Half-year financial report as at 30 June 2021: revenues and EBITDA up YoY

- Signature of the **Senior Loan Amendment Agreements** with rescheduling of the repayment plan from 2023 and extension of the maturity to 2026;
- **Revenues of EUR 72.9 million**, up compared to EUR 72.5 million in H1 2020
- EBITDA of EUR 11.9 million, up by EUR 4.6 million compared to H1 2020 (+63.6%)
- **Net result improved by EUR 3.9 million**, from negative EUR 16.4 million in H1 2020 to negative EUR 12.5 million in H1 2021;
- **Net financial debt improved by EUR 3.3 million** compared to 31 December 2020;
- **Total customer base at 648.3 thousand**, down from 672.7 as at 31 December 2020;
- **Improvement in customer base mix** with significant growth in the number of Fibre customers, up by 26% compared to H1 2020.

Cagliari, 9 October 2021

The Board of Directors of Tiscali S.p.A., which met on 8 October under the chairmanship of Alberto Trondoli, approved the half-year financial report as at 30 June 2021.

H1 2021 Condensed Figures

Highlight

Income statement	***1° semester 2021***	***1° semester 2020***
(EUR mln)		
Revenue	*72,9*	*72,5*
Adjusted Gross Operating Result (EBITDA)	*11,9*	*7,3*
Operating Result (EBIT)	*(8,6)*	*(12,1)*
Result from held for sale and discontinued operations	*0,0*	*0,0*
Ner Result	*(12,5)*	*(16,4)*

Statement of financial position	***30 June 2021***	***31 December 2020***
(EUR mln)		
Total assets (§)	*156,1*	*151,4*
Financial Indebtedness	*88,8*	*92,1*
Financial Indebtedness as per Consob	*97,1*	*101,0*
Shareholders' equity	*(82,5)*	*(73,0)*
Investments	*19,6*	*35,9*

Operating figures	***30 June 2021***	***31 December 2020***
(thousands)		
Total number of Clients	*648,3*	*672,7*
Broadband Fixed	*363,8*	*376,7*
of which Fiber	*249,7*	*223,2*
Broadband Wireless	*36,3*	*39,9*
of which LTE	*36,3*	*39,9*
Mobile	*248,2*	*256,2*

Income trend for the period

Consolidated Income Statement *(EUR mln)*	1st semester 2021	1st semester 2020
Revenue	72,9	72,5
Other income	1,9	0,3
Purchase of external materials and services	51,5	51,7
Personnel costs	8,9	10,5
Other operating expense (income)	0,0	0,0
Write-downs accounts receivable from customers	2,5	3,4
Gross Operating Result (EBITDA)	**11,9**	**7,3**
Restructuring costs	(0,1)	0,0
Depreciations & amortizations	20,7	19,4
Operating result (EBIT)	**(8,6)**	**(12,1)**
Result from the investments evaluated at equity method	(0,2)	(0,0)
Financial Income	0,0	0,4
Financial Expenses	3,7	4,7
Income (loss) before tax	**(12,5)**	**(16,4)**
Taxation	0,0	0,0
Net result from operating activities (ongoing)	**(12,5)**	**(16,4)**
Result from held for sale and discontinued operations	0,0	0,0
Net result for the period	(12,5)	(16,4)
Minority interests	0,0	0,0
Group Net Result	**(12,5)**	**(16,4)**

The gross operating result (EBITDA) for the half-year was EUR 11.9 million compared to EUR 7.3 million as at 30 June 2020, a 63.6% improvement compared to the figure for H1 2020.

The operating result (EBIT), net of provisions, impairments and restructuring costs, was negative EUR 8.6 million, an improvement on the 30 June 2020 figure, which amounted to a negative EUR 12.1 million.

The Group's net loss amounted to EUR 12.5 million, an improvement of EUR 3.9 million compared to the half-year 2020 figure of negative EUR 16.4 million.

The impact of Non-Recurring Items on EBITDA, EBIT and net result is not significant (similar to H1 2020).

