Tiscali Group
Annual Financial Report
as at 31 December 2019

The Board of Directors of Tiscali S.p.A. authorized the publication of this document on April 27, 2020. This document is available online on www.tiscali.it

Tiscali Spa

Registered office in Cagliari, Sa Illetta, SS195 Km 2.3

Office in Milan, viale Enrico Forlanini 23

Share capital EUR 46,355,159.37

Business Registry of Cagliari and VAT No. 02375280928 R.E.A. No. 191784

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1. Summary data

Income statement	2019 (#)	2018
(EUR mln)		
Revenue	142,6	165,2
Adjusted Gross Operating Result (EBITDA)	25,6	20,5
Operating Result (EBIT)	(18,6)	(34,1)
Result from held for sale and discontinued operations	0,0	128,5
Ner Result	(16,5)	83,2

Statement of financial position	31 December 2019	31 December 2018
(EUR mln)		
Total assets (§)	181,2	346,1
Net Financial Debt	87,0	152,1
Net Financial Debt as per Consob	87,8	152,6
Shareholders' equity (§)	(56,0)	(44,7)
Investments	43,4	18,2

Operating figures	31 December 2019	31 December 2018
(thousands)		
Total number of Clients	668,2	640,1
Broadband Fixed	381,7	382,8
of which Fiber	163,7	79,1
Broadband Wireless	41,8	58,8
of which LTE	40,2	47,8
Mobile	244,7	198,5

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

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

2. Alternative Performance Indicators

In this management report, in addition to the traditional indicators established by the IFRS, an alternative performance indicator has been introduced (EBITDA) used by the Management of the Tiscali Group to monitor and assess its operating trend. This indicator, present also in other financial reports (annual reports and interim financial reports), whose method of determination has not changed as compared to the past, must not be deemed a replacement for the traditional indicators established by the IFRS; in particular, since the EBITDA composition is not regulated by the accounting principles of reference, the determining criteria applied by the Tiscali Group may not be the same as the one adopted by others and, consequently, it may not be comparable.

In line with CONSOB communications on the subject, the criteria used for the construction of the Tiscali Group's EBITDA indicator are provided below. In particular, EBITDA is constructed as indicated below:

(Thousands of Euros)	**2019 (#)**	**2018**
Result before taxes	**(16.359)**	**(45.061)**
+ Financial Expenses	11.847	11.623
- Financial Income	(14.452)	(1.088)
+ Result on Investments at equity method	359	429
Operating income	**(18.605)**	**(34.097)**
+ Restructuring costs	1.997	6.668
+ Depreciation and Amortization	42.176	47.957
Gross Operating Result (EBITDA)	**25.568**	**20.528**

3. Administration and Control Bodies

Board of Directors

The Board of Directors has been appointed by the Shareholders' Meeting held on 27 June 2019, and it is in office until the date of approval of the financial statements at December 31, 2021:

Chairman: Alberto Trondoli (#)

CEO: Renato Soru (#)

Anna Belova (*) (3)

Federica Celoria (*) (1) (2) (3)

Manilo Marocco (1)

Sara Polatti (2)

Patrizia Rutigliano (*) (1) (2) (3)

(*) Independent auditors

(#) The Chairman is the legal representative of the Company, the Chief Executive Officer has powers of ordinary and extraordinary administration to be exercised severally or jointly in accordance with the powers granted by the Board of Directors on 27 June 2019.

(1) Control and Risk Committee

(2) Nominations and Remunerations Committee

(3) Committee for Transactions with Related Parties

Board of Auditors

The Board of Auditors has been appointed by the Shareholders' Meeting held on 26 June 2018, and it is in office until the date of approval of the financial statements at 31 December 2020:

Chairman: Barbara Tadolini

Statutory Auditors: Emilio Abruzzese
Valeria Calabi

Officer in charge of Preparing the Company's Accounting Documents:

Roberto Lai

The Officer in Charge of Preparing the Company's Accounting Documents has been appointed by the

Board of Directors on 27 June 2019, and he is in office until the date of approval of the financial statements at 31 December 2021.

Auditing Firm:

Deloitte & Touche S.p.A.

The Auditing firm has been appointed by the Shareholders' Meeting on 30 May 2017, for a period of nine years, from the fiscal year 2017 to the fiscal year 2025.

Management Report

4. Management Report

The Tiscali Group made use of the right to introduce the Management Report of the Parent Company and the consolidated management report in a single document, by highlighting, where appropriate, the relevant matters for the companies included in the consolidation.

4.1. Tiscali market positioning

Founded in 1998, Tiscali S.p.A. (hereinafter also referred to as “Tiscali”, the “Company”, and, jointly with its subsidiaries the “Group” or the “Tiscali Group”) is one of the main alternative telecommunication operators in Italy.

Through a network based on IP technologies, Tiscali provides to its clients a wide range of services, from fixed Broadband and fixed Broadband wireless Internet access services to mobile telephony services (voice and data) and value added services combined with more specific and technologically advanced products, B2B services, media activities through its portal tiscali.it. The data offer also includes voice services (VOIP — please refer to the Glossary). Tiscali continued to market Fixed Wireless Broadband services in line with previous years following the Wholesale Agreement with Fastweb following the sale of the LTE business to Fastweb in November 2018.

The activity in the digital media and on-line advertising segment is implemented through:

- www.tiscali.it, one of the main Italian portals that in 2019 had a total average monthly traffic of more than 206.2 million pageviews and about 10 million single users;
- The Veesible S.r.l. licensee (incorporated into Tiscali Italia S.p.A. since January 2020) which deals with the sale of advertising space for the portal www.tiscali.it but also other major Italian web properties.

Fixed Broadband Market Evolution

The Broadband fixed market, the main market covered by Tiscali, in September 2019 (source: Italian Communications Authority – AGCOM, last available update), reached in Italy 17.4 million units, an increase of approximately 0.4 million units as compared to September 2016. This increase is driven in particular by the Broadband accesses developed on alternative technologies to traditional ADSL, in particular Fiber and Fixed Wireless Broadband, which reached in September 2019 about 9.9 million accesses, a 9.9 million accesses increase from September 2018, i.e., 57% of the total Broadband lines, while the traditional DLS component has decreased by 1.75 million units. In this sector, the dynamics of NGA accesses (in FTTC and FTTH technology) should be pointed out: accesses in FTTC technology (fiber to the cabinet) grew in one year by 29.2%, reaching 7.48 million units thanks to the increase in TIM wholesale services, while FTTH accesses increased more than 46.1% and at the end of September they exceeded 1.1 million units, with a 350 thousand accesses growth on an annual basis, thanks in particular to the strengthening of the services offered by Open Fiber and the migration processes towards FTTH access solutions proposed by TIM. FWA accesses also grew to 1.29 million lines at the end of September, up by 9.6% year-on-year.

Based on AGCOM data, Tiscali's market share in the UltraBroadband as at 31 September 2019 amounted to 2.6%, broadly stable year-on-year, while TIM's market share (43.3%) fell by 1.1% year-on-year, followed by Vodafone with 16.3%, up by 0.9%, Fastweb (15%) and Wind Tre (14.2%).

In FY 2019, Tiscali continued with the Fibre market development strategy described above by focusing on high-performance offerings up to 1,000 Mbit/s (FTTH) and mixed-copper fibre offerings (FTTC). The number of Fibre customers has increased significantly during the year, i.e., more than doubled, from approximately 79.1 thousand units in December 2018 to 163.7 thousand units in December 2019 (+107%), confirming the Company's focus on the development of Fibre services. Currently, these offers represent almost all new acquisitions. The presence in the Broadband Fixed Wireless market is maintained with offers of up to 100 Mbit/s and a forecast to expand coverage thanks to the wholesale agreement with Linkem.

The growth of the UltraBroadband lines is also reflected in the type of Tiscali accesses: in the segment with speeds above 100 Mbit/s — which has increased by 1.8 million units on an annual basis in September 2019, for a total of 6.5 million units (equal to 37.5% of the total) — Tiscali has a market share which grew significantly on an annual basis, from 1.5% to 2.8% in September 2019. This segment is also the one with the highest growth rate at market level, equal to 37.4% on an annual basis.

The significant agreements aimed at expanding the potential market, details of which are provided in paragraph 4.2 below, are in line with the Fibre market development strategy and the Company's mission to guarantee all citizens the right to access to ultra-fast Internet services.

Mobile Market

As per mobile services, the Italian market recorded in September 2019 (Source: AGCOM) a growth in the total number of clients by 0.5 million YoY: 104.1 million SIMs as compared to 103.6 million in September 2018, of which 22.6 million unit are "M2M" (Machine to Machine) SIMs, amounting to 21.7% of the total, which an YoY growth of 3.3 million; there are 77.4 "human" SIMs making "voice only" and "voice + data" traffic, down by 2.7 million YoY and down by 0.9 million on the quarter. With reference to the overall sims, TIM — even though it recorded a downward trend as well as Vodafone and Wind Tre — is confirmed as market leader with a 30% share. Iliad and Poste Mobile hold significantly lower shares (4.4% and 4.2% respectively), while the low-cost offerings of "Kena Mobile" and "ho" (low-cost offerings of the Tim and Vodafone groups, respectively) together exceeded 2.6 million customers. With regard to the "human" segment, Wind3, while remaining the leading operator with 30.7%, lost 2.5%.

In the MVNO segment, in which Tiscali operates and which accounts for 11.2% of Human SIMs, the first operator is Poste Mobile with a share of 47.3%.

In the mobile market, Tiscali has recorded a portfolio of mobile clients of about 244.7 thousand units as at 31 December 2019, an increase by 23.3% as compared to 31 December 2018 (198.5 thousand units). The increase in mobile customers was achieved despite the general increase in competitive pressure, following the entry of the new operator Iliad, as well as competition from the virtual operators Kena and Ho.

Total data traffic from the beginning of the year to September on the Mobile network increased by 60.4% as compared with the first nine months of the previous year. On an annual basis, average monthly unit consumption grew by more than 60% and amounted to 6.31 Giga/month in September 2019, driven by the growing use of video, streaming and on-demand applications.

To compete in this market, Tiscali has switched from 3G to 4G with speeds of up to 150 Mbps since December 2019, differentiating itself from low cost mobile operators offering “Basic” 4G technology with speeds of up to 30 Mbps. The offers introduced allow to compete in the market in terms of data and voice traffic while maintaining a position of transparency towards end customers thanks to the absence of constraints and hidden costs.

The new mobile offer is available in 7,565 Italian municipalities, representing 98.2% of national coverage, the largest in Italy.

Online Advertising Market

In 2019, the online advertising market recorded an overall growth of +3.5% generated, as in previous years, by the growth of investments in the smartphone component (this device, according to FCP, went from a weight of 26.78% in 2018 to a weight of 33.62% in 2019 with an absolute value that exceeds EUR 164 million on a total market of almost EUR 490 million).

Collection on the traditional desktop and tablet web segment continues to record a drop, -6.6% this year.

Mobile advertising remains one of the main future drivers of market growth, even if investments do not reflect the growth in time spent by users and the audience generated by smartphones compared to traditional PCs (Audiweb, December 2019: 29.7 million mobile unique users on average day as compared to 9.4 million PC unique users on average day).

In the first part of 2019, advertising investments were affected by the absence of major sporting events which instead took place in 2018, while the last months of the year made up for the losses of the first few months and continued to record an upward trend as compared to 2018. Month-on-month growth was respectively: August +12.6%, September +2%, October +2.8%, November +8.1% and December +5.4%.

The long-term forecast looks forward to growth in the coming years, mainly due to the expected growth in the mobile advertising segments and the entry into the market of new investors in the e-retail

and startup world. As regards advertising formats in particular, investments in video and mobile formats still have room for growth and new investments could be generated by the development of convergence between smart TVs and the internet.
As far as the portal's activities are concerned, it should be noted that during 2019 Tiscali began a search for potential editorial partners with whom to activate collaborations on the creation of thematic content to enrich the portal's editorial offer. This activity is taking shape in 2020, in particular it will start with a collaboration in the field of Motors. The objective is to expand these collaborations more and more over the coming months.

In 2019, the Group's Media & VAS net revenues accounted for 2.7% of total revenues (EUR 3.9 million), down by 44.7% as compared to the comparative figure as at 31 December 2018. The result reflects a review of the agreements with Sky, which manages the sale of advertising space, as well as a decline in the market as a whole on traditional web revenues.

4.2. Main results obtained during the FY 2019 and subsequent events

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

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

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

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

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

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

A) Addressable market expansion through implementation of the Fastweb Transaction and negotiation of new agreements with telecom operators

A.1) Operational implementation of the Fastweb Transaction

In 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 Fibre Network and the FWA infrastructure sold to Fastweb. On 1 July 2019, Tiscali collected the last part of the agreed price of EUR 80 million and, in the course of 2019, Tiscali used the price component in kind ("Voucher") originally amounting to EUR 55 million, which reduced operating cash outflows during the period. The remaining receivable of EUR 24.7 million as at 31 December 2019 will be used, based on available management estimates, by the year 2020.

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

- Access to the Fastweb high-performance fibre network, allowing Tiscali to increase its fixed network coverage nationwide — without further incremental investment. The growth in the number of Fibre customers in 2019, from 79.1 thousand units to 163.7 thousand units at 31 December 2018, amounted to 106.8%, confirming the company's positive results in the relaunch and development of Fibre offerings;

- Continue to market Fixed Wireless LTE services in the "Extended Digital Divide" areas, continuing to access the Fixed Wireless infrastructure sold to Fastweb under the terms of the agreement signed. In addition, Tiscali benefited from the fact that Fastweb continued to upgrade its antenna technology from WiMAX to LTE in 2019: 35 swaps were carried out between July and December, with the aim of completing the swap of the remaining 19 sites by the 2020 1Q. As such, Tiscali will be able to reach 4.9 million households and businesses in 2020, with FWA technology up to 100 Mb.

A.2) New agreements with telecommunications operators

During 2019 Tiscali, in line with its strategy to relaunch and develop the Fibre market, negotiated and formally concluded in early July agreements with other telecommunications operators aimed at expanding the potential market.

