on the information currently available, no cause of default referring to 31 December 2020 can be considered, and therefore, as will be defined in the Amendment Agreement, the Senior Loan must be repaid at the original contractual expiry dates.

The Company updated its Business Plan to reflect the changed economic environment and the results of the actions undertaken in 2020. The new 2021-2023 Plan, which includes cash flows consistent with the Group's financial requirements, was approved by the Company's Board of Directors on 14 May 2021.

Net Financial Position	Note	31 December 2020	31 December 2019
<i>(EUR mln)</i>			
A. Cash and bank deposits		4.4	11.7
B. Cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		4.4	11.7
E. Current financial receivables		0	0
F. Non-current financial receivables		0.8	0.9
G. Current bank payables		1.5	0.1
H. Current portion of bonds issued	(1)	0.0	5.2
I. Current part of long-term loans	(2)	68.4	0.2
J. Other current financial payables	(3)	8.9	6.8
K. Current financial indebtedness (G) + (H) + (I) + (J)		78.8	12.5
L. Net current financial indebtedness (K)-(D)-(E)-(F)		73.6	-0.1
M. Non-current bank loans	(4)	3.5	67.9
N. Bonds issued		0.0	0.0
O. Other non-current financial payables	(5)	15.1	19.1
P. Non-current financial indebtedness (M)+(N)+(O)		18.5	87.0
Q. Net financial indebtedness (L)+(P)		92.1	87.0

Notes:

- (1) *The item related to the Convertible Bond is nil, as the loan itself was fully converted in June 2020. The loan, whose nominal value as at 31 December 2019 amounted to EUR 5.3 million, (share entirely owned by ICT Holding Limited) was converted as follows: i) on 9 June 2020, a tranche equal to EUR 2.6 million was converted; ii) on 30 June 2020, the remaining nominal value, equal to EUR 2.7 million, was converted;*
- (2) *It includes the entire amount of the debt towards Senior Lenders restructured on 28 March 2019, equal to EUR 68.4 million for the reasons described in this paragraph;*
- (3) *It includes the following elements: i) the short-term portion of financial lease payables related to investments for network infrastructure and capitalised lease contracts in application of IFRS 16 for a total of EUR 7.9 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 2.6 million), ii) debt to Sarda factoring for EUR 1 million. The notional financial debt for put options, amounting to EUR 0.4 million as at 31 December 2020, was extinguished at the same time as the bond issue itself (see Note 1).*
- (4) *It includes the long-term portion of other long-term bank loans for EUR 3.5 million.*
- (5) *This item includes the long-term portion of financial lease payables related to network infrastructure investments and capitalised lease contracts in application of IFRS 16 for a total of EUR 5.1 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 11.1 million).*

The above table includes security deposits under “Other liquid assets” and under “Non-current financial receivables”. For the sake of completeness, we also report below the reconciliation of the above financial position with the financial position prepared in light of CONSOB communication no. DEM/6064293 of 28 July 2006.

	31 dicembre 2020	31 dicembre 2019
<i>(Milioni di Euro)</i>		
Posizione finanziaria netta consolidata	92,1	87,0
<i>Altre disponibilità liquide e crediti finanziari non correnti</i>	<i>0,8</i>	<i>0,8</i>
Posizione finanziaria netta consolidata redatta in base alla comunicazione Consob n. DEM/6064293 del 28 luglio 2006	92,9	87,8

Main activities carried out and results achieved in 2020

In terms of strategy, in 2020 Tiscali focused on developing the fibre market, where it is confirmed as the Italian telecommunications operator with access to the greatest coverage thanks to the plurality of agreements signed with the main network operators, as well as on developing 4G mobile offers with speeds of up to 100 Mbps.

UltraBroadband offerings (Fibre FTTH up to 1 Giga and FTTC up to 200 and 100 Mbps, Fixed Wireless up to 100 Mbps) were highly appreciated by users, so much so that they grew by 36.3% compared to the previous year.