Economic analysis

Profit and Loss Statement of the Group	1st semester 2021	1st semester 2020
(EUR mln)		
Revenue	**72,9**	**72,5**
Access Broadband revenues	57,5	57,6
of which fixed Broadband	53,1	52,6
of which Broadband FWA	4,4	5,0
Revenues from MVNO	7,7	7,4
Business service revenues and Wholesale	3,9	3,5
of which business service	2,7	2,5
of which Wholesale	1,2	1,0
Media and value-added service revenues	1,5	1,1
Other revenues	2,4	2,9
Gross operating margin	**27,4**	**27,0**
Indirect operating costs	**14,9**	**16,6**
Marketing and sales	1,2	1,5
Personnel costs	8,9	10,5
Other indirect costs	4,8	4,6
Other (income) / expenses	**(1,8)**	**(0,3)**
Write-down of receivables	2,5	3,4
Gross Operating Result (EBITDA)	**11,9**	**7,3**
Restructuring costs	(0,1)	0,0
Depreciations & amortizations	20,7	19,4
Operating result (EBIT)	**(8,6)**	**(12,1)**
Net Result pertaining to the Group	**(12,5)**	**(16,4)**

Broadband Access generated revenues in H1 2021 of EUR 57.5 million (EUR 53.1 million from "Fixed Access" and EUR 4.4 million from "Fixed Wireless Access"), a 0.2% decrease compared to the figure as at 30 June 2020 (EUR 57.6 million).

The change is attributable to the following elements:

- Slight increase in Fixed Broadband of EUR 0.4 million (+0.8%), attributable to an increase in ARPU, against a decrease in the number of customers (from 382 thousand in H1 2020 to 364 thousand in H1 2021). The number of fibre customers increased significantly over the period, from approximately 199,000 as at 30 June 2020 to approximately 250,000 as at 30 June 2021, confirming the progressive shift in demand towards fibre connections;
- Broadband Fixed Wireless revenues decreased by approximately EUR 0.6 million compared to H1 2020, due to the decrease in the customer base (from approximately 42 thousand units as at June 30, 2020 to approximately 36 thousand units as at June 30, 2021).

Mobile revenues of EUR 7.7 million at 30 June 2021 show a 3.7% increase compared to the H1 2020 figure of EUR 7.4 million.

The *active customer base* shows a slight 2% decrease compared to H1 2020, from approximately 253 thousand units at 30 June 2020 to approximately 248 thousand units at 30 June 2021. In terms of average number/month over the period, the increase in customers is 1.27% (average customers in H1 2021 approximately 252 thousand compared to approximately 249 thousand average customers in H1 2020).

Revenues from business services (VPN services, housing, hosting, domains and leased lines) and from wholesale network infrastructure and services (IRU, resale of voice traffic) to other operators (which exclude those relating to access and/or voice products aimed at the same customer segment already included in the respective business lines) amounted to EUR 3.9 million, a 10.8% increase compared with EUR 3.5 million in H1 2020.

As at 30 June 2021, *revenues from the media segment* (mainly relating to the sale of advertising space) amounted to approximately EUR 1.5 million and were up by EUR 0.3 million compared with the figure for H1 2020 (EUR 1.1 million) thanks to the growth in advertising sales and revenues generated by the launch of new transactional services (Tiscali Shopping and Tiscali Tagliacosti).

Other revenues amounted to approximately EUR 2.4 million in H1 2021, down by EUR 0.5 million compared to the equivalent figure for H1 2020 (EUR 2.9 million).

Indirect operating costs in H1 2021 amounted to EUR 14.9 million, down EUR 1.7 million compared to H1 2020 (EUR 16.6 million).

Within indirect operating costs:

- *Marketing costs* amounted to approximately EUR 1.2 million, a EUR 0.3 million reduction compared to the 2020 half-year figure of EUR 1.5 million;
- *Staffing costs* amounted to EUR 8.9 million (12% of revenue), down on the 2020 half-year figure (EUR 10.5 million, accounting for 14% of revenue), due to the reduction in headcount (from 484 FTEs as at 30 June 2020 to 472 FTEs as at 30 June 2021) and the use of social security cushions in the management of the COVID-19 pandemic, as well as the reorganisation and reduction in headcount following a redundancy incentive plan prepared by the Company and included in the 2021-2024 Business Plan.
- *Other indirect costs* amount to approximately EUR 4.8 million, up slightly by EUR 0.2 million compared with H1 2020.

Other income (net of other charges), amounting to EUR 1.8 million, mainly derives from the write-off of accounts payable to suppliers.

With regard to other items, the *provision for doubtful debts* amounted to EUR 2.5 million in H1 2021, compared to EUR 3.4 million in H1 2020. The ratio of this item to revenue decreased significantly, from 4.7% as at 30 June 2020 to 3.4% as at 30 June 2021.

Depreciation and amortisation for the period amounted to EUR 20.7 million, a EUR 1.3 million increase compared to EUR 19.4 million in H1 2020.