- In July 2019, Tiscali extended its strategic partnership with Open Fiber for the diffusion of UltraBroadband services in the 7,635 municipalities of the "C" and "D" areas (extended digital divide).
  The agreement, which was already in place in 271 cities, extends to the entire perimeter of the Open Fiber cabling plan which provides coverage of over 19 million units. Open Fiber is building an all-optical fibre network that will allow speeds of up to 1 Gigabit per second.
  A few weeks after the signing of the agreement, Tiscali was among the first operators to start the commercialization of Fiber services in the first 70 municipalities included in the above mentioned areas (reaching about 95,000 households and businesses, distributed in 10 Italian regions); i.e. in areas that, for reasons related to the morphology of the territory or economies of scale, so far did not have access to the UltraBroadband.
  At the end of 2019, Open Fiber coverage reached about 312 municipalities with about 5.29 million units covered.

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

- Thanks to the new agreement with Linkem, which will become fully operational in 2020, Tiscali will be able to reach 16 million households and businesses with technology up to 30Mb.

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

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

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

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

B) Relaunch of the Tiscali brand through investments in communication

The implementation of the advertising campaign launched in March 2019, aimed at revitalizing the Tiscali brand, supporting the process of acquiring new customers, confirms the Company’s relaunch and growth plan.

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 shown on social networks, as well as on the main national websites.

In the second half of 2019, Tiscali undertook a process of rebranding and strengthening its image and corporate communication: the new logo was launched and the Mission and Values were redefined. After the preview of the new positioning with the web and radio campaign in July 2019, Tiscali returned on TV at the end of September, with a campaign aimed at expanding brand awareness and recognition, promoting the Fibre offering up to 1 Gbps and increasing Tiscali’s reputation as an UltraBroadband operator operating throughout the country with one of the most extensive and high-performance network coverage.

The campaign aired for 2 weeks from 29 September 2019 on generalist networks and on satellite and digital channels and on radio for 2 weeks, on all the main national networks and on the web on Google, on the social networks Facebook, Instagram and Youtube.

In addition, in support of the actions on the brand, Tiscali has also promoted some sponsorships in the sports sector — with the renewal of the agreement with Dinamo Basket, playing in the Italian Serie A, as Gold Sponsor, and with the new collaboration with Cagliari Calcio as Main Training Sponsor.

C) Strengthening of the Group’s equity and financial structure

During 2019, the Group signed a number of agreements aimed at strengthening its capital structure, which are set out below.

C.1) Subscription, on 31 January 2019, of the 2019-2020 Convertible Bond by the reference shareholders ICT and Sova Disciplined Equity Fund, for a nominal amount of EUR 10.6 million, corresponding to 106 convertible bonds by 31 January 2020. In July, September and October 2019, the Sova Disciplined Equity Fund fully converted its portion of bonds for a nominal amount of EUR 5.3 million. On 30 January 2020, the Board of Directors and the Shareholders' Meeting of Tiscali resolved to change the maturity of the bond issue, extending it from 31 January 2020 to 30 June 2020 (for further details please refer to the paragraph "Subsequent events").

C.2) Signature, on 28 March 2019, of the Debt Restructuring Agreements; in particular, obtainment of the Senior Debt Restructuring Agreement with the Banking Institutions and of the Settlement Agreement with the Pool Leasing ("Amicable Agreement of the Sa Illetta Leasing").

The agreements concerned, whose negotiation began in 2018 and was completed in the first quarter of 2019, confirmed the contractual assumptions already proposed in 2018 and included in the business plan approved by the Board of Directors on 19 February 2019 (the "2019-2021 Business Plan"), of which the Company had provided full information in the Annual Financial Report as at 31 December 2018, to which reference should be made.

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

- Extension of debt maturity to 30 September 2024 with consequent improvement of the financial structure;
- New repayment schedule defined as follows:
    - Prepayment of EUR 20 million to be made on 1 July 2019;
    - Pre-amortization period until March 2022 without further repayments;
    - 5 half-yearly installments of EUR 5 million 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 rate of 1% on the portion of debt that will be amortized over the 2022-2024 period (EUR 25 million), and a rate of 1.25% on the portion of debt to be repaid in full on 30 September 2024 (approximately EUR 40 million).

On 1 July 2019, the repayment 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 into the possession of the leasing companies;
- payment of an indemnity of EUR 10 million to be made on 1 July 2019 against 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 2.15 million per year with the right to sublease the space.

On 1 July 2019, the repayment of EUR 10 million Euros provided for in the agreement was made.

D) Change of Governance of the Tiscali Group, as of May 2019

In the first half of FY 2019, a change in the governance of the Tiscali Group took place, which began to produce its effects at the end of the first half of the year.

On 10 May 2019, Amsicora S.r.l. — an Italian investment company founded and managed by Claudio Costamagna, Alberto Trondoli, Manilo Marocco and also owned by other private investors — signed a contract with ICT Holding Ltd for the purchase of the entire stake held in Tiscali, equal to approximately 20.79% of the share capital, and 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 21 May, Amsicora and Renato Soru signed a Shareholders' Agreement (for further details see section 5, "Report on Corporate Governance and Ownership Structure"), which groups together a total interest of 29.99% in the Company's share capital and is designed to provide a unified approach to the organization and management of Tiscali. On 27 June 2019, the Shareholders' Meeting appointed the new Board of Directors, which chose Alberto Trondoli as Chairman of the Board of Directors and confirmed Renato Soru as Chief Executive Officer.

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

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

As detailed below, on 27 April 2020 the Board of Directors of the Company also approved a new industrial plan for the years 2020-22 (the "2020-2022 New Business Plan"), which, while not modifying the underlying logic of the previous 2019-2021 Business Plan, updates the assumptions based on the changed economic context and on the results obtained from the actions taken in the second half of 2019.

Research and Development

During 2019, research and development activities were carried out, which resulted in the capitalization of personnel costs of EUR 250 thousand.

These activities were aimed at creating applications for the digitalization of customer care activities.

4.3. Regulatory Framework

The main areas of the regulatory framework that took place during 2019 are summarized below.

TIM Reference Offers

The Authority has concluded the evaluation cycle of Telecom Italia's Reference Offers (OR) for the years 2017 and 2018.
Resolution No. 100/19/CIR is particularly relevant, as it approves the economic conditions of the copper and NGA Ethernet band for 2018. AGCOM, accepting the comments of Tiscali, which had challenged the proposal to differentiate the costs of the 1st level Ethernet band between copper and NGA bitstreams, has set a single value with a reduction for the year 2018 in the prices of the Ethernet band (copper and NGA) of about 15.2% as compared to what was approved for the year 2017.
The impacts of these resolutions have been included in the New 2020-2022 Business Plan.

Update of the fixed network access service market

With reference to the updating of the regulatory framework of the markets for fixed network electronic communications services, the Authority continued its work on the fourth round of analysis of the markets for wholesale access services (markets No. 3a and 3b of Recommendation 2014/710/EU) by submitting to national public consultation (Resolution No. 613/18/CONS) the unified scheme of measures that includes the impact of the Telecom Italia network unbundling project on the markets in question.
Following acquisition of the opinion by the European Commission, the final measure was published on August 8 with Resolution No. 348/19/CONS.
The final document confirms the adoption of new measures regarding the geographical differentiation of markets: in particular, complete deregulation of the Municipality of Milan is introduced, while in the rest of Italy the price control constraint for Bitstream services in 26 Italian cities is removed.
The main changes in the prices of access services, compared to what AGCOM proposed in the text under consultation, concern the VULA for which the Authority has approved a slight reduction for the years 2019 and 2020, while the landing fee at 2021 remains unchanged at 12.50 EUR/month.

The impacts of these resolutions were included in the New 2020-2022 Business Plan.

Market analysis regarding the end of the voice calls on individual mobile networks

In February 2017, with Resolution 45/17/CONS, the Authority launched the fifth cycle of analysis of the mobile network termination market to assess the possible existence of operators with significant market power, as well as the maintenance, modification or integration of existing regulatory obligations. As part of this process, AGCOM published the relevant consultation proposing a *decalage* of the termination rate (from 0.98 EUR cent in 2018 to 0.89 EUR cent in 2021).

In addition, as compared to the previous measure, the Authority proposed to identify a higher number of operators with SMP by adding five operators to the list of SMP operators (Digi Italy, Fastweb, Iliad, Vectone and Welcome Italia).

Tiscali submitted its contribution to the consultation, in which it noted that the value of 0.89 EUR cent/min proposed for 2021 is not adequate, as it is not in line with the actual and efficient costs of providing the service, and unjustifiably high, especially when compared to the European benchmark.

The proceedings were concluded in January 2019 with the publication of Resolution 599/18/CONS.

With this measure, the Authority confirmed its initial orientation, identifying twelve notified operators for which symmetrical tariffs were set. Moreover, for the first time, the obligation to monitor prices for the supply of interconnection kits was imposed, while the cost accounting obligation imposed on the operators Telecom Italia, Vodafone and WindTre was removed.

Finally, the Authority has revised downwards the previous proposal for the decalage of the termination rate, the value per minute of which was set at 0.90 EUR cent for 2019, to reach 0.67 EUR cent in 2021.

The impacts of these resolutions have been included in the New 2020-2022 Business Plan.

Urgent measures to prevent the misuse of wholesale data for business contact purposes

With Resolution No. 396/18/CONS, the Authority imposed on Telecom Italia the establishment of a precise set of urgent measures aimed at preventing the improper use of wholesale assurance data by parties who, illegally, use the data of customers who have requested the repair of faults or degradation on their line. The Authority has set up a technical desk with Telecom Italia and the other fixed network operators in order to modify the processes to prevent the inclusion, on the wholesale portal, of customer data potentially functional to the illegal activities covered by the measure.

In addition to what has already been established by the above resolution, TIM has presented a number of corporate measures in the form of commitments that the Authority has submitted for consultation (market test) and on which the operators have represented their observations.

Consumer protection

The last year was characterized by the entry into force of the resolution on the modification of withdrawal costs and certain provisions on transparency.

1. Consultation on operator contact services in the electronic communications sector

On 24 September, AGCOM published a consultation with which it took up the issue of the quality of operator contact services (so-called “human channels”) with the aim of revising the current discipline, which dates back to 2009. A process to revise the quality indicators (Resolution No. 588/12/CONS) was already underway in 2012, but had never been completed; this process is also linked to discussions between the various parties involved (Asstel, Consumer Associations, AGCOM, Operators) on the possibility of providing a paid assistance service, launched in the years 2015-16, which also remained unresolved.
With the final resolution, the Authority, in addition to making applicable a tariff, with a ceiling, for direct calls to contact services, could introduce new contact channels, taking advantage of the trend that has emerged over the last decade and which has seen an exponential increase in the use of assistance through social channels. In addition to this, new performance assessment systems may be introduced with the publication of annual reports on the quality of service provided, which are more incisive than the current ones.
The impacts of these resolutions have been included in the New 2020-2022 Business Plan.

2. Consultation on changes to the billing document

With Resolution No. 225/19/CONS, published on 2 August 2019, the Authority proposed a series of amendments to be made to the billing document. The main and most impactful change concerns the possible separation of the method of payment from the method of shipment of the invoice: this means that, unlike today, if the orientation of the consultation is confirmed, customers who pay by postal bill will also be able to choose to receive the invoice in electronic format.
In addition to this, the Authority seems to want to follow the billing document model used by electricity operators by introducing monthly consumption comparison tables and by intensifying transparency measures such as giving more prominence to the migration code and contract signature and expiry dates.

3. Guidelines on how to divest and transfer users in membership contracts

On 1 January 2019, Resolution No. 487/18/CONS came into force, which rewrote the guidelines on the methods and expenses applicable in the event of divestment and transfer of users, following the provisions of the annual law for the market and competition (Law No. 124/2017) which, in this regard, amended the so-called Bersani Law Decree.

The new rules on withdrawal expenses apply not only to the costs incurred by operators to divest or transfer the user — which, according to the law must be commensurate with the value of the contract and the costs incurred by the company — but also to those relating to the return of discounts granted in the case of promotional offers, as well as the costs relating to the payment of the remaining installments of the products and services offered in conjunction with the main service.

With particular regard to the costs incurred by the operator, the resolution in question distorts the previous regulations in that it establishes that the decommissioning fee chargeable to the user is determined by the minimum value between the implicit price of the offer (which is the average fee calculated for the first 24 months of the contractual commitment) and the costs actually incurred by the operator to cease or migrate the service.
The impacts of these resolutions have been included in the New 2020-2022 Business Plan.

4. Technical tables aimed at implementing the main regulatory provisions

Technical table on the implementation of the unbundling measures provided for in Resolution 321/17/CONS for ULL and SLU services:
Technical Table launched in September 2017 to define the implementation measures for the unbundling of services ancillary to wholesale access services (ULL and SLU) with regard to provisioning and assurance processes.
Tim has implemented the transitional phase to which some OAOs have adapted (including Tiscali) while the implementation of the final phase is still being discussed.

Technical Table referred to in Resolution 396/18/CONS — Urgent measures to prevent the misuse of wholesale assurance data for commercial contact purposes:
The table is part of the supervisory activity carried out by AGCOM in relation to a practice repeatedly reported by the various operators regarding commercial actions taken against their customers resulting from improper use of data relating to technical assistance interventions carried out in response to the opening of wholesale failures.
The work of the table, established by Resolution No. 396/18/CONS in October 2018, was concluded in July 2019 with the identification of a shared solution aimed at obscuring the customer’s contact data reporting a fault.

Technical Table for the implementation of switching procedures for customers of fixed network operators using FTTH networks of wholesale operators other than TIM:

At the conclusion of the public consultation, the Authority adopted Resolution No. 82/19/CIR, which regulates the case of switching customers of fixed network operators using FTTH networks of wholesale operators other than TIM, ensuring that the migration of physical access and associated numbering takes place in a synchronized and technically efficient manner and in the shortest possible time. At the same time, the Authority launched a Technical Table in order to identify the technical solutions necessary for the implementation of the new 2018-2021 procedures.