Tiscali was one of the first operators to choose to bring FTTH services to the homes of Italians living in the so-called *extended digital divide* areas, joining Open Fiber’s offer for areas C and D of the country, with coverage that has almost tripled by 2020, reaching 866 municipalities. Thanks to the increase in FTTH coverage, Tiscali’s market share as at 30 September 2020 in this technology is 5.5%, with a 1.6% growth on an annual basis (this is the second highest growth after TIM – source: AGCOM, report as at 30 September 2020).

In this regard, Tiscali also participates in the “Connectivity voucher plan”, the measure promoted by MISE to promote the spread of UltraBroadband connectivity services throughout the country with the aim of overcoming the *digital divide* and supporting the population with geographical and income limitations.

The Company confirms its significant presence in the Sardinian territory where, at the end of 2020, thanks to the Bitstream NGA network, it had achieved UltraBroadband coverage of approximately 295 out of 377 municipalities with UBB FTTC (up to 200 Mbps) or FTTH (up to 1 Gigabit) technology. More generally, the national development plan envisages the completion of access to the NGA Bitstream network in the first half of 2021, with a potential market increase of around 1.2 million households.

Mobile customers grew by 4.7%, from 245 thousand units as at 31 December 2019 to 256 thousand units. Starting from the end of 2019, Tiscali will be able to propose 4G mobile offers with speeds of up to 100 Mbps (MVNO TIM), differentiating itself from low-cost mobile operators that offer “Basic” 4G technology with speeds of up to 30 Mbps.

The economic and financial impacts of the COVID-19 pandemic, recorded in 2020 by the Company, which were the subject of attention by the Directors, mainly related to advertising revenues, voice and data traffic costs, the limitation on shop walkability, and credit risk. Despite this context, after 11 years Tiscali reversed the downward trend in revenues, recording a 1% increase compared to 2019.

During 2020, in addition to the development, marketing and sale of UltraBroadband and Mobile services, Tiscali continued its efforts to reduce fixed costs and improve industrial margins, as well as optimising investments by sharing the networks of other operators, in line with the new business model with low fixed investment intensity adopted from the second half of 2019.

The Tiscali.it portal recorded significant growth in 2020 in terms of average monthly traffic, with over 199 million pageviews and approximately 11.3 million unique browsers, pursuing the strategy of enhancing the portal as a vehicle for e-commerce.

With regard to communication activities, two advertising campaigns on fibre services were carried out in the first half of 2020, in order to support the brand and marketing objectives, one of which on the main SKY channels, a broadcaster with a high affinity with the Tiscali target. In line with this strategy, performance campaigns were also continued on the web and Influencer Marketing actions were carried out with the aim of increasing brand awareness among a younger, more evolved target.

In 2020, Tiscali – already a long-term sponsor of Dinamo Basket in Serie A – signed two important partnership agreements, expanding its presence in the world of sport to include Serie A football for the 2020/2021 season, becoming the Back Jersey Sponsor of Cagliari Calcio and Premium Sponsor of AS Roma, as well as the main provider of connectivity services for the Rome club.

From a financial point of view, the conversion of the 2019-2020 Convertible Bond with a nominal value of EUR 5.3 million was completed during the year. This was carried out in two tranches in June.

On 14 May 2021, the Board of Directors approved the 2021-2023 Business Plan, extending the projection of the previous business plan by one year and updating the assumptions on the basis of the changed economic and financial context and on the basis of the results obtained from the actions taken in 2020.