In the first half of 2021, *accruals to provisions for risks and charges* included EUR 0.2 million for charges related to the departure of certain employees, while *utilisations* included EUR 0.4 million of releases from the personnel restructuring provision set aside in previous years as they were not used within the period of validity of the redundancy plan they referred to.

The operating result (EBIT), net of provisions, write-downs and restructuring costs, was a loss of EUR 8.6 million, compared with a loss of EUR 12.1 million in H1 2020.

Net financial expenses amounted to EUR 3.7 million, compared with EUR 4.7 million in H1 2020.

Financial income is nil compared to the figure for H1 2020 (EUR 0.4 million).

Condensed Balance Sheet

Consolidated Statement of Equity and Liabilities	**30 June 2021**	**31 December 2020**
(EUR mln)		
Non-current assets	112,6	114,0
Current assets	43,5	37,4
Total Assets	**156,1**	**151,4**
Net equity of the Group	(82,5)	(73,0)
Total net equity	**(82,5)**	**(73,0)**
Non-current liabilities	107,4	38,6
Current liabilities	131,1	185,8
Total Net equity and Liabilities	**156,1**	**151,4**

Financial Situation of the Group

As at 30 June 2021, the Tiscali Group has cash and cash equivalents of EUR 10.7 million (EUR 4.4 million as at 31 December 2020), while net financial debt at the same date is negative for EUR 88.8 million (EUR 92.1 million as at 31 December 2020).

During the first half of the year, Tiscali carried out a number of actions aimed at significantly strengthening its financial and capital structure:

Agreement with Nice & Green

On 14 May 2021, Tiscali signed with with Nice & Green S.A., professional investor based in Nyon, Switzerland, an 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, 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 issued a total of four tranches of bonds of EUR 3,000,000 each, two of which were issued during H1 (26 May and 10 June respectively). All tranches of bonds were converted, one of them during H1 (31 May).

The 2021-2024 Business Plan

On 17 September 2021, the Board of Directors approved the 2021-2024 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 undertaken during 2021.

With a view to a smart telco, the Plan pursues the implementation of corporate strategies according to precise guidelines aimed at:

- Budget profit in 2023;
- B2C: focus on converged Fibre - Mobile 4G offerings with increased margin and upselling of new value-added services;
- B2B: strengthening sales channels and proposing new offerings in line with digital transformation and including Iass and Saas cloud services, also thanks to the opportunities given by the Italian National Recovery and Resilience Plan;
- Enhancement of the customer base thanks to the acceleration of fibre migration with consequent improvement in service quality and reduction in churn rate, also supported by the improvement of the service mix and the growth of advanced digital caring;
- Brand repositioning on digital services, strengthening sales on digital channels and new sales network in the physical channel;
- Portal: new e-commerce services sales strategy and launch of a comparator;
- Minimisation of non-customer related investments and further reduction of network costs thanks to the agreement signed with Tim on fixed and MVNO access.

Rescheduling of Senior Debt Financing Agreements

The restructuring of the Agreements concerning the Group's medium- and long-term Senior Debt with Intesa San Paolo and Banco BPM was successfully concluded on 7 October 2021.

In addition to the granting of a grace period until March 2023 and the rescheduling of payments until March 2026, the agreements also provide for the rescheduling or elimination of certain contractual covenants.

The new Financing Agreement, together with the capital increase resulting from the implementation of the Bond issue, will allow the Company to raise resources to meet its short- and medium-term liquidity needs, ensuring a profitable management of cash flows at the service of the business over the period of the Plan.

Net Financial Indebtedness	Notes	30 June 2021	31 December 2020
(EUR 000)			
A. Cash and bank deposits		10,7	4,4
B. Cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		***10,7***	***4,4***
E. Current financial receivables			
F. Non-current financial receivables		**0,8**	**0,8**
G. Current bank payables		0,1	1,5
H. Current portion of bonds issued	(1)	3,0	0,0
I. Current part of long-term loans	(2)	0,2	68,4
J. Other current financial payables	(3)	10,0	8,9
K. Current financial indebtedness (G) + (H) + (I) + (J)		***13,3***	***78,8***
L. Net current financial indebtedness (K)-(D)-(E)-(F)		**1,8**	**73,6**
M. Non-current bank loans	(4)	72,8	3,5
N. Bonds issued			
O. Other non-current financial payables	(5)	14,2	15,1
P. Non-current financial indebtedness (M)+(N)+(O)		**87,0**	**18,5**
Q. Net financial indebtedness (L)+(P)		**88,8**	**92,1**

(1) The item relating to the Convertible Bond refers to the issue of the second tranche of the "POC" converted into Tiscali ordinary shares on 7 July 2021;
(2) This item includes the current portion of the debt to the Senior Lenders;
(3) This item includes the following items: i) the short-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 9 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 2.5 million), ii) debt to Sarda Factoring for EUR 1 million.
(4) This item includes the long-term portion of the payable to Senior Lenders for EUR 69.3 million and other long-term bank loans for EUR 3.5 million.
(5) This item includes the long-term portion of payables for financial leases relating to investments in network infrastructure and capitalised lease contracts in application of IFRS 16 for a total of EUR 14.2 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 10.3 million).