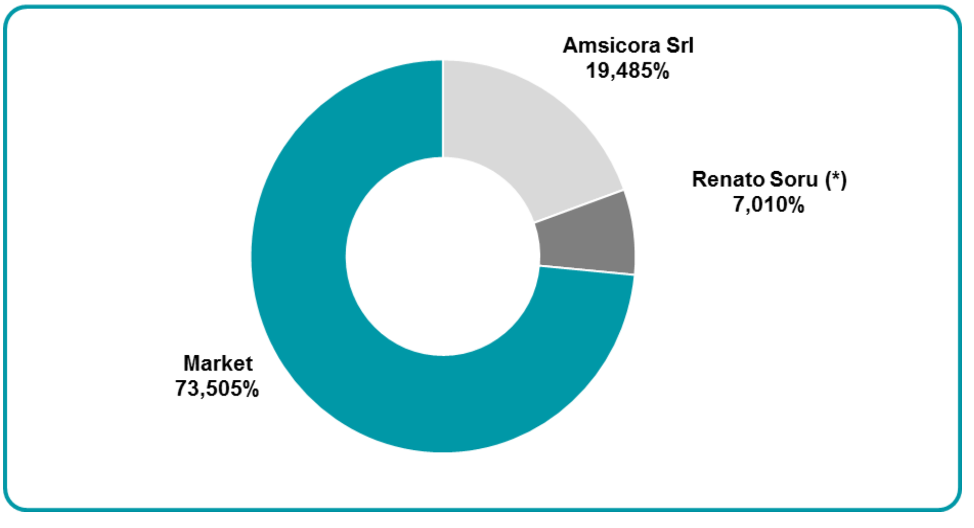
4.4. Tiscali's Shares

Tiscali shares have been listed on the Italian Stock Exchange (Milan: TIS) since October 1999. As at 31 December 2019, market capitalization amounted to EUR 49,144,800, calculated on the value of EUR 0.0109 per share out of a total of 4,508,697,203 shares. At the date of approval by the Directors of this annual report as at 31 December 2019, the value per share amounted to EUR 0.008, with a market capitalization of EUR 39.7 million (data to be updated on 27 April 2020).

Shares structure:

The share structure as at 31 December 2018 follows:

Fig. 1 Share Structure: % ordinary share capital and of voting rights



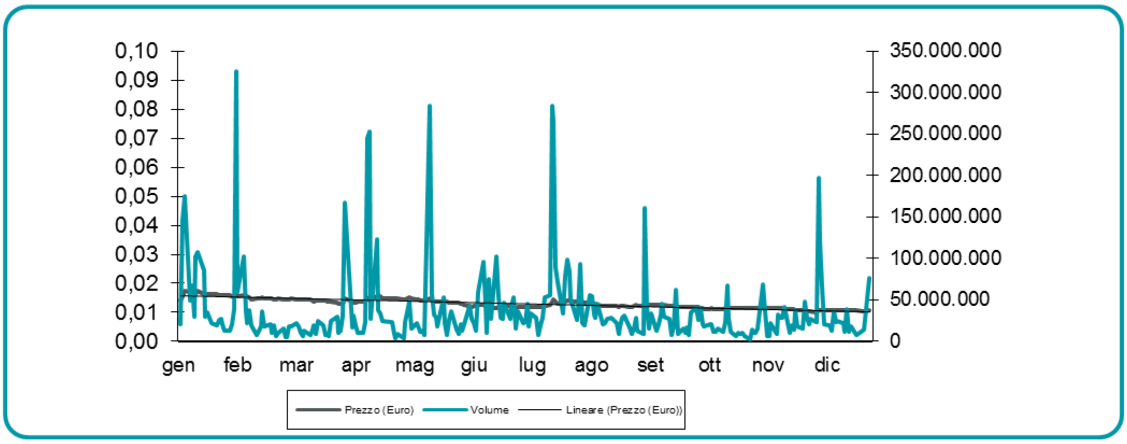
Source: Tiscali

(*) (*) Directly for 5.88% approximately, and indirectly through the part-owned companies Monteverdi Srl (0.39%), Cuccureddus Srl (0.73%).

Tiscali Shares Trend

The graph illustrated below shows the trend of Tiscali shares over the course of the FY 2019, characterized by significant trading volumes, in particular in the month of February, May and July.

Fig. 2 – Shares trend during the FY 2019



Source: Bloomberg data processing

The average monthly price in the FY 2019 was EUR 0.013. The maximum price in the period was of EUR 0.0173 and it was recorded on 4 and 11 January 2019, while the minimum price of EUR 0.0101 was recorded on 2 December 2019.

Trading volumes settled on a daily average of approximately 37.2 million shares for a corresponding daily average value of EUR 0.483 million.

Average trading of Tiscali shares on the Italian Stock Exchange over the year 2019		
	Price (EUR)	Number of shares
January	0,016	63.725.195
Febraury	0,015	24.146.951
March	0,014	22.954.066
April	0,014	49.288.385
May	0,014	35.200.008
June	0,012	42.311.784
July	0,013	67.500.399
August	0,012	26.151.482
September	0,012	31.127.280
October	0,011	17.766.288
November	0,011	25.412.737
December	0,011	41.326.822
Medium	**0,013**	**37.242.617**

The total market capitalization of Tiscali, which as at 31 December 2019 amounted to EUR 49.1 million, compares with net equity of the parent company of EUR 46.5 million (with a consolidated equity deficit of EUR 56 million). The difference between stock market capitalization and the value of consolidated equity, amounting to EUR 105 million, is representative of the Group's future profitability prospects, incorporated in the cash flows resulting from the New 2020-2022 Business Plan.

4.5. Main events during the Fiscal Year

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

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

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

On that date, the Financial Debt Restructuring Agreements were signed with the banks and the Pool Leasing. For further information, please refer to Paragraph 4.2

29 March and 2 April 2019 — Approval of the 2018 Draft Financial Statements

On 29 March 2019, the Company announced that the Board of Directors of Tiscali S.p.A. approved all the items on the agenda, in particular the 2018 Draft Financial Statements.

In addition to the information provided on 29 March 2019, on 2 April 2019, the Company issued a press release describing the evolution of the main economic and financial indicators for the year 2018, taken from the 2018 Draft Financial Statements.

16 April 2019 — Full acquittal for Tiscali and its managers for the crimes of false corporate communications

On 16 April 2019, the Second Criminal Section of the Court of Cagliari issued a sentence that fully acquitted the companies of the Tiscali Group and its managers from the accusation — for which the limitation period had expired — of false corporate communications, thus acknowledging the full correctness of their actions.

The hearing made it possible to ascertain that the financial statements that are the subject of these proceedings have been prepared in full compliance with the regulations in place to ensure the transparency of corporate information to protect all parties involved.

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

On 10 May 2019, Amsicora S.r.l., an Italian investment company founded and managed by Claudio Costamagna, Alberto Trondoli, Manilo Marocco and also owned by other private investors, signed a contract with ICT Holding Ltd for the purchase of the entire stake held in Tiscali, equal to approximately 20.79% of the share capital, as well as a contract with SOVA Disciplined Equity Fund SPC for the purchase of a stake equal to approximately 1.269% of the share capital of Tiscali, for a total of approximately 22.059% of the Tiscali's share capital.

Following this transaction, the new shareholders and the founder Renato Soru, who previously held a 7.94% share in Tiscali's share capital, hold a total interest of 29.99% of the Company's share capital.

The purchase of the equity investments was completed subject to the satisfaction of certain conditions precedent, which occurred during the first half of the year.

10 May 2019 — Shareholders' Agreements relating to ordinary shares of Tiscali S.p.A.

On 10 May 2019, a purchase agreement was signed between Amsicora S.r.l. and ICT Holding Ltd for the purchase of the stake held by the latter, i.e., 827,998,917 ordinary shares of Tiscali S.p.A. equal to 20.79% of the Issuer's share capital.
The Purchase Agreement contains, among other things, some provisions, functional to the execution of the transaction, which can be considered as Shareholders' Agreements and are therefore prudentially subject to the relevant advertising formalities.
The Purchase Agreement relates to 827,998,917 ordinary shares of the Company, representing 20.79% of the Company's share capital.
The agreements contained in the Purchase Agreement can be traced back to relevant agreements pursuant to Article 122, Paragraph 1 and Paragraph 5, letter b), of the Consolidated Law on Finance.
On the same date, an investment agreement (the "Investment Agreement") was signed between Claudio Costamagna, Manilo Marocco, Alberto Trondoli and Renato Soru, concerning (a) the purchase by the Investors, through the wholly-owned subsidiary Amsicora S.r.l., of the entire equity investment held by ICT Holding Ltd in Tiscali S.p.A., and (b) the commitment to negotiate and agree on the terms of a Shareholders' Agreement aimed at regulating the Issuer's governance and ownership structure, to be signed subject to the completion of the said purchase.
The Investment Agreement contains certain provisions which are of a shareholder nature and which, therefore, have been the subject of the relevant advertising formalities.
The Investment Agreement covers 316,050,508 Tiscali Ordinary Shares, representing 7.94% of the

Issuer's share capital and voting rights.
The agreements contained in the Investment Agreement can be traced back to relevant agreements pursuant to art. 122, Paragraph 1 and Paragraph 5, letter b) of the Consolidated Law on Finance.
The communications relating to the facts described were communicated on 15 May, pursuant to Art. 129 of the Issuers' Regulations.

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

On 13 May 2019, the Board of Directors of Tiscali S.p.A. reassigned the powers of attorney, appointing Renato Soru as Chairman and Chief Executive Officer, replacing Alexander Okun and Alex Kossuta, respectively. The Board of Directors agreed to grant the newly elected Chairman of the Board of Directors the power to convene an Ordinary Shareholders' Meeting to discuss and resolve on the following agenda:

(i) Revocation of the current Board of Directors;
(ii) determination of the number of members of the Board of Directors;
(iii) appointment of the members of the Board of Directors through the list voting mechanism; and
(iv) remuneration pursuant to Article no. 2389, paragraph no. 1, of the Italian Civil Code.

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

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

15 May 2019 — Resignation of Directors Soru, Anikin, Belova, Sychova

On 15 May 2019, some members of the Board of Directors resigned with effect from the date of the Ordinary Shareholders' Meeting of the Company convened subsequently for 27 June 2019, in order to resolve, among other things, on the appointment of a new Board of Directors, prior to the start of the Shareholders' Meeting. The Directors who resigned were:
• Renato Soru, Chairman of the Board of Directors and Chief Executive Officer and holder of a 7.94% interest in the share capital of Tiscali S.p.A;

• Oleg Anikin, member of the Control and Risk Committee;

• Alina Sychova, member of the Appointments and Compensation Committee;

• Anna Belova, Independent Director, Chairman of the Control and Risk Committee and member of the Appointments and Remuneration Committee and of the Committee for Transactions with Related Parties.

The resignation is due to the expected change in the shareholding structure, due to the sale and purchase Agreement of 10 May 2019 concerning the transfer in favor of Amsicora S.r.l. of the entire shareholding held by the relative majority shareholder, ICT Holding Ltd in the share capital of Tiscali, as well as the call of the Shareholders' Meeting to resolve on the renewal of the administrative body issued by the Board of Directors on 13 May 2019.

On the effective date of the resignation, the conditions as set out in Art. 11 of the Articles of Association have been integrated, according to which "Should more than half of the Directors appointed by the Shareholders' Meeting leave office due to resignation or other causes, the entire Board of Directors shall be deemed to have lapsed."

16 May 2019 — Shareholders' agreement between Renato Soru and Amsicora S.r.l.

On 16 May 2019, a Shareholders' Agreement was signed between Amsicora S.r.l. and Renato Soru, containing certain provisions regarding (i) the governance of Tiscali S.p.A. and (ii) the procedures for the circulation of the equity interests directly or indirectly held by the shareholders in the share capital (the "Shareholders' Agreement").

The Shareholders' Agreement covers 1,194,564,218 Tiscali shares, equal to 29.99% of the Company's share capital and voting rights.

Pursuant to article 122, Paragraph 1 and Paragraph 5, letters a) and b) of the Consolidated Financial Law, the agreements contained in the Shareholders' Agreement apply.

18 June 2019 — Transfer of convertible bonds

On 18 June 2019, Sova Disciplined Equity Fund SPC notified that, on 11 June 2019, it sold 53 "TISCALI 2019-2020 CONV" convertible bonds to Sova Capital Limited — equal to the total amount of bonds subscribed on 31 January 2019 by Sova Disciplined Equity Fund SPC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.6.1. Main risks and uncertainties to which Tiscali S.p.A. and the Group are exposed

Risks related to the overall financial situation

The financial, economic and equity situation of the Group is influenced by the various factors constituting the macroeconomic framework, such as changes in GDP (Gross Domestic Product), consumers' trust in the economic system and trends concerning interest rates. The progressive weakening of the economic system, combined with a contraction of income available for households, reduced the general level of consumption.

The COVID-19 emergency phased in within this context, and immediately led to a further weakening of the economic framework at national and global level. At the moment, it is not possible to estimate the impacts with a good approximation, despite the fact that the Telecommunications sector has become one of the most important production activities in the country.

For further detail please refer to the note *Assessment on the business as an ongoing concern and business outlook — facts and uncertainties concerning the business as a going concern*.

Risks associated with the transfer of licences to Fastweb

As described above, on 16 November 2018, Tiscali sold certain business units and the right to use the 3.5GHz licences to Fastweb and entered into certain network usage agreements with Fastweb as part of the Fastweb Transaction. In this regard, it should be noted that the main national telecommunication operators (TIM, Vodafone, Wind3 and Iliad) have appealed to the Lazio Regional Administrative Court (TAR) against the permission to transfer the licenses from Aria to Fastweb, in addition to having filed a further appeal, also before the Lazio Regional Administrative Court and against the Ministry of Economic Development, against the decision to grant Aria (and the other operators assigned band on frequency 3. 4-3.6 GHz, with the exclusion of TIM) an extension of the right of use for consideration for a further 6 years, until 31 December 2029. On 26 November 2019, the third Section of the TAR of Lazio, with three different sentences (No. 13558, 13561 and 13570) partially upholding the appeals filed by Vodafone, TIM and Iliad respectively, and the appeals on additional grounds filed by Vodafone Italia S.p.A., annulled the acts of the proceedings relating to the extension granted to Aria (which was replaced by Fastweb pending the outcome of the proceedings) limited to the determination of the contribution to be paid for the extension.

Therefore, both the legitimacy of the assignment of the rights and the duration of the assigned rights were confirmed; the losing parties appealed to the Council of State. With reference to the opposing judgment, the Company, together with Fastweb, appealed to the Council of State to determine the contribution to be paid for the extension, despite the fact that Tiscali is not negatively impacted.

Risks connected with the high degree of market competitiveness and price trend

The Tiscali Group operates in the telecommunication service market, characterized by a high level of competitiveness.

On the basis of the AGCOM survey, Tiscali’s market share as at September 2019 in the Broadband Internet access sector, also considering the contribution of Broadband Fixed Wireless clients acquired as a result of the merger with Aria, is approximately equal to 2.6%.