The 2021 - 2023 Plan, approved by the Company's Board of Directors on 14 May 2021, is based on the following assumptions:

- Achievement of profit in 2023;
- Confirmation of the focus on the core business: sale of UltraBroadband services. In particular, focus on Fibre services, (ultra-internet Fibre) with speeds of up to 1 Giga and Mobile 4G, with speeds of up to 100 Mbps;
- Relaunch of B2B services;
- Continued efforts to contain operating costs and improve service margins;
- Continued diversification of portal activities;
- Implementation of supply agreements with wholesale operators, particularly with regard to the rationalisation of network infrastructure, resulting in the following benefits over the period of the Plan:
 - Substantial increase in the pool of users reachable directly by fibre;
 - Reduction in fixed costs and traffic management costs;
 - Reduction of network investments;
 - Acceleration of the fibre migration process and consequent improvement in service quality and *churn rate*;
 - Focusing and increasing investments to support customer service and the innovation and offer of high value-added digital services and products;
- Implementation of an extraordinary financial strengthening plan in the medium term.

Finally, on 14 May 2021, the Board of Directors approved an agreement with the professional investor Nice & Green S.A. for the issue of a convertible bond into Tiscali ordinary shares, to be exercised in several tranches, up to a maximum of EUR 21 million, with an option for the Company to extend it for a further EUR 21 million, reserved for Nice & Green S.A.. The bond loan will allow the Company to raise, with the flexibility typical of such an instrument, resources to meet the Company's liquidity requirements necessary to implement its business plan, over the time horizon covered by the loan.

In the transaction, Tiscali was advised by CC&Soci S.r.l. for the financial profiles and by Chiomenti for the legal profiles, while Nice&Green was assisted by Nctm.

Assessment on the business as an ongoing concern and business outlook

Uncertainties connected to the COVID-19 pandemic

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, 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 risks to the Group, which occurred during 2020 and were assessed by management, are as follows:

- Financial risks, related to the possible deterioration of the solvency of commercial counterparties and/or to delays in collections. The impact of this risk was taken into account in the assessments made on the estimate of the allowance for doubtful accounts.
- Operative risks linked to operating restrictions arising from the interdiction measures imposed by the authorities, which limited domestic movements and delayed certain business processes (continuation of staff-intensive activities such as call centres and service centres; installation of equipment at customer sites; possibility of dealing with line failures and/or possibility of installing new equipment at third-party sites). In particular, the increased complexity associated with access to install equipment at new customer sites led to some delays in customer activation activities in 2020, with a consequent negative impact on the growth of the customer base. The Directors are unable to measure the financial, economic and equity effects of this slowdown, as the impact of the COVID-19 emergency on this slowdown cannot be reliably measured;
- Marginality risks, due to i) the growth in the volume of data/voice traffic on the end user side and the correlated costs for the Group linked to this greater use, and ii) the impact of lower revenues from advertising sales following the contraction in demand.

The Directors have analysed the above effects and the likelihood of their continuation, and have prepared a document to manage and respond to these risks. Although they have made these plans with great diligence, the above effects may not be mitigated, or only partially mitigated, by the actions of the Directors as many of the variables considered are not under their direct control.

Main Events during FY 2020

The Directors point out that in 2020 the Group:

- Presented a negative consolidated result for the year of EUR 22.2 million (compared to a loss of EUR 16.5 million in 2019);
- Reported a consolidated EBITDA of EUR 29.1 million (compared to EUR 25.6 million in 2019);
- Had a consolidated net financial position as at 31 December 2020 of EUR 92.1 million, of which EUR 78.8 million in current debt and EUR 18.5 million due beyond 12 months, in addition to cash and cash equivalents of EUR 4.4 million and non-current financial receivables of EUR 0.8 million. This figure shows a worsening of EUR 5.2 million compared to the figure recognised at 31 December 2019. With reference to short-term debt, it should be noted that it mainly includes the senior financial debt to the Bank Pool reclassified among current liabilities following the breach of certain financial parameters (hereinafter referred to as the “Covenants”) as at 31 December 2020;
- Had a consolidated equity deficit of EUR 73 million, a deterioration of EUR 17 million compared to 31 December 2019, due to the combined effect of the result for the period of negative EUR 22.2 million and the conversion of the remaining portion of the bond for EUR 5.3 million;
- Recorded a slight decrease in the Fixed Broadband customer base, (approximately 377 thousand users as at 31 December 2020, compared to 382 thousand users as at 31 December 2019).