The above table includes security deposits under *Other Cash and Cash Equivalents* and under *Non-current Financial Receivables*. For the sake of completeness, we also report below the reconciliation of the financial indebtedness shown above with the financial indebtedness prepared in light of CONSOB Attention Notice No. 5/21 of 29 April 2021 and shown in the Notes to the Financial Statements.

	30 June 20201	31 December 2020
(EUR mln)		
Consolidated net financial indebtedness	**88,8**	**92,1**
Non-current financial receivables	0,8	0,8
Consolidated net financial indebtedness prepared on the basis of Consob communication No. 5/21 dated 29 April 2021	**89,6**	**92,9**

It should also be noted that the amount of payables to suppliers and payables to other parties overdue by more than 12 months, at 30 June 2021, was EUR 12.9 million, compared to EUR 7.2 million at 31 December 2020. It should also be noted that the Company's severance indemnity fund amounts to EUR 2.7 million.

Main Activities and Results achieved in the First Half of 2021

During 2021, Tiscali focused on the development of the Fibre market, whose coverage on the national territory is constantly expanding. Tiscali, pursuing its mission of offering equal and free access to digital life for all, was among 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 "C" and "D" areas of the country, with coverage that has increased from 866 municipalities at the end of 2020 to over 1,100 in June 2021.

The Company has expanded its offer of FWA services, thanks to wholesale agreements with Linkem and Eolo, and has started the relaunch of business services, which guarantee high margins.

In 2021, thanks to the renewed MVNO agreements with TIM, mobile service performance has been increased with the maximum speed levels achievable by 4G technology and with offers that allow to compete also with low cost operators (70-100 GIGA).

With the aim of enriching its offer, also with a view to reducing the churn rate, in July 2021 Tiscali launched the fixed-mobile convergent service and the Fibre+Smart Home bundle in partnership with Enel X. This strategic collaboration aims to make the Smart Home increasingly accessible, allowing families to manage their homes remotely through a single device: the modem. Home automation is also a high-growth market and therefore an extremely interesting area of differentiation.

Also in July 2021, Tiscali received from Ookla, a world leader in mobile and broadband network intelligence and in the testing of related applications and technologies, the award as the fastest fixed network operator in Italy in 2021 (based on Speedtest Intelligence Ookla in H1 2021). This is a significant recognition of the performance of Tiscali's services, obtained at a time when the market is most demanding in terms of quality and reliability, also as a result of the new way of enjoying streaming football content.

In June 2021, Ultra Broadband customers (Fibre FTTH up to 1 Giga and FTTC up to 200 and 100 Mbps, Fixed Wireless up to 100 Mbps) recorded an overall growth of 26% compared to the previous year (250 thousand units as at 30 June 2021 compared to 199 thousand units as at 30 June 2020).

Mobile customers recorded a 2% decrease, from 253 thousand units as at 30 June 2020 to 248 thousand units as at 30 June 2021.

The Tiscali.it portal recorded significant growth in average monthly traffic with over 238 million pageviews (compared to 211 million as at 30 June 2020), keeping up with the strategy of enhancing the portal as a vehicle for e-commerce. Unique browsers stood at 10 million (12.7 million in H1 2020).

With regard to communication activities, in H1 2021, performance-based campaigns on the web and sports sponsorship activities continued for the 2020/2021 season (Dinamo Basket of Serie A basket league, Cagliari Calcio of Serie A football league, AS Roma of Serie A football league).