Tiscali’s main competitors (Telecom Italian Vodafone, Wind3) have a strong brand recognition consistently supported by significant investments in communication, a well-established client base and high financial resources that allow them to make substantial investments, particularly in the research sector aimed at developing technologies and services.

Tiscali competes, in addition to telecommunication operators, which could use new access technologies, also with suppliers of other services, such as, for example, satellite television, digital cable television and mobile telephony. These suppliers (for instance, SKY and Mediaset Premium), also by virtue of the convergence among the various technologies and among telecommunication and entertainment markets, could extend their offer also to Internet and voice services, with the consequent possible increase in the concentration of the relevant market and the level of competitiveness.

In order to compete with its competitors, Tiscali's strategy included providing quality Internet access services at competitive prices, focusing the commercial effort on UltraBroadBand solutions (Fiber and LTE) with very high capacity.

The Fastweb Transaction allowed Tiscali to expand the market with Fibre services (from 8 million to about 20 million households and businesses, without incremental investments), also thanks to the

possibility of continuing to use the Fixed Wireless infrastructure sold to Fastweb for the provision of LTE Fixed Wireless services under the Tiscali brand in the "Extended Digital Divide" areas. Therefore, the benefits obtained by the Group, thanks to the Fastweb Transaction relating to the expansion of the overall addressable market, constitute a mitigation of the risk under analysis.
Reference should be made to the information provided in Section 4.2 *Main results achieved during FY 2019 and subsequent events* for a review of the agreements signed, which enabled a strengthening of the pool of potential users.

In addition, in order to compete in the Mobile market, Tiscali — thanks to an agreement with TIM — in December 2019 introduced 4G technology with speeds of up to 150 Mbps, differentiating itself from low cost mobile operators offering "Basic" 4G technology with speeds of up to 30 Mbps.

The new mobile offer is available in 7,565 Italian municipalities, which represent 98.2% of national coverage, the largest in Italy.

The possible Group's inability to compete successfully in the sectors in which it operates with respect to its current or future competitors may adversely affect the market position with consequent loss of customers and negative effects on the company's business, assets position and financial position of the Company and on the New 2020-2022 Business Plan considered in the short and long term to assess the recoverability of the concessions and the value of the investments in the participations through the impairment test.

The COVID-19 emergency occurred in this context in early 2020. For further details on the impact of this phenomenon on the company's business, please refer to the Note *Assessment on the business as an ongoing concern and business outlook — facts and uncertainties concerning the business as a going concern*.

<u>Risks related to possible system interruptions, delays or breaches in security systems</u>

The ability of the Tiscali Group to attract and retain clients will continue to depend significantly on the operation of its network and its information systems and, in particular, its continuity and security as well as its servers, hardware and software.

Any electrical power failure or any interruption in telecommunications, security system violations and other similar unforeseeable negative events (such as the complete destruction of the data center) could cause interruptions or delays in the supply of services, with consequent negative effects on the activity and financial, economic and assets situation of the Group.

The Group, operating in a highly complex market from a technological point of view, is exposed to a high risk inherent in IT and ICT systems. As part of the management of risks related to the damage and malfunctioning of these systems, on which the management of the business is based, the Group invests adequate resources aimed at safeguarding all the IT tools and processes. The core business systems are all highly reliable, the data-center, present in the Cagliari office, is equipped with security systems such as fire and anti-flooding protection.

Cyber Risk

The company IT infrastructures are kept constantly updated according to the needs that arise from the rapid technological development and the need to propose new products on the market.

Considering that the good operation of IT represents a criticality for business continuity, technical and procedural solutions were prepared for the protection of the data-center.

In terms of service quality, managed information security and business continuity, during 2019 the Company carried out the preparatory activities to obtain the renewal of service quality certifications in accordance with ISO 9001 and information security in accordance with ISO 27001. The Company obtained the renewal of both certifications in January 2020. With a view to continuously improving the services provided, in 2019 the Company also implemented the preparatory activities for obtaining ISO 22301 (Business Continuity Management System) and ISO 20000-1 (Service Management System) certification. Both these certifications were obtained in January 2020.

At the date of this Consolidated Annual Financial Report as at 31 December 2019, no violations by third parties of Tiscali information systems were reported.

General Data protection

Tiscali guarantees a constant monitoring of issues relating to the protection of personal data, with reference to both company's staff and customers.

During 2018 and 2019, activities were carried out to comply with the GDPR General Data Protection Regulation, the new EU Regulation No. 2016/679 on data protection, with the provision of constant updating, to ensure that over time the data is processed correctly and protected with adequate security measures, in compliance with the GDPR and the personal data protection code of the Law Decree No. 196/2003.

Although the Tiscali Group has adopted strict protocols to protect the data acquired during its operations and operates in strict compliance with current legislation on data protection and privacy, it cannot be excluded that intrusions into its systems may occur in the future; in this context, it should be noted that the Group companies have specific insurance policies in place to cover the damages that their infrastructures may suffer as a result of the aforementioned events. Nevertheless, should damaging events not covered by insurance policies occur or, even if covered, such events should cause damage exceeding the insured limits, or should they be due to breaches of its own systems, the reputational damage suffered would result in loss of customers, such circumstances could have a significantly negative impact on the Group's business and on the Group's income statement, balance sheet and financial position and on the figures of the New 2020-2022 Business Plan.

Risks connected with technological development and commercial offer

The sector in which the Tiscali Group operates is characterized by significant and sudden technological changes, high competition and the rapid obsolescence of products and services. The Group success in the future will also depend on its ability to anticipate such technological changes and to adapt to them in a timely manner by developing products and services that are suitable for meeting client needs.

Any inability to adapt to new technologies and therefore to changes in customer needs could have negative effects on the activity and on the financial, economic and assets situation of the Companies of the Group. The Fastweb Operation guarantees Tiscali, without any incremental investment, access to the latest generation fiber infrastructure and to continue to access Fastweb's LTE Fixed Wireless access network infrastructure.

Similarly, the agreements with Open Fiber, Linkem and Tim, allow Tiscali to provide services to its customers using the latest generation of high-performance networks (Linkem's 4.5G national network for fixed wireless access services, Open Fiber's optic fiber network which allows speeds of up to 1 Gigabit per second, Tim's 4G network for Mobile services with speeds of up to 150 Mbps).

The COVID-19 emergency occurred in this context in early 2020. For further details on the impact of this phenomenon on the company's business, please refer to the Note *Assessment on the business as an ongoing concern and business outlook — facts and uncertainties concerning the business as a going concern*.

Risks related to regulatory development in the sector in which the Group operates

As mentioned in the previous paragraph 5.3 *Regulatory framework*, the telecommunication sector in which the Group operates is a highly-regulated sector governed by extensive, stringent and articulated legislation and regulations, especially with regard to licensing, competition, frequency allocation, rate fixing, interconnection agreements and leased lines. Legislative, regulatory or political changes affecting the Group activities, as well as sanctions issued by AGCOM, could have negative effects on the activity and reputation and, consequently, on the financial, economic and assets situation of the Companies of the Issuer and on the companies of the Group and on the New 2020-2022 Business

Plan.

In particular, these changes could lead to the introduction of additional burdens, both in terms of direct disbursements and additional adjustment costs, as well as new liability profiles and regulatory barriers to service supply. Any changes in the regulatory framework, as well as the adoption of measures by AGCOM, could also make it more difficult for the Group to obtain services from other operators at competitive rates or could restrict access to systems and services necessary for the performance of the Group activity.

Moreover, considering the dependence of Group companies on services of other operators, the Group could not be able to promptly implement and/or to adapt to any provisions modifying the current regulatory regime and/or regulations in force, with consequent negative effects on activities and on the financial, economic and assets situation of the Companies of the Group and on the forecast data of the New 2020-2022 Business Plan. Despite the situation of uncertainty indicated, at the moment the Group has reflected in its forecast data the impacts of the regulatory changes currently foreseeable.

Risks associated with the Group high financial indebtedness

The development of the Group financial situation depends on various factors, in particular, the achievement of the objectives set out in the New 2020-2022 Business Plan, general economic conditions, financial markets and sector in which the Group operates.

The Directors believe that this risk is mitigated by the Debt Restructuring Agreements signed with the Financial Institutions on 28 March 2019, as previously indicated, as well as by the issue, on 31 January 2019, of the convertible bond loan for EUR 10.6 million, converted in the second half of 2019 into a capital reserve for the amount of EUR 5.3 million (for further details please refer to paragraph 4.2 *Main results achieved during FY 2019 and subsequent events*).

The COVID-19 emergency occurred in this context in early 2020. For further details on the impact of this phenomenon on the company's business, please refer to the Note *Assessment on the business as an ongoing concern and business outlook — facts and uncertainties concerning the business as a going concern*.

Risks relating with fluctuations in interest and exchange rates

The Tiscali Group essentially operates in Italy. Some supplies, even though for insignificant amounts, might be denominated in foreign currency; therefore, the risk of exchange rate fluctuations to which the Group is exposed is minimal.

With regard to the exposure to the risks associated with interest rate fluctuations, in view of the Group's predominant financing method (also as a result of the implementation of the Debt

Restructuring Agreements and the Fastweb Transaction) the management considers the risk of fluctuations in interest rates and exchange rates to be not significant for the Group's financial position.

<u>Risks linked to relations with suppliers</u>

The Tiscali Group's business depends on existing contracts with its strategic suppliers, mainly TIM and Fastweb and Open Fiber, on which depends the possibility of the Group to have access to its market.

There are contracts with the suppliers for the provision of direct interconnection services, reverse interconnection, co-location, disaggregated access, single-access flat ADSL Bitstream, shared access and wireless services.

Given the hypothesis that: (i) these contracts should not be renewed at the due date or should be renewed on terms and conditions that are less favorable with respect to those currently existing; or (ii) the Group does not succeed in concluding with TIM the new contracts necessary for the development of its business; or (iii) in the instances specified in the preceding points, Tiscali does not succeed in concluding equivalent agreements with third party operators; or (iv) if a serious contractual breach should occur on the part of the Company or TIM, these circumstances could have negative effects on the activity and the economic, equity and financial situation of the Company and the Group companies, with consequent impact on the possibility to carry on its business activities under appropriate conditions of business continuity on the medium term, considering such an eventuality remote with reference to the time horizon of the next 12 months.

The terms and conditions of such contracts are regulatory and there are no elements in the state that may suggest a non-renewal at maturity.

The collection of the fees provided for in the Fastweb Transaction enabled Tiscali to enter into important Agreements with suppliers to reduce overdue payables, and to reduce overdue payables to the tax and social security authorities. In particular, it should be noted that an Agreement with a strategic supplier was signed in early July 2019, under which the overdue debt was repaid in full, and a settlement agreement was reached on the offsetting items.

In addition, as a result of the Fastweb Transaction, the Group has a receivable that can be used to pay for services from Fastweb itself, which allows the acquisition of certain services without the use of the Group's financial resources. As at 31 December 2019, the remaining receivable amounts to EUR 24.7 million (net of VAT) and is expected to be drawn down by 2020.
The effect of the above events led to a sharp reduction in net trade payables past due (net of payment plans agreed with suppliers, assets and disputed items to the same suppliers), which amounted to

EUR 14.3 million at 31 December 2019 (EUR 57.7 million at 31 December 2018).

There is no report of any suspension of supply relationships such as to prejudice the ordinary course of business. As at 31 December 2019, payment reminders were received in the ordinary course of business. At that date, the main payment orders received by the Company amounted to a total of EUR 3.1 million, of which EUR 1.1 million had not yet been paid as they were being negotiated or opposed.

Risks related to the dependence from licenses, authorizations and the exercise of real rights

The Tiscali Group conducts its business on the basis of licenses and authorizations – subject to periodic renewal, modification, suspension or revocation by relevant authorities – and it has rights of access, usage rights and administrative permissions for the building and maintenance of telecommunications network. In order to be able to carry out its business, the Tiscali Group must retain and maintain licenses and permissions, transfer and usage rights, as well as all other administrative authorizations.

The most important authorizations, in the absence of which the Group might not be able to carry out its business or part of it, with the resulting repercussions on business continuity, follow:

- General authorization for the provision of the “data transmission” service: in case of loss of this authorization – which in turn expires on 10 December 2027 – the Group would no longer be able to provide Internet access services. At present, Tiscali has all the necessary requirements for the renewal of that authorization upon expiry, which to be obtained will need a new DIA (declaration on the commencement of the activities) to be submitted;
- General authorization (individual license) for “voice service accessible to the public on the national territory”, expiring on 31 December 2038: in case of loss of such authorization, the Group would no longer be able to provide voice services which use geographical numbers; at present, Tiscali has all the necessary requirements for the automatic renewal of that authorization upon expiry, which to be obtained will need a new DIA (declaration on the commencement of the activities) to be submitted;
- General authorization for “electronic communications networks and services”, expiring on 11 January 2032: in case of loss of such authorization, the Group would no longer be able to realize network infrastructure and thus provide connectivity services on proprietary infrastructures.
- General authorization for the provision of the “Enhanced Service Provider” mobile service: in case of loss of such authorization – which is scheduled to expire on 21 December 2038 – the Group would no longer be able to provide services (both voice and data) of mobile type.

Risks concerned to the business as an ongoing concern

In this regard, reference should be made to note 4.8 *Assessment on the business as an ongoing concern and business outlook — facts and uncertainties concerning the business as a going concern*.

Risk related to potential disputes and liabilities

For this purpose, please refer to paragraph 4.9 *Disputes, Contingent Liabilities and Commitments.*

4.6.2. Introduction

The Group offers its products to consumer and business customers on the Italian market, mainly through the following business lines:

(i) Broadband Access (LLU, Bitstream, Fixed Wireless, Fiber) including VOIP services;

(ii) Mobile telephony services (so-called MVNO);

(iii) “Wholesale services” to other operators;

(iv) “Services to Businesses” (so-called B2B) which include, inter alia, VPN services, Hosting, concession of domains and Leased Lines, which are getting an ever-decreasing importance due to the transfer of the Business Branch to Fastweb;

(v) “Media and value-added services”, which include media, advertising and other services.