Conversely, the Directors note that:

1. The consolidated result for the year, net of non-recurring effects (equal to EUR 4.6 million as at 31 December 2020 and EUR 24.5 million as at 31 December 2019), improved by EUR 14.2 million compared to the result of the previous year;
2. The consolidated EBITDA, net of non-recurring effects (equal to EUR 6.8 million as at 31 December 2020 and EUR 12 million as at 31 December 2019), improved by EUR 8.8 million compared to the previous year;
3. Current liabilities at consolidated level exceeded current (non-financial) assets by EUR 74 million, compared to an reported amount of EUR 74.4 million as at 31 December 2019;
4. The Group generated a flow from operations of EUR 13.3 million, compared to a flow of EUR 46.1 million in the previous year;
5. They have received the Comfort Letter from the banking syndicate with reference to the

Covenants not met as at 31 December 2020;

6. The Group has net overdue trade payables (net of payment plans agreed with suppliers, as well as accounts receivable and in dispute with the same suppliers) of EUR 22.1 million (EUR 14.3 million as at 31 December 2019), overdue financial payables (net of credit positions) of EUR 0.5 million (nil as at 31 December 2019), overdue tax and social security payables of EUR 10.6 million (an improvement compared to EUR 28 million as at 31 December 2019). In total, therefore, the overdue amounts concerned amounted to EUR 33.2 million, compared to total overdue amounts of EUR 42.3 million in the previous year, an improvement of EUR 9.1 million;
7. The Company showed an improvement in the customer base mix with significant growth in the number of Fibre customers, which increased by 36.3% from 164 thousand users as at 31 December 2019 to 223 thousand users as at 31 December 2020. This objective was also achieved thanks to the significant increase in network coverage in FTTH mode, with coverage tripling compared to 2019, reaching 886 municipalities at the end of 2020 compared to 321 municipalities reached at the end of 2019. Moreover, thanks to the Bitstream NGA network, Tiscali further expanded its UltraBroadband coverage in Sardinia, reaching approximately 295 out of 377 municipalities at the end of 2020 with UBB FTTC (up to 200 Mbps) or FTTH (up to 1 Gigabit) technology.

Furthermore, it should be noted that on 14 May 2021, an agreement was signed with a leading international investment fund (hereinafter referred to as the “Investor”) for the issue of a Convertible Bond (hereinafter referred to as the “Bond”) for a maximum amount of EUR 21 million, with an option for the company to extend it by a further EUR 21 million, which can be issued in several tranches at the Group’s discretion and for which the Investor has undertaken to subscribe in full.

In this situation, the Directors reiterate that, although the Group’s income performance has improved compared to the previous year, also reflected in its ability to create a better cash flow from operations, the achievement of a balanced financial position is not possible, the Group’s medium- and long-term equity, income statement and financial position is still subject to i) the achievement of the results envisaged in the 2021-2023 Business Plan, which envisages achieving economic equilibrium in 2023 and ii) the realisation of the forecasts and assumptions contained therein in a market context characterised by strong competitive pressure, a difficult macroeconomic context linked to the recent events linked to the dissemination of the COVID-19 in Italy, iii) the positive finalisation of the granting of the moratoria by the Lending Institutions, deeming it reasonable, on the basis of current evidence, to sign the Amendment Agreement.

In view of these uncertainties on the implementation of the 2021-2023 Business Plan, the Directors point out that the Group:

- a) Continued, during 2020, to reduce indirect operating costs by approximately EUR 10 million compared to 2019;
- b) Generated, in 2020, cash flows from operating activities before changes in working capital of EUR 40.6 million, in addition to changes in working capital of negative EUR 27.3 million;
- c) Has started a process of migration to the UltraBroadband network, with the aim of significantly reducing the costs of its network infrastructure;
- d) On 14 May 2021, received two comfort letters from the Senior Lenders in relation to the approval process of the Amendment Agreement which provides, *inter alia*, that the financial covenants are not subject to verification as at 31 December 2020 and 30 June 2021;
- e) Signed an agreement with the leasing companies to reduce the rent for the Sa Illetta site for the period March-September 2020, and at the same time defer payment of the same to 2021, due to the difficulties arising from the COVID-19 emergency;
- f) Obtained new short-term financing of EUR 2.5 million.