Assessment of the Business as an Ongoing Concern

The Directors point out that in the first half of 2021 the Group:

- Showed a negative result for the year, amounting to a loss of EUR 12.5 million;
- Has a consolidated equity deficit of EUR 82.5 million, compared to a value of EUR 73 million as at 31 December 2020, despite the capital increase resulting from the conversion of the first tranche of the Nice & Green SA POC for EUR 3 million;
- Has current liabilities at consolidated level which exceed current assets (non-financial) by EUR 85 million, compared to an amount of EUR 74 million as of 31 December 2020, thus showing an increase of EUR 11 million;
- Has net trade payables past due (net of payment plans agreed with suppliers, as well as accounts receivable and in dispute with the same suppliers) amounting to EUR 23.4 million (EUR 22.1 million as at 31 December 2020), financial payables past due (net of credit positions) amounting to EUR 0.7 million (EUR 0.5 million as at 31 December 2020), tax and social security payables past due amounting to EUR 17.8 million (worsening compared to EUR 10.6 million as at 31 December 2020). Overall, therefore, the overdue amounts in question amounted to EUR 41.9 million, compared to total overdue amounts of EUR 33.2 million in the previous year, an increase of EUR 8.7 million;
- Generated a flow from operations of EUR 9.7 million, lower than the flow of EUR 12.3 million generated in H1 2020
- Recorded a decrease in the Fixed Broadband customer base (approximately 364 thousand users as at 30 June 2021, compared to 382 thousand users as at 30 June 2020).

In view of the economic, financial and management results described above, the Group has implemented the following actions aimed at strengthening its capital and financial structure:

- It approved a Business Plan for the 2021-2024 period (hereinafter referred to as the "2021-2024 Business Plan"), sworn under Article 67 of the Finance Act, which provides for a number of management strategies aimed at increasing revenues in the explicit period, so as to guarantee the Group the achievement of break-even by 2023 and the ability to generate sufficient cash to ensure the development of the business and the repayment of corporate obligations;

- It signed, on 14 May 2021, an agreement with N&G (International Investment Fund) for the issue of a Convertible Bond for a maximum amount of EUR 21 million, with an option for the Company to extend it for a further EUR 21 million, issuable in several tranches at the Group's discretion. At the date of approval of the half-year report, four tranches for a total amount of EUR 12 million had been issued and converted. These financial resources have been put at the service of business development;
- It signed, on October 7, 2021, the Senior Loan Amendment Agreements, which provide for the rescheduling of the loan repayment schedule, thus enabling Tiscali to obtain a two-year grace period (2021-2022) and to reschedule the repayment instalments progressively in the years 2023-2026, so as to make them compatible with the cash flows expected by the Group and included in the forecasts of the 2021-2024 Business Plan.

In addition to these actions, the Directors highlight the existence of many positive signs linked to both the performance for the period and the forecasts for future performance. In particular, it should be noted that the Group:

- Has a result for the year, although negative, which improved by EUR 4 million compared to the first half of 2020, and that in the same period the Group's EBITDA increased from EUR 7.3 million in the comparison period to EUR 11.9 million in the first half of 2021;
- Has a total net financial indebtedness value improved by EUR 3.3 million compared to 31 December 2020, with a more sustainable debt structure thanks to the reclassification of the Senior Loan from current to non-current);
- Has cash and cash equivalents of EUR 10.7 million;
- Showed an improvement in the mix of the customer base with a significant growth in the number of fibre customers, which increased by 25.8% from 199,000 as at 30 June 2020 to 250,000 as at 30 June 2021. This objective was also achieved thanks to the significant increase in network coverage in FTTH mode, with coverage reaching 1100 municipalities as at 30 June 2021 compared to the 886 municipalities reached at the end of 2020. In addition, thanks to the NGA Bitstream network, Tiscali further expanded its Ultra Broadband coverage in Sardinia, reaching a potential market of 2.9 million households as at 30 June 2021 with UBB FTTC (up to 200 Mbps) or FTTH (up to 1 Gigabit) technology.

In the situation described above, the Directors reiterate that the Group's achievement of medium- and long-term balance sheet, income statement and financial equilibrium is still subject to *(i)* the achievement of the results envisaged in the 2021-2024 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 and a difficult macroeconomic context linked to the recent events linked to the dissemination of the COVID-19 pandemic in Italy.

Conclusions on the business as an ongoing concern

Under the above-described circumstances, the Directors believe, after analysing the uncertainties and results of the period, assuming compliance with the 2021-2024 Business Plan approved by the Board of Directors on 17 September 2021, considering the injection of liquidity deriving from the Bond Loan, as well as considering the effects of the Senior Loan Modification Agreement signed

on 7 October 2021, that the Group will be able to meet its obligations while maintaining a level of past due amounts substantially in line with the current one.

It is on this basis, therefore, that the Directors have a reasonable expectation that going concern over the next 12 months will be recurring and that the Group will be able to use the accounting principles of a going concern.

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

It must be emphasised that the prognostic judgement underlying the Board of Directors' determination is liable to be contradicted by developments in 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 acquire importance), so as to be able to promptly take the necessary measures.

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