4.6.3. Consolidated Income Statement

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

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

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

Profit and Loss Statement of the Group	2019 (#)	2018 (*)
(EUR mln)		
Revenue	**142,6**	**165,2**
Access Broadband revenues	112,8	131,3
of which fixed Broadband	101,7	118,2
of which Broadband FWA	11,2	13,1
Revenues from MVNO	12,7	12,7
Business service revenues and Wholesale	9,2	8,8
of which business service	4,7	5,0
of which Wholesale	4,5	3,8
Media and value-added service revenues	3,9	6,6
Other revenues	3,9	5,7
Gross operating margin	59,9	63,3
Indirect operating costs	38,9	36,6
Marketing and sales	5,2	1,6
Personnel costs	22,4	24,3
Other indirect costs	11,3	10,7
Other (income) / expenses	(14,7)	(3,5)
Write-down of receivables	10,1	9,6
Gross Operating Result (EBITDA)	25,6	20,5
Restructuring costs	2,0	6,7
Depreciations & amortizations	42,2	48,0
Operating result (EBIT)	(18,6)	(34,1)
Net Result pertaining to the Group	(16,5)	83,2

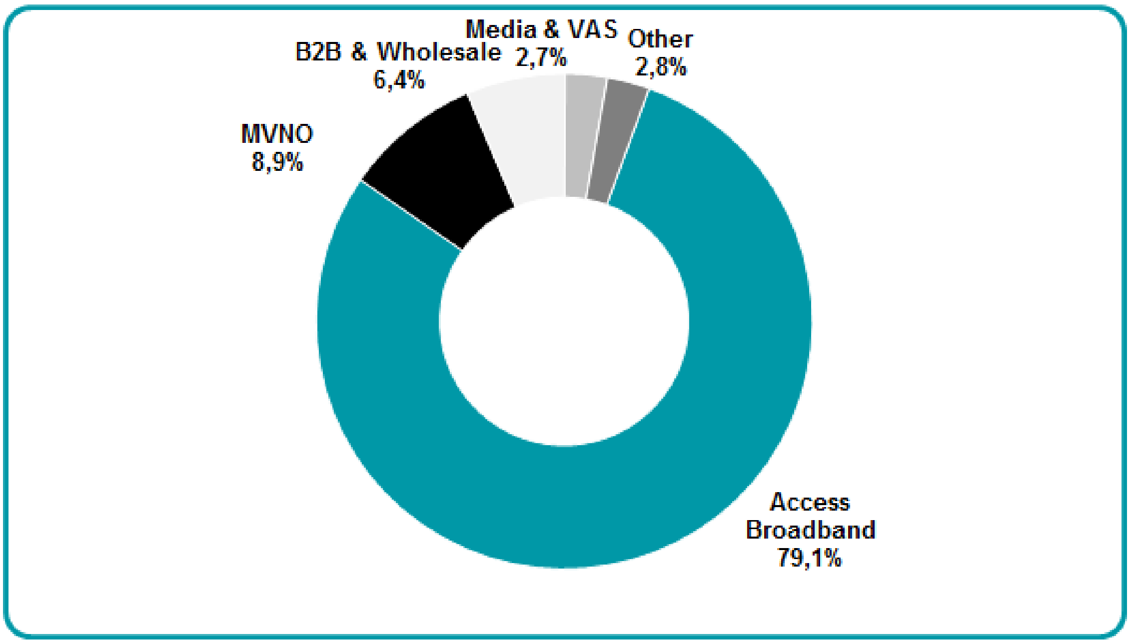
(#) As a result of the entry into force of IFRS16 from 1 January 2019, the gross operating result ("EBITDA", a measure of Non-Gaap result) of 2019 is EUR 3.7 million higher than the amount determined in accordance with the previous accounting standard (IAS 17), while the operating result (EBIT) is EUR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

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

(*) The economic data for 2018 were restated as follows: following an internal audit of the cost accounting and cost allocation processes, designed to make the economic and financial reporting system consistent with the Company's new, no longer asset-based business model, the following costs were reclassified as follows: (i) distribution costs and sales commissions amounting to EUR 1.1 million, which were classified under Marketing and sales costs, were reclassified as variable costs; (ii) rental and maintenance costs relating to technical sites amounting to EUR 3.2 million were reclassified from Other overheads to variable costs; (iii) some operating costs, such as postal and other industrial costs recorded by the individual companies, but to be reversed to other Group companies as they were reclassified from overheads to variable costs, for approximately EUR 3.1 million.

Revenue by business segment

Breakdown of revenues by business line and access mode



Source: Tiscali

<u>BroadBand Access</u>

This segment generated revenues in 2019 of EUR 112.8 million (EUR 101.7 million from “Fixed Access” and EUR 11.2 million from “Fixed Wireless Access”), down by 14.1% as compared to 2018 (EUR 131.3 million).

The change as compared to 2018 is mainly determined by:

- A reduction of EUR 16.6 million (-14%) in revenues in the Fixed BroadBand segment, which amounted to EUR 101.7 million, as compared to EUR 118.2 million in 2019. The change must be related to the reduction in average revenue per unit (ARPU) as a result of the strong competitive pressure on the market, which for years now has seen a downward trend in average prices.
  Moreover, the decrease in revenues is due to the reduction in the average number of customers per year as compared to 2018. In fact, despite the substantial alignment in terms of the number of units at the end of the year (381.7 thousand units as at 31 December 2019 as compared to 382.8 thousand units as at 31 December 2018), the average number of customers in the year fell from around 417 thousand in 2018 to around 382 thousand in 2019, a 8.3% reduction YoY.
  The trend of the customer base in the first months of 2020 is in line with the forecasts of the 2020-2022 Plan.
  The number of Fibre customers, on the other hand, continued to increase significantly during the period, from approximately 79.1 thousand units in December 2018 to 163.75 thousand units in December 2019, confirming the Company’s focus on the development of Fibre connections;
- A decrease of approximately EUR 1.9 million (-14.6%) in Fixed Wireless Broadband revenues, due to the decrease in the BroadBand Fixed Wireless customer portfolio (from 58.8 thousand

units as at 31 December 2018 to 41.8 thousand units as at 31 December 2019).

Evolution of the customer base (lines)

Active Customer Base	31/12/19	30/06/2019	31/12/2018
Total Broadband Fixed	381.687	383.940	382.830
o/w Fiber	163.696	121.574	79.138
Total Broadband Wireless	41.813	50.176	58.811
o/w LTE	40.234	43.616	47.815
Mobile (6 months in-out)	244.727	220.288	198.506
Total Customer	**668.227**	**654.404**	**640.147**

MVNO

Mobile revenues, equal to EUR 12.7 million in revenues as at 31 December 2019, hasn't changed YoY.

The customer portfolio grew by 23.3% as compared to 2018, from 198.5 thousand units as at 31 December 2018 to 244.7 thousand units in 2019. In terms of average number of customers during the year, the actual increase is down to 3.3% (average customers in 2018 were approximately 214 thousand as compared to 222 thousand in 2019). The lack of increase in revenues is therefore mainly explained by the substantial stability in the number of average customers.

Business and Wholesale Services

Revenues from business services (VPN, housing, hosting, domains and leased lines services) and from Wholesales revenues for sales related to network services and infrastructure (IRU, sales of Voice traffic) to other operators, excluding those concerning the access and/or Voice products targeted to the same customers base already included in the relevant Business lines, amounted in 2019 to EUR 9.2 million, up by 4.7% as compared to EUR 8.8 million in 2017.

Media

As at 31 December 2019, revenues from the Media segment (mainly related to the sale of advertising space) amounted to about EUR 3.9 million: they decreased by EUR 2.8 million as compared to 2018 (EUR 6.6 million) due to the market downturn in funding on the traditional web segment and the revision of the SKY agreement.

Other revenues

Other revenues amounted to approximately EUR 3.9 million in 2019, down by EUR 1.8 million as compared to the equivalent figure in 2018 (EUR 5.7 million).

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

Indirect operating costs include the following:

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

Other (income)/charges

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

- Income from the sale of the Sa Illetta property, in accordance with the Sa Illetta Leasing Transaction Agreement signed on 28 March 2019, amounting to EUR 11.1 million;
- Income deriving from transactions on debt positions for EUR 2.6 million;
- Other non-recurring income and charges for EUR 1 million.

Provisions for doubtful accounts

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

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

Non-recurring items included in the EBITDA amount to EUR 12 million and include the following:

- Income from the sale of the Sa Illetta property, in accordance with the Sa Illetta Leasing Transaction Agreement signed on 28 March 2019, amounting to EUR 11.1 million;

- Income from transactions on debt positions for EUR 2.6 million;
- Non-recurring costs relating to contributions and tax penalties for EUR 0.9 million.
- Other non-recurring charges of EUR 0.8 million.

Amortisation and depreciation for the period amounted to EUR 42.2 million, down by EUR 5.8 million as compared to EUR 48 million recorded in 2018. Amortisation and depreciation include the effect of the application of IFRS 16 as from 1 January 2019 for EUR 3.2 million (for more details on the standard and the method of application chosen by Tiscali, please refer to the paragraph *Accounting standards*).

In 2019, provisions for risks and charges were recorded for EUR 2 million, as compared to EUR 6.7 million recorded in 2018. These are mainly provisions for legal disputes and other provisions for future operating expenses.

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

The total effect of non-recurring items in 2019 on EBIT amounted to a positive EUR 10 million as compared to a negative EUR 7.9 million in 2018.

Non-recurring items included in EBIT include the following:

- Non-recurring income and charges with a positive impact on EBITDA for EUR 12 million (as detailed above);
- Provision for risks and charges of EUR 2 million.

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

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

The result of continuing operations was negative for EUR 16.4 million, an improvement of EUR 28.9 million as compared to the comparable figure for 2018, i.e., negative for EUR 45.3 million.

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

The Group’s net loss amounts to EUR 16.5 million, i.e., EUR 99.6 million lower than the comparable figure for 2018, that is, EUR 83.2 million from the capital gain on the sale of the Fixed Wireless business to Fastweb.

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

- Non-recurring items included in EBIT for a positive EUR 10 million (as detailed above);
- Income deriving from the derecognition and the consequent recognition at amortised value of the new financial debt deriving from the application of the Senior Debt Restructuring Agreements for EUR 12.9 million;
- Income of EUR 1.6 million from the release of the discount charge of the Fastweb voucher, recognised in 2018. The residual value of the Fastweb voucher, amounting to EUR 24.7 million, is recognised at face value as at 31 December 2019, as it is expected to be fully utilised by 31 December 2020.

As anticipated, the effect of the application of the new IFRS 16 standard in the recognition of operating lease contracts has a negative impact on the loss for the period of EUR 0.4 million as compared to the value that would have been determined with the application of the previous IAS 17 standard.

4.6.4. Equity and Financial Position of the Group

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

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

Assets

Non-current Assets

Non-current assets as at 31 December 2019 amounted to EUR 120.5 million (EUR 164.5 million as at 31 December 2018).

Non-current assets include tangible and intangible fixed assets totalling EUR 115.9 million — a decrease by EUR 18.7 million as compared to 31 December 2018 — and financial assets of EUR 4.6 million, down by EUR 25.2 million as compared to 31 December 2018.

The EUR 18.7 million decrease in the above categories can be broken down into the following macro factors:

- Investments of EUR 43.4 million, of which EUR 19.5 million attributable to the activation of broadband services for EUR 19.6 million and EUR 23.8 million for network infrastructure and equipment;
- Recognition of the right of use linked to operating lease contracts as from 1 January 2019, in application of the new IFRS 16 standard for EUR 20.4 million, mainly linked to the lease of the Sa Illetta headquarters;
- Depreciation for the period of EUR 42.2 million;
- Derecognition of the leased property in Sa Illetta for a net book value of EUR 40.2 million, following the signing of the Debt Leasing Transaction Agreement.

Other financial assets, equal to EUR 4.6 million, decreased by EUR 25.2 million as compared to the balance as at 31 December 2019, equal to EUR 29.9 million. The reduction is due to the absence of the long-term component of the receivables due from Fastweb in Voucher, recognised under *Financial assets* in 2018. As at 31 December 2019, the remaining amount due from Fastweb in Vouchers is fully recognised under *Current assets* on the basis of updated utilisation assumptions.

Current Assets

Current assets as at 31 December 2019 amounted to EUR 60.7 million (EUR 181.6 million as at 31 December 208) and mainly include trade receivables which, as at 31 December 2019, amounted to EUR 15.2 million, as compared to EUR 34.9 million as at 31 December 2018.

In addition to cash and cash equivalents, amounting to EUR 11.6 million (EUR 18.9 million as at 31 December 2018), this item also includes other current receivables and sundry assets for EUR 33.8 million (EUR 127.7 million as at 31 December 2018), represented by advances to suppliers, prepaid expenses relating to service costs and sundry receivables. This item decreased by EUR 93.8 million as compared to 31 December 2018, mainly due to the following factors:

- Collection, in July 2019, of the receivable from Fastweb relating to the balance of the sale price defined in the Fastweb Transaction, amounting to EUR 80 million;

Full utilisation of the remaining receivable from Fastweb for services relating to the sale of the B2B business in 2017 for EUR 7.4 million.

Shareholders' Equity

Consolidated Shareholders' Equity amounted to a negative EUR 55.7 million as at 31 December 2019, as compared to EUR 44.7 million as at 31 December 2018.

The change is attributable to the following:

- Loss for the period for EUR 16.5 million;
- Share capital increase of EUR 5.3 million, following the conversion of the component of the Tiscali 2019-2020 Bond held by Sova Disciplined Equity Fund, which took place in three tranches, between July and September 2019.

The effect of the application of IFRS16 in the recognition of finance lease contracts resulted in a negative effect on the Shareholders' Equity as at 31 December 2019 of EUR 0.4 million.

Liabilities

Non-current liabilities

Non-current liabilities as at 31 December 2019 amounted to EUR 101.3 million as compared to EUR 24.9 million as at 31 December 2018.

The EUR 76.4 million increase as compared to 31 December 2018 is broken down as follows:

- EUR 79.9 million increase (of which EUR 18.2 million in application of IFRS 16) concerning the items relating to the financial position (payables to banks and other lenders and payables for finance leases) which as at 31 December 2018 were mainly reclassified as short-term and for which reference should be made to the following paragraph on the Group's financial position
- EUR 4.3 million decrease in long-term non-financial items. The latter include the following: provision for risks and charges of EUR 4.4 million (EUR 8.1 million as at 31 December 2018), provision for employee severance indemnities of EUR 2.8 million (EUR 3.3 million as at 31 December 2018), trade payables due after one year of EUR 3.5 million (EUR 3.3 million as at 31 December 2018), other payables of EUR 3.7 million (EUR 3 million as at 31 December 2018).

The long-term portion of financial debt recognized in accordance with IFRS 16 amounted to EUR 15.1 million as at 31 December 2019.