Financial resources for the 2021-2023 Plan

As part of the 2021 - 2023 Business Plan, Tiscali has defined an extraordinary financing plan to be implemented over the period of the Plan to meet the Company's short- and medium-term liquidity needs.

The Board of Directors resolved today to subscribe with Nice&Green S.A., a professional investor based in Nyon, Switzerland (hereinafter referred to as the "**Investor**"), an investment agreement (hereinafter referred to as the "**Investment Agreement**") concerning a Tiscali financing programme through the issue of a convertible bond into Tiscali ordinary shares to be issued in maximum 7 tranches of EUR 3 million, consisting of convertible bonds with a nominal amount of EUR 100,000.00 each (each hereinafter referred to as the "**Bonds**"), for a total maximum amount of EUR 21,000,000.00 (with an option for the Company to extend the bonds for a further maximum amount of EUR 21,000,000.00) reserved for the Investor (hereinafter referred to as the "**POC**").

The Investment Agreement provides for a total issue period of the POC of 21 months, at the expiry of which all outstanding Bonds not yet converted will be irrevocably converted into Tiscali shares.

The Company will have the right (and not the obligation) to request the subscription of each tranche of Bonds by submitting a specific subscription request to the Investor. The Bonds will not be admitted to trading.

The subscription price of each tranche of Bonds is equal to 95.5% of the nominal amount of each Bond, i.e., EUR 100,000.00.

The conversion price of the Bonds is equal to 95% of the second lowest volume weighted average daily price (*Volume Weighted Average Price*, or “VWAP”) of the ordinary shares of the Company recorded in the 6 open market days preceding the date of the Investor’s request for conversion of the Bonds.

Finally, it should be noted that the opinion on the fairness of the issue price of the Tiscali shares to service the conversion of the Bonds will be issued by the auditing firm Deloitte & Touche S.p.A.

It is envisaged that the issue of the first and second tranches of the POC and the related capital increase to service the POC will be resolved by the Board of Directors through the exercise of the proxies granted by the Extraordinary Shareholders’ Meeting of the Company held on 26 June 2018 pursuant to Articles 2420-ter and 2443 of the Italian Civil Code, for the remaining part of the aforementioned proxies.

The issue of the remaining tranches of the POC and the capital increase to service the conversion of the POC will be resolved upon by the Extraordinary Shareholders’ Meeting of the Company convened for 24 June 2021.

Furthermore, in the context of the Investment Agreement, Amsicora S.r.l., owner of a 17.75% stake in the share capital of Tiscali and the Investor have entered into a separate share loan agreement, through which Amsicora S.r.l. has undertaken to lend to the Investor – free of charge, without any purpose of sale – a sufficient number of Tiscali shares that the Investor may borrow to anticipate the issue and/or the admission to listing of the new Tiscali shares in order to convert at least 120% of the amount of each tranche equal to EUR 3,000,000. Although Tiscali is not a party to the Share Loan, the Share Loan represents a condition to the subscription of the Investment Agreement without which the Investor would not have agreed to subscribe to the Investment Agreement nor would it have committed to subscribe to the Bonds. Therefore, the Company, in consideration of the principle of *predominance of substance over form*, has deemed it appropriate to subject the Share Loan, on a prudential basis, to the rules for transactions of greater importance pursuant to Article 10 of the Regulation approved by CONSOB resolution no. 17221/2010, as subsequently amended and supplemented, and Article 7 of the “*Procedure for regulating transactions with related parties*” of Tiscali, on the outcome of which the Committee for transactions with related parties has issued a favourable opinion to the Board of Directors.