Current Liabilities

Current liabilities amounted to EUR 135.9 million as at 31 December 2019, a decrease by EUR 230.1 million as compared to EUR 365.9 million as at 31 December 2018.

The decrease by EUR 230.1 million as compared to 31 December 2018 is mainly due to i) a decrease by EUR 152 million attributable to the items relating to the financial position (for which reference should be made to the paragraph *Group's Financial Position* below), ii) a decrease by EUR 74.2 million in trade payables and iii) a decrease by EUR 3.9 million in other current liabilities. The reduction in trade payables is mainly due to payments made by the Company in the second half of 2019, including the effects of write-offs of debt positions made following transactions with suppliers of services and fixed assets.

Other current liabilities include deferred income, tax payables and other short-term payables.

As at 31 December 2019, net trade payables past due (net of payment plans agreed with suppliers, assets and disputed items to the same suppliers) amounted to EUR 14.3 million, sharply decreased as compared to EUR 57.7 million as at 31 December 2018. At the same date, overdue current financial payables (net of credit positions) were substantially zero as compared to EUR 36.7 million as at 31 December 2018.

Past-due tax payables amounted to approximately EUR 27.9 million (EUR 18.2 million as at 31 December 2018) and past-due social security payables to employees to EUR 0.1 million.

There were no suspensions of supply relationships such as to prejudice the ordinary course of business. As at 31 December 2019, payment reminders were received as part of ordinary administrative management. At that date, the main payment orders received by the Company and not paid because they were being negotiated or opposed amounted to EUR 1.1 million (EUR 16.9 million as at 31 December 2018), while the total injunctions received amounted to EUR 3.1 million (EUR 31 million as at 31 December 2018).

4.6.5. Financial Situation of the Group

As at 31 December 2019, the Tiscali Group can count on cash and cash equivalents totalling EUR 11.7 million (EUR 19 million as at 31 December 2018), while the net financial position at the same date was a negative EUR 86.8 million (EUR 152.1 million as at 31 December 2018).

Senior Loan

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

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

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

Leasing IFRS 16

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

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

(§) The application of IFRS 16 with effect from 1 January 2019 resulted in the recognition of rights of use for a net book value of EUR 17.2 million as at 31 December 2019, the recognition of the related financial debt of EUR 18.2 million and a reduction in trade payables of EUR 0.5 million.

Notes:

(1) This item relates to the Convertible Bond issued on 31 January 2019 for a nominal value of EUR 10.6 million subscribed on the same date, for a value of EUR 10.1 million, by ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares. In July, September and October 2019 Sova Disciplined Equity Fund SPC converted a total nominal value of EUR 5.3 million, equal to the entire stake held. As at 31 December 2019, the residual nominal value of the bond loan, equal to EUR 5.3 million, corresponds to an amortised value of EUR 5.2 million. For further information, please refer to the "Explanatory Report on the convertible bond loan" published by the Company on 10 January 2019.

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

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

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

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

The table above includes security deposits under *Other cash and cash equivalents* and under *Non-current financial receivables*. For the sake of completeness, we also provide below a reconciliation of the above financial position with the financial position prepared in the light of CONSOB communication No. DEM/6064293 of 28 July 2006 and reported in the Explanatory Notes.

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

4.7. Assessment of the economic, assets and financial situation of Tiscali S.p.A.

4.7.1. Introduction and attestations of conformity

The tables below have been prepared on the basis of the financial statements as at 31 December 2019, to which reference should be made. The 2019 financial statements represent the separate financial statements of the Parent Company Tiscali S.p.A. and were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as with the provisions of Article 9 of the Law Decree No. 38/2005. IFRS also includes all revised International Accounting Standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements reliably represent the financial position, results of operations and cash flows of the Tiscali Group.

4.7.2. Economic situation of the Parent Company

	2019	2018
(Thousands of Euro)		
Revenues from services and other income	5.017	4.656
Payroll and related, service and other operating costs	(4.576)	(4.144)
Other write-downs	(47.345)	(240)
Net financial (charges)	44.935	(5)
Income taxes	(537)	(127)
Net result for the period	**(2.507)**	**140**

Revenues from services and other income mainly refer to the invoicing of services provided by the Company in favor of the operating subsidiary Tiscali Italia S.p.A., including the charges for the license to use the Tiscali trademark calculated as a percentage of the sales revenue of the company using said trademark.

Pay-roll costs amounted to EUR 1.2 million, professional expenses amounted to EUR 0.5 million, while retribution for the Board of Directors amounted to EUR 0.7 million, surcharges for active repentance of EUR 1.3 million, and other general and external services cost amount to EUR 0.8 million.

Other writedowns mainly include the alignment of the allowance for doubtful accounts to the value of the total receivable from foreign subsidiaries for EUR 0.1 million, the writedown of the investment in Tiscali Italia S.p.A. for EUR 46 million described in the *Investments* note (Note 9) to the Explanatory Notes to the Financial Statements, personnel restructuring charges for EUR 0.6 million and the provision for risks for EUR 0.6 million.

Net financial charges include income from the transfer of the dividends of Aria S.p.A. to the parent company Tiscali Spa, deferred charges for late payment of tax and trade payables of EUR 0.1 million and the interest accrued on the convertible bond issued on 31 January 2019 for EUR 0.9 million.

4.7.3. Assets Situation of the Parent Company

Statement of Equity and Liabilities	31 December 2019	31 December 2018
(EUR/000)		
Non-current assets	246.035	193.326
Current assets	16.286	14.045
Total Assets	**262.321**	**207.370**
Net equity	45.990	43.192
Total net equity	**45.990**	**43.192**
Non-current liabilities	185.517	143.774
Current liabilities	30.814	20.405
Total Net equity and Liabilities	**262.321**	**207.370**

Assets

Non-current Assets

Non-current assets mainly include controlling interests of EUR 130.6 million, as compared to EUR 115.1 million as at 31 December 2018. The increase by EUR 15.5 million is related to the subsidiary Tiscali Italia S.p.A. and is explained in the *Shareholdings* Note (Note 9) of the Explanatory Notes to the Financial Statements.

This item also includes financial assets totaling EUR 115.5 million (EUR 78.2 million as at 31 December 2018), consisting mainly of financial receivables owed by Group companies.

Current Assets

Current assets include Trade receivables for EUR 15.4 million mainly from subsidiaries, Other current receivables and current assets of approximately EUR 0.6 million, of which EUR 0.4 million in tax receivables, and EUR 0.1 million in other receivables and EUR 0.1 million in prepaid expenses, as well as cash and cash equivalents of EUR 0.4 million.

Shareholders' Equity

The Parent Company Shareholders' Equity amounted to EUR 46 million as at 31 December 2019, and reflects an EUR 2.8 million as compared to 31 December 2018, due to the following factors:

- Net loss of EUR 2 million in the comprehensive Income Statement;
- Increase due to the partial conversion of the 2019-2020 Tiscali Convertible Bond, carried out in July and September 2019 by the Sova Disciplined Equity Fund for the portion it held, equal

to EUR 5.3 million;

- Increase in the stock option reserve by approximately EUR 5 thousand.

Liabilities

Non-current Liabilities

Non-current liabilities, amounting to EUR 185.5 million, include, in addition to the items relating to the financial position, for which reference should be made to Paragraph 4.7.4. *Financial situation of the Parent Company*, provisions for risks and charges of EUR 0.6 million relating to provisions for legal disputes with third parties.

Current Liabilities

Current liabilities include the residual debt for the Convertible Bond issued on 31 January 2019, recorded at amortised cost as at 31 December 2019 for a value of EUR 5.2 million, in addition to the notional debt for the put option relating to it, for a value of EUR 433 thousand.

Items not relating to the financial situation are mainly trade payables for EUR 4.4 million (of which EUR 0.8 million to subsidiaries) and other current liabilities of EUR 20.7 million. The latter include EUR 19.5 million in tax and social security payables, EUR 0.3 million in payables for Directors' fees and EUR 0.8 million in payables to others.

4.7.4. Financial Situation of the Parent Company

The financial position of the Parent Company is summarized in the table below:

Financial Situation (Thousands of Euro)	2019	2018
A. Cash and Bank deposits	371	158
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	***371***	***158***
E. Current loan receivables	-	-
F. Non-current financial receivables	***115.472***	***78.241***
G. Current bank payables	-	-
H. Current accounting of bonds issued	5.246	-
I. Current accounting of non-current debts	-	-
J. Other current financial debts	434	-
K. Current financial debt (G) + (H) + (I)+(J)	**5.679**	-
L. Net current financial debt (K)-(D)-(E)-(F)	**(110.164)**	**(78.398)**
M. Non-current bank Loans	-	-
N. Bonds issued	-	-
O. Other non-current intercompany debt	184.754	143.398
P. Other non-current intercompany debt	0	0
Q. Non-current financial debt (M)+(N)+(O)+ (P)	**184.754**	**143.398**
R. Net Financial Debt (L)+(Q)	**74.590**	**64.999**

Current financial receivables from Group companies include financial receivables from Tiscali Italia S.p.A. for EUR 109.9 million, from Veesible for EUR 1.5 million, from Tiscali International Bv for EUR 0.5 million and from Tiscali Financial Services SA for EUR 3.5 million. *Current liabilities* include the amortised cost of the Convertible Bond for EUR 5.2 million as at 31 December 2019.

The *Convertible Bond* was issued on 31 January 2019 for a nominal value of EUR 10.6 million and subscribed on the same date, for a value of EUR 10.1 million, by ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares. In July, September and October 2019, Sova Disciplined Equity Fund SPC converted a total nominal value of EUR 5.3 million, equal to the entire stake held.

Other current financial payables are represented by financial payables due to the subsidiary Tiscali International B.V.

The increase in financial receivables and payables to Group companies relates to transactions connected with the centralized treasury contract.

4.7.5. Reconciliation between the Parent Company's financial statements and the

consolidated financial statements

As required by CONSOB Communication No. DEM/6064293 dated 28 July 2006, the following table shows the reconciliation between the net profit for the period and the Shareholders' Equity of the Group with the corresponding values of the Parent Company.

	31 December 2019	
EUR 000	**Net Result**	**Shareholders' equity**
Shareholders' equity and net profit (loss) of Tiscali S.p.A.	**(2.507)**	**45.990**
Net profit and Shareholders' equity of consolidated companies	(18.327)	(284.825)
Book value of consolidated equity investments and consolidation entries	4.366	182.830
Consolidation's Journals		
Shareholders' equity and net profit (loss) for the year pertaining to the Parent Company	**(16.468)**	**(56.005)**
Shareholders' equity and net profit (loss) for the year pertaining to minority shareholders		
Shareholders' equity and net profit (loss) for the year as per the Consolidated Financial Statements	**(16.468)**	**(56.005)**

The difference between the Parent Company and the Consolidated Shareholders' Equity is due to the fact that, for statutory purposes, the losses of Tiscali Italia and Aria for the current year are not considered permanent and therefore are not recognised in the form of write-downs of equity investments, while, for consolidated purposes, the losses are recognised in the Group Shareholders' Equity in the accrual years.

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

Financial and economic performance for the period

The Tiscali Group closed 2019 with a loss of EUR 16.5 million as compared to a profit of EUR 83.2 million in 2018. The result for 2018 was primarily attributable to the net gain on the sale of the licence of 40 Mhz in the 3.5 Ghz band and the Fixed Wireless Access (FWA) business branch to Fastweb of EUR 128.5 million, net of which the net result for 2018 would have been a loss of EUR 45.3 million.

The 2019 net income was significantly impacted by non-recurring factors (detailed and described in the paragraph *Non-recurring Transactions*) amounting to EUR 24.5 million, mainly relating to:

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

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

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

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

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

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

It should be noted that, on 21 February 2020, the Company sent the Lending Institutions (Intesa San

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

The New 2020-2022 Business Plan

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

The contents of this Plan, briefly, include:

- A return to substantial breakeven in the next financial year (2021) and a return to profit in 2022;
- The confirmation of the focus on the core business: sale of Broadband and UltraBroadband services (Fixed, Fixed Wireless and Mobile) to Consumer, SOHO and SME retail customers;
- The redefinition of the operating model, increasingly focused on the development of new services, marketing and sales and excellence in customer management, reducing the direct management of network infrastructures;
- The reduction in investment commitments, in line with the new operating model;
- The containment of fixed and variable costs to support margins;

- The expansion of the addressable market, thanks to the beneficial effects of the Fastweb Transaction and the conclusion in July 2019 of new agreements with Linkem, Open Fiber and Tim, with a particular focus on Fibre offerings (UltraInternet Fibre) with speeds of up to 1 Giga and Mobile 4G, with speeds of up to 150 Mbps;
- The relaunch of the Tiscali brand, thanks to new investments in communication;
- The maintenance of a balanced financial and asset structure;
- The diversification in the business area of the portal.

Uncertainties connected to the COVID-19 pandemic

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

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

a) A reduction in March and April in the number of new contracts for Mobile as compared to budget forecasts (-12%). A recovery is expected with the end of the emergency;

b) Operating costs due to the use of more voice traffic have increased and an impact on 2020 is estimated equal to higher costs of approximately EUR 200 thousand, as well as additional investments of approximately EUR 60 thousand. The increased bandwidth usage has also been substantially absorbed by the network infrastructure with adjustments already budgeted for;

c) A delay in receipts which showed, with the same turnover, a reduction in March of about 10% (about EUR 1.6 million). This reduction, which is not due to the worsening of customers' solvency, but to the movement difficulties that have limited movements, is substantially attributable solely to non-automatic collections and is expected to be recovered during the year given the strategic nature of the service offered to customers.

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

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

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

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

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

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

a) Stabilized its Fixed Broadband customer base, which is substantially in line with the customer base at 31 December 2018 (going from approximately 383 thousand users as at 31 December 2018 to approximately 381.7 thousand users as at 31 December 2019), but showing significant growth in the number of Fiber customers, which increased by 106.8%, from 79.1 thousand users as at 31 December 2018 to 163.7 thousand users as at 31 December 2019, and a growth trend in the second half of the year after a first half in which the customer base had continued to decline, as a result of the Group's re-launch and development, and also thanks to the Fiber offerings on which the Company is focusing;
b) Continued, during 2019, to implement industrial activities consistent with the new development and growth path, namely:
    - Continued to expand the addressable market, thanks to the conclusion/implementation of the following agreements:
        - operational implementation of the Fastweb Agreement, which has allowed the expansion of the addressable market of the Company thanks to the possibility to continue to market LTE services in the "Digital Divide Areas" extended under the terms of the Agreement, on a wider market thanks to the commitment signed by Fastweb to complete the migration from Wi Max technology to LTE technology at its own expense, and the possibility for Tiscali to access Fastweb's Fibre Network;
        - In July 2019, new agreements were signed with other operators (Open Fiber and Linkem) allowing Tiscali to use the FWA and Fibre network of these operators.
        - The above agreements now enable Tiscali to reach 10.9 million households and businesses with FWA technology (4.9 million households with speeds of up to 100Mb thanks to Fastweb's network and around 16 million households with speeds of up to 30Mb thanks to Linkem coverage). With regard to the Fibre market, Tiscali has been able to provide fibre services to around 20 million households and businesses since the end of 2019 (13.5 million in multi-mode fibre technology and 6.5 million in FTTH technology).
    - Concluded, in December 2019, an agreement with TIM that allows it to offer its Mobile customers 4G technology with speeds of up to 150 Mbps, differentiating

itself from low cost mobile operators offering a 4G "Basic" technology with speeds of up to 30 Mbps, with an offer available in 7565 Italian municipalities (98.2% of national coverage);

- Began the relaunch of the Tiscali brand, launching an institutional advertising campaign in March 2019, and a subsequent campaign in September 2019 — following the rebranding and launch of the new logo undertaken following the change in governance during the year;

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

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

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

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

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

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

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

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

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

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

Business Outlook

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

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

4.9. Subsequent events after the FY end

Please refer to Note 6.11 *Subsequent Events after the FY End*.

4.10. Disputes, contingent liabilities and commitments

Please refer to the paragraph *Disputes, contingent liabilities and commitments* in the Explanatory Notes.

4.11. Non-recurring transactions

Please refer to the paragraph *Non-recurring Transactions* in the Explanatory Notes.

4.12. Atypical and/or Unusual Transactions

As per CONSOB Communication dated 28 July 2006, it is specified that, during FY 2019, the Group did not carry out any atypical and/or unusual transactions, as defined in the Communication itself.

4.13. Related-Party Transactions

With regard to the economic and asset relationships held with related parties, please refer to the Paragraph *Related-Party Transactions* of the Explanatory Notes of the Consolidated Financial Statement.

Please note that the document illustrating the procedure for the discipline of related parties can be found at www.tiscali.com/procedure.

4.14. Remunerations to Directors, Auditors and Executives with strategic responsibilities

For the performance of their duties in the Parent Company and in other consolidated companies, the remunerations due for FY 2019 to Directors, Statutory Auditors of the Group companies are as follows:

(EUR 000)	31 december 2019	31 december 2018
Directors	764	1.375
Statutory Auditors	181	219
Manager with strategic responsabilities	772	1.519
Total Remuneration	**1.716**	**3.113**

4.15. Adhesion to the Tax Consolidation

The Company has exercised the option for consolidated taxation headed by the parent company Tiscali S.p.A. for the following companies:

- Tiscali S.p.A.
- Tiscali Italia S.p.A.
- Veesible S.r.l.
- Indoona S.r.l.
- Aria S.p.A.
- Media PA S.r.l.

The relationships emerging from the adhesion to the consolidated tax system are regulated by a special “Regulation” agreement, which provides for a common procedure for the application of the regulatory and legislative provisions.

Cagliari, 27 April 2020

The Chief Executive Officer	**The Officer in Charge of Preparing the Company’s Accounting Documents**
Renato Soru	**Roberto Lai**

5. Corporate Governance Report and Ownership Structure

5.1. Introduction

As per Article No. 123-*bis* of the Law Decree No. 58/1998, as subsequently amended and integrated ("**TUF**", i.e., Consolidated Financial Law), implemented by Article 89-*bis* of the Issuers Regulations adopted by CONSOB with resolution No. 11971 dated 14 May 1999, as subsequently amended and integrated, listed companies are required to prepare a report, on an annual basis, providing information on their Corporate Governance in March 2006, as updated in July 2018, and available at https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.htm (the "**Code**"). This report shall be made available to the Shareholders at least 21 days before the Meeting for the approval of financial statements for the year and shall be published in the *Governance* section of the Company's website, at www.tiscali.com.

The Board of Directors of Tiscali S.p.A. ("**Tiscali**" or the "**Company**"), in compliance with the prescribed obligation and with the intention of providing extensive corporate disclosure to Shareholders and investors, has prepared this report (the "**Report**"), in compliance with the guidelines published by Borsa Italiana S.p.A. and in view of information provided by Assonime.

Therefore, the Report consists of two parts. The first part fully illustrates the corporate governance model adopted by Tiscali and describes the corporate bodies and the shareholders, and other information referred to in the aforementioned Art. No. 123-*bis* of the TUF. The second part instead provides detailed disclosure regarding the compliance with the Code's recommendations through a comparison between the choices made by the Company and said recommendations of the Code. On 22 April 2020, the Board of Directors evaluated, as per the Code, the size, composition and operation of the Board and its Committees considering them adequate to the managerial and organizational needs of the Company. The Board took into account the professional qualifications, experience and managerial skills of its members and examined the practical operation of the corporate bodies during FY 2019. At the date of the Report, the Board of Directors is composed of seven members, of which the Chief Executive Officer has executive powers and three non-executive Directors are also independent. In this assessment, the Board of Directors has also taken into account the positions held in other companies held by the Directors and the concrete commitment of the Directors in the management of the Company.

Finally, it should be noted that the Company qualifies as an SME (small and medium-sized enterprise) pursuant to Article 1, Paragraph 1, letter w-*quater.1)* of the TUF and Article 2-*ter* of the Issuers' Regulations, since, as communicated to CONSOB in accordance with the law, the value of the average capitalization for the year 2019 amounts to EUR 58,691,786.90, the value of turnover for the year 2019 is EUR 142,622,473.75.

5.2. Corporate Governance Structure

5.2.1. General Principles

"Corporate Governance" means the overall processes to manage the business with the objective of creating, preserving and increasing value, over time, for Shareholders and investors. These processes must ensure the achievement of corporate goals, maintaining responsible corporate behavior, transparency and accountability to the Shareholders and the investors. These processes must guarantee the achievement of the company's objectives, the maintenance of socially responsible behavior, transparency and accountability towards Shareholders and investors.

In order to ensure the transparency of management operations, the full disclosure to the market and the protection of relevant corporate interests, the corporate governance system adopted by Tiscali fully draws on the recommendations of the Code.

The Company adopts practices and principles of conduct, formalized in procedures and codes, in line with the indications of Borsa Italiana S.p.A., the recommendations of CONSOB and with the best practices in place at national and international level; furthermore, Tiscali is equipped with an adequate organizational structure to manage, with correct methods, business risks and potential conflicts of interest that might arise between Directors and Shareholders, between majority and minority interests and between the different stakeholders.

5.2.2. Model Adopted

The Company has adopted the traditional system of administration and control, which provides for the division of responsibilities among the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting, believing that this system allows a clear division of roles and powers entrusted to the corporate bodies and effective management of the Company.

5.2.3. Corporate Bodies and Auditing Company

The corporate governing bodies are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

Board of Directors

With reference to FY 2019, the Board of Directors in office from 1 January to 26 June 2019 was appointed by the Shareholders' Meeting held on 26 June 2018, and was composed of seven members: Alexander Okun (Chairman), Alex Kossuta (Director), Renato Soru (Director), Paola De

Martini (Director), Anna Belova (Director), Oleg Anikin (Director) and Alina Sychova (Director). The table below provides a summary of the composition of the Board of Directors in office from 1 January to 26 June 2019:

Member	Year of birth	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoD	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties – role (**)
Alexander Okun	1952	Chairmain	26.6.2018	Non Executive	26.6.2019	16.2.2016	-	7/9			
Alex Kossuta	1969	CEO	26.6.2018		26.6.2019	26.6.2018	-	9/9			
Renato Soru	1957	Director	26.6.2018	Non Executive	26.6.2019	9.6.1997	-	5/9			
Paola De Martini	1962	Independent Director	26.6.2018	Non Executive and Independent TUF	26.6.2019	16.2.2016	1	8/9	M	C	C
Anna Belova	1961	Independent Director	26.6.2018	Non Executive and Independent TUF	26.6.2019	16.2.2016	2	9/9	C	M	M
Oleg Anikin	1969	Director	26.6.2018	Non Executive	26.6.2019	26.6.2018	-	8/9	M		
Alina Sychova	1977	Director	26.6.2018	Non Executive	26.6.2019	26.6.2018	-	9/9		M	
No. of meetings held in the reference FY: 9				Audit and Risk Committee: 2		Committee for Transactions with Related Parties: 1					

(*) The position may not have been held continuously since the date of first appointment.

(**) This column indicates the attendance of directors at Committee meetings and the position of the director within the Committee: "C": Chairman; "M": member.

(***) Positions held as Directors or Statutory Auditors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

Following the resignation of the Chairman and Chief Executive Officer Renato Soru and the Directors Oleg Anikin, Alina Sychova and Anna Belova on 15 May 2019, effective as of the date of the Ordinary Shareholders' Meeting called to resolve, among other things, on the appointment of a new Board of Directors, on 27 June 2019, the Shareholders' Meeting appointed the Board of Directors in office at the date of the Report, composed of seven members, namely Alberto Trondoli (Chairman), Renato Soru (Director), Patrizia Rutigliano (Director), Federica Celoria (Director), Anna Belova (Director), Manilo Marocco (Director) and Sara Polatti (Director).

The Board of Directors will remain in office until the approval of the financial statements as at 31 December 2021. Below is a table summarising the composition of the Board of Directors at the date of the Report.

Member	Year of Birth	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoD	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Partie – role (***)
Alberto Trondoli	1958	Chairman	27.6.2019	Non Executive	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	5/5			
Renato Soru	1957	CEO	27.6.2019	Executive	Approval of the Financial Statements as at 31 Dec 2021	9.6.1997	-	5/5			
Patrizia Rutigliano	1968	Independent Director	27.6.2019	Non Executive and Independent TUF	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	4/5	M	C	M
Federica Celoria	1973	Independent Director	27.6.2019	Non Executive and Independent TUF	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	5/5	C	M	M

Member	Year of Birth	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoD	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Partie – role (***)
Alberto Trondoli	1958	Chairman	27.6.2019	Non Executive	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	5/5			
Renato Soru	1957	CEO	27.6.2019	Executive	Approval of the Financial Statements as at 31 Dec 2021	9.6.1997	-	5/5			
Patrizia Rutigliano	1968	Independent Director	27.6.2019	Non Executive and Independent TUF	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	4/5	M	C	M
Federica Celoria	1973	Independent Director	27.6.2019	Non Executive and Independent TUF	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	5/5	C	M	M
Anna Belova	1961	Independent Director	27.6.2019	Non Executive and Independent TUF	Approval of the Financial Statements as at 31 Dec 2021	16.2.2016	2	5/5			C
Manilo Marocco	1958	Director	27.6.2019	Non Executive	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	5/5	M		
Sara Polatti	1989	Director	27.6.2019	Non Executive	Approval of the Financial Statements as at 31 Dec 2021	27 giugno 2019	-	5/5		M	

No. of meetings held in the reference FY 12	Audit and Risk Committee 3	Appointments and Remunerations Committee 1	Committee for Transactions With related Parties 1

Member	Year of Birth	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoD	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Partie – role (***)
Alberto Trondoli	1958	Chairman	27.6.2019	Non Executive	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	5/5			
Renato Soru	1957	CEO	27.6.2019	Executive	Approval of the Financial Statements as at 31 Dec 2021	9.6.1997	-	5/5			
Patrizia Rutigliano	1968	Independent Director	27.6.2019	Non Executive and Independent TUF	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	4/5	M	C	M
Federica Celoria	1973	Independent Director	27.6.2019	Non Executive and Independent TUF	Approval of the Financial Statements as at 31 Dec 2021	27.6.2019	-	5/5	C	M	M
Quorum required for the submission of lists by minorities for the election of one or more members: 4.5%.											

(*) The position may not have been held continuously since the date of first appointment.

(**) This column indicates the attendance of directors at Committee meetings and the position of the director within the Committee: “C”: Chairman; “M”: member.

(***) Positions held as Directors or Statutory Auditors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

The members of the Board of Directors in office as of the date of this Report were all drawn from the sole list submitted jointly by the shareholders Renato Soru and Amsicora S.r.l., who, on the date the list was submitted, held 7.94% and 22.059%, respectively, of the share capital of Tiscali.

The members of the Board of Directors were elected with the favorable vote of 99.95% of the voting capital.

A brief description of the personal and professional characteristics of the members of the Board of Directors in office at the date of the Report can be found on the Company's website in the section https://www.tiscali.com/consiglio-di-amministrazione/.

Committees

The Board of Directors, in accordance with the recommendations of Articles No. 6 and 7 of the Code, established a number of Committees and appointed their members. Specifically, for the FY 2019, the Board of Directors in office until 26 June 2019, had appointed the following internal Committees:

- *Appointments and Remunerations Committee,* comprised of Paola De Martini (Chairman), Anna Belova and Alina Sychova;
- *Audit and Risk Committee,* comprised of Anna Belova (Chairman), Paola De Martini and Oleg Anikin;
- *Committee for Transactions with Related Parties,* composed of Paola De Martini (Chairman), Anna Belova.

On 27 June 2019, following the appointment of the new Board of Directors by the Shareholders' Meeting, the Board of Directors appointed the following internal Committees:

- *Appointments and Remunerations Committee,* comprised of Patrizia Rutigliano (Chairman), Federica Celoria, Sara Polatti;
- *Audit and Risk Committee,* comprised of Federica Celoria (Chairman), Manilo Marocco e Patrizia Rutigliano;
- *Committee for Transactions with Related Parties,* composed of Anna Belova (Chairman), Federica Celoria, Patrizia Rutigliano in case of valuation of significant transactions. In case of assessment of transactions of minor importance, the Committee for Transactions with Related Parties Committee coincides with the Audit and Risk Committee.

Corporate Secretary

The Corporate Secretary is responsible for (i) assisting the Board of Directors in the preparation of Board and Shareholders' Meetings and in the preparation of the related resolutions, (ii) supervising and ensuring the adequacy, completeness and clarity of information flows to the Board and the corporate bodies.