For the purposes of admission to listing on the MTA of the shares deriving from the conversion of the Bonds, Tiscali will promptly initiate the activities preparatory and functional to the approval of a listing prospectus by CONSOB.

Assessment on the business as an ongoing concern

In the circumstances described above, the Directors, after analysing the uncertainties and results of the period, as well as having received two comfort letters from the Senior Lenders in relation to the approval process of the Senior Loan Modification Agreement request, have prepared a cash plan for a period of 12 months from the date of approval of this report. On the basis of this cash plan, the Directors believe that the Group, assuming compliance with the 2021-2023 Business Plan and considering the injection of liquidity deriving from the Bond and the effects of the Senior Loan Amendment Agreement, can meet its obligations at a level of maturity substantially in line with the current one.

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.

Environmental sustainability targets achieved in 2020

In 2020, Tiscali continued and strengthened its commitment – enshrined in the ISO 14001 certification obtained in December 2019 – towards greater environmental sustainability of all its activities, with the aim of actively contributing to the ecological transition process underway in the country, in the interest of all stakeholders and the community in which it operates.

During 2020, further interventions, started in 2019, were finalised on the Data Centre's air conditioning systems to increase overall energy efficiency, reduce energy consumption and CO₂ emissions.

The project, started in 2019, was completed in the first half of 2020 with the replacement of some highly energy-intensive elements of the cooling systems with new generation technologies characterised by higher energy efficiency. In particular, chillers, cold carrier fluid

circulating systems (water cooling pumps) and UPS (uninterruptible power supply systems) were replaced. Shielding from solar radiation and thermal insulation solutions have also been implemented in the Data Centre's premises, aimed at reducing the need for electrical energy used in the air conditioning systems.

The overall energy saving achieved was 26.3 % compared to 2019.

Furthermore, with regard to minimising the amount of waste produced, Tiscali has pursued with determination the initiatives for the progressive replacement of plastic undertaken in recent years, reaching the objective of being a totally *plastic-free* company in 2020.

The company has implemented a policy to discourage customers from requesting paper invoices, achieving significant savings in the use of paper.

In February 2021, Tiscali completed the construction of a photovoltaic system located on the roofs of the Sa Illetta buildings for the production of energy for self-consumption, which will reduce emissions into the atmosphere by 248,532 kg of CO₂ per year, equal to the CO₂ absorbed annually by 1,926 trees. When fully operational, this plant will meet approximately 6% of the annual energy needs of the Sa Illetta site.

Finally, an Integrated Quality Management System manager has been appointed, whose duties also include environmental management: an important step towards ensuring continuity in the processes of improving our ecological footprint.

COVID-19 emergency management

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

Business Outlook

Consistent with the above, and in line with the objectives of the 2021-2023 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 growth of the customer base, with particular focus on the acquisition of new Fibre, LTE and Mobile customers;
- The relaunch of the B2B Business Unit;
- The rationalisation of the network infrastructure;

- The development of portal diversification activities;
- The improvement of service margins;
- The continuation of the plan to contain fixed costs.

The Tiscali's Board of Directors also unanimously resolved today, having consulted the Appointments Committee, to co-opt Dr Paolo Fundarò and appoint him as a member of the Control and Risk Committee. Mr. Fundarò does not hold any Tiscali shares. The co-option follows the resignation of director Manilo Marocco, whom the Company thanks for his work in recent months on the Board and the Control and Risk Committee.

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About Tiscali

Tiscali S.p.A. (Borsa Italiana. Milan: TIS), Smart Telco with the largest fibre coverage in Italy, provides its clients – individuals, companies and the Public Administration – with a wide range of services: Fixed Broadband and Broadband Fixed Wireless Internet access, mobile telephony services and value-added services (including security services, cloud and social media). As at 31 December 2020, Tiscali had a customer portfolio of 672.7 thousand units. Tiscali is also one of Italy's leading news portals, with around 11,3 million visitors (average/month). Tiscali's website can be reached at www.tiscali.it.