Until 26 June 2019, the role of corporate secretary was held by Paola De Martini, appointed by the Board of Directors on 26 June 2018. As of the date of the Report, Federica Capoccia was a corporate secretary appointed by the Company's Board of Directors on 27 June 2019.

Board of Auditors

The Board of Statutory Auditors in office at the date of the Report was appointed by the Shareholders' Meeting held on 26 June 2018 and will remain in office until the approval of the financial statements as at 31 December 2020. Below is a table summarising the composition and activities of the Board of Statutory Auditors from 1 January 2019 to the date of the Report:

Auditors	Year of Birth	Office	Date of appointment for this mandate	Date of first appointment: (*)	Date of mandate end	List	Independence Code	Participation to the Board meetings	No. of positions held in issuers
Barbara Tadolini	1960	Chairman	26.6.2018	26.6.2018	Approval of the Financial Statements as at 31 Dec 2020	SOVA CAPITAL Ltd	Yes	13/13	**2**
Emilio Abruzzese	1957	Statutory Auditor	26.6.2018	16.2.2016	Approval of the Financial Statements as at 31 Dec 2020	ICT HOLDING LTD	Yes	13/13	-
Valeria Calabi	1966	Statutory Auditor	26.6.2018	16.2.2016	Approval of the Financial Statements as at 31 Dec 2020	ICT HOLDING LTD	Yes	13/13	-
Lorenzo Arienti	1981	Substitute Auditor	26.6.2018	26.6.2018	Approval of the Financial Statements as at 31 Dec 2020	ICT HOLDING LTD	Yes	-	-
Pietro Braccini	1976	Substitute Auditor	26.6.2018	26.6.2018	Approval of the Financial Statements as at 31 Dec 2020	SOVA CAPITAL Ltd	Yes	-	-
No. of meetings held in the reference FY 13									
Quorum required for the submission of lists by minorities for the election of one or more members: 4.5%.									

(*) The position may not have been held continuously since the date of first appointment.

The shareholder Sova Capital Limited held a 7% stake in Tiscali's share capital at the date of submission of the list, while the shareholder ICT Holding Limited held a 23.5% stake in Tiscali's share capital.

The list submitted by the shareholder Sova Capital Limited obtained 832,310,116 votes; the list presented by the shareholder ICT Holding Limited obtained 937,203,379 votes.

Following its appointment, on 26 June 2018, and in FY 2019, on 27 June 2019, the Board of Statutory Auditors verified the independence of its members and sent these assessments to the Board of Directors.

In formulating its assessment of the independence of its members, the Board of Statutory Auditors has taken into account the cases in which, according to the Code, the independence requirements must be considered to be lacking, and has applied in this regard the principle of the prevalence of substance over form indicated by the Code.

A brief description of the personal and professional characteristics of the standing members of the Board of Statutory Auditors in office at the date of the Report can be found on the Company's website, in the section https://www.tiscali.com/collegio-sindacale/.

The Officer in Charge of Preparing the Company's Accounting Documents

As provided for by Article No. 14 of the Articles of Association and in compliance with the provisions introduced by Law No. 262/2005, from 26 June 2018 to 27 June 2019, Mr. Daniele Renna held the position of Officer in Charge of Preparing the Company's Accounting Documents, being a manager of the Company with the necessary requirements and proven experience in accounting and finance.

On 27 June 2019, Mr. Roberto Lai, a manager a manager of the Company with the necessary requirements and proven experience in accounting and finance, was appointed as the Officer in Charge of Preparing the Company's Accounting Documents (the "**Officer in Charge**"). The office will expire with the renewal of the Board of Directors scheduled for the date of approval of the financial statements for the FY ended 31 December 2021.

Pursuant to Article No. 14 of the Articles of Associations, the Officer in Charge of Preparing the Company's Accounting Documents is appointed, on the proposal of the Chief Executive Officer, subject to the mandatory opinion of the Board of Statutory Auditors. The the Officer in Charge of Preparing the Company's Accounting Documents must meet the requirements of integrity required of Directors and have significant professional experience in administration and finance. He shall remain in office for three years or for the shorter period set at the time of his appointment and may be re-elected.

Auditing Company

The statutory auditing activity is carried out by an auditing firm registered in the appropriate register and appointed by the Shareholders' Meeting upon a reasoned proposal of the Board of Statutory Auditors. In particular, the Shareholders' Meeting held on 30 May 2017, upon a reasoned proposal of the Board of Statutory Auditors, resolved, on the basis of an in-depth technical-economic analysis, to appoint Deloitte & Touche S.p.A. as independent auditors for the FYs 2017-2025.

Supervisory Body

On 20 July 2018, the Board of Directors, with the favorable opinion of the Appointments and Remunerations Committee, appointed the new Supervisory Board, composed of Maurizio Piras (Chairman), Francesca Marino and Maria Sardelli.

The Supervisory Body, which resigned in June 2019, was again appointed by the Board of Directors on 27 June 2019 and, at the date of the Report, is composed of Maurizio Piras (Chairman) and Francesca Marino and will remain in office until the approval of the Financial Statements as at 31 December 2021.

Director in charge of the internal control risk and risk management

From 1 January to 27 June 2019, the office of Director in charge of the Internal Control Risk and Risk Management (the "**Director in Charge**") was held by Alex Kossuta, appointed at the Board meeting held on 26 June 2018.

Following the appointment of the Board of Directors on 27 June 2019, Director Renato Soru was appointed Director in charge of the Internal Control Risk and Risk Management. The Director in Charge will remain in office until the approval of the financial statements for the FY ended on 31 December 2021.

In particular, as per the application criterion 7.C.4. of the Code, during the FY 2019, the Director in Charge: (i) identified the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and periodically submits them to the Board of Directors for examination; (ii) implemented the guidelines defined by the Board of Directors, designing, implementing and managing the internal control and risk management system and constantly checking its adequacy and effectiveness; (iii) was responsible for adapting this system to the dynamics of the operating conditions and the legislative and regulatory framework; (iv) asked the internal audit function to carry out assessments on specific operating areas and on compliance with internal rules and procedures in the execution of corporate transactions, simultaneously informing the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors; (v) promptly reported to the Control and Risk Committee (or the Board of Directors) on problems and critical issues that arose in the course of its activities or of which it was aware, so that the Control and Risk Committee (or the Board of Directors) could take appropriate initiatives.

5.2.4. Shareholding Structure

At the date of this report, the share capital subscribed and paid amounts to EUR 46,355,159.37, divided into 4,508,697,203 ordinary shares with no par value, listed at the MTA market segment, freely transferable in accordance with law without there being any securities that confer special control rights.

OTHER FINANCIAL INSTRUMENTS *(attributing the right to subscribe newly issued shares)*				
	Listed (indication of the Stock Market) / not listed	**No. of circulating instruments**	**Category of shares serving the conversion / exercise**	**No. of shares serving the conversion / exercise**
Convertible loan	Not listed	53 convertible bonds Tiscali conv 2019-2020*	Ordinary	Up to maximum 1,300,000,000
Warrant	-	-	-	-

** for further information, see the documentation relating to the Tiscali Conv convertible bond, 2019-2020, available on the Company's website*

<u>Share-based incentive plans</u>

The Shareholders' Meeting held on 16 June 2016, approved the 2016-2019 *Stock Option Plan* (hereinafter referred to as the '**2016-2021 Plan**") intended for the Chairman of the Board of Directors and the management of the Group headed by Tiscali, and the increase the share capital for a maximum amount of EUR 25,193,708 to be charged to the share capital, excluding option rights pursuant to Article No. 2441, Paragraphs No. 5 and 6, of the Italian Civil Code, by issuing a maximum of 314,528,189 new ordinary Tiscali shares, to service a maximum of 314,528,189 options valid for the subscription of ordinary shares to be reserved for the beneficiaries of the 2016-2021 Plan. The 2016-

2021 Plan is described in the document prepared pursuant to Article No. 114-*bis* of the TUF prepared at the time of the Shareholders' Meeting approval and available on the Company's website in the section "Governance/Assemblies". As compared to the original beneficiaries of the 2016-2021 Plan, 7 executives left office during the FY 2019, therefore the total number of options provided for in the 2016-2021 Plan was reduced to 91,370,385 as at 31 December 2019.

Increases authorized pursuant to Art. No. 2443 of the Italian Civil Code

At a meeting held on 31 January 2019, the Board of Directors (i) approved the issuance of the "Tiscali Conv 2019-2020" bond issue and (ii) exercised the authority granted pursuant to Article No. 2443 of the Italian Civil Code by the Shareholders' Meeting of 26 June 2018, to service the conversion of the "Tiscali Conv 2019-2020" bond issue. For further information on the capital increase to service the "Tiscali Conv 2019-2020" bond issue, please refer to the documentation published on the Company's website under "Documents/Bond Loan".

The following table specifies the name or the entity name of the Shareholders with voting rights holding a stake of more than 5% that have informed the Company and CONSOB of their participation. There are no restrictions on voting rights or the transfer of securities.

Shareholder	Percentage on ordinary and voting capital	Shares
Amsicora S.r.l.	**20.084%**	**905,513,710**
Renato Soru	**7.010%**	**316,050,508**
of which Cuccureddus	0.73%	
of which Monteverdi	0.39%	
of which Soru directly	5.88%	

The remaining 72.9% of the share capital is distributed by the market.

There are no statutory restrictions on voting rights or the transfer of securities, such as limitations on ownership of securities or acceptance clauses. In addition, there are no special systems for exercising voting rights in case of employee share ownership, which exercise their right in accordance with the provisions of the Company's Articles of Association.

Shareholders’ Agreements

At the date of the Report, the following Shareholders’ Agreements were in place:

- Amsicora-Soru Shareholders’ Agreement

On 16 May 2019, a Shareholders’ Agreement was signed between Amsicora S.r.l. (“Amsicora”) and Renato Soru, containing certain provisions regarding (i) the governance of Tiscali as well as (ii) the procedures for the circulation of the equity interests directly or indirectly held by the shareholders in the share capital (the “Amsicora-Soru Shareholders’ Agreement”).

All the shares in Tiscali held by the parties concerned have been conferred in the Amsicora-Soru Shareholders’ Agreement: (i) 878,513,710 ordinary shares of the Company, equal to 22.059% of the Company’s share capital, held by Amsicora; and (ii) 316,050,508 ordinary shares of the Company, equal to 7.94% of the Company’s share capital, held by Renato Soru.

The following shall also be deemed to have been contributed to the Amsicora-Soru Shareholders’ Agreement (i) shares subscribed by and/or allocated to one of the parties as part of any transactions involving the Company’s share capital, and shares that the parties in any case directly or indirectly own, during the term of the Amsicora-Soru Shareholders’ Agreement and (ii) bonds convertible into shares of the Company (including the related option rights), warrants for the subscription and/or purchase of shares of the Company or other financial instruments issued or issued by the Company which grant the holder the right or entail the obligation to subscribe and/or purchase shares of the Company.

The Amsicora-Soru Shareholders’ Agreement will expire at the end of the third anniversary following its signature and will cease to be effective earlier than the date provided for if one of the parties ceases to hold all the syndicated shares of the respective owners during the term of the Amsicora-Soru Shareholders’ Agreement.

The Amsicora-Soru Shareholders’ Agreement contains the following agreements.

Appointment of the Board of Directors

The members of the Board of Directors of the Company are appointed according to the so-called “list voting method”, as governed by the Company's Articles of Association.

In this regard, the parties have agreed that the following provisions apply: (i) the parties will define the number of directors of which the Board of Directors must be composed and will submit a single list for the election of all directors with the exception of that reserved for minority shareholders (the “Majority List”); (ii) Renato Soru shall have the right to indicate the name of a non-independent candidate from the Majority List that must be placed on the slate submitted by the parties in a position such that, if the majority of the members of the Board of Directors of the Company are taken from that slate, Renato Soru’s candidate shall in any case be appointed director of the Company; (iii) all other members of the Majority List shall be indicated by Amsicora.

If the majority of the members of the Board of Directors of the Company are taken from the list submitted by the Parties, they have undertaken to ensure that the Board of Directors of the Company, appointed immediately after signing the Amsicora-Soru Shareholders’ Agreement, appoints: (i) Alberto Trondoli as Chairman of the Board of Directors; (ii) Renato Soru as Chief Executive Officer.

Obligations of prior consultation

Pursuant to the Amsicora-Soru Shareholders' Agreement, the parties have undertaken to meet at least seven working days prior to the date scheduled for each ordinary and/or extraordinary Shareholders' Meeting of the Company to consult each other in advance in relation to the exercise of the social and economic rights deriving from the shares conferred to the Amsicora-Soru Shareholders' Agreement with the aim of arriving, as far as reasonably possible, at the determination of shared voting guidelines.

Should it not be possible to reach an unanimous decision, Renato Soru has undertaken to vote at the Company's Ordinary and/or Extraordinary Shareholders' Meeting in accordance with Amsicora's voting instructions.

Preemptive Right

Pursuant to the Amsicora-Soru Shareholders' Agreement, the parties have agreed that, was Renato Soru willing to transfer all or part of the shares owned by him or the rights relating to them to one or more third parties, he must first offer them to Amsicora.

Right of Co-Sale

Pursuant to the Amsicora-Soru Shareholders' Agreement, the parties have agreed that, was a party to receive from a third party — other than a related party of one of the parties — an offer (the "Co-Sale Offer") which: (i) relates to all or part of the syndicated shares held by the receiving party on the date of the Co-Sale Offer; (ii) is binding on the proposing party; (iii) is not subject to conditions (other than those provided for by law); and (iv) provides evidence that all necessary and sufficient financial resources are available for the payment of the price, and the receiving party intends to accept the Co-Sale Offer, the latter must communicate the content of the Co-Sale Offer to the other party, which may exercise its right to co-sale at the conditions, including price, indicated in the Co-Sale Offer.

If the Co-Sale Offer concerns only a percentage of the syndicated shares held by the receiving party, the co-sale right shall concern the same percentage of the shares held by the other party.

Redemption Right

Pursuant to the Amsicora-Soru Shareholders' Agreement, the parties have agreed that if a third party (the "Offeror") submits a purchase offer for all the syndicated shares held by the parties and Amsicora intends to accept such proposal, the latter shall have the right to ask Renato Soru to sell to the Offeror all (and no less than all) of the syndicated shares of the respective ownership at the same terms and conditions proposed by the Offeror, it being understood that Renato Soru shall make no further representations or warranties with respect to the ownership and free availability of the syndicated shares of which he is the owner, the non-existence of any encumbrances on the same and the existence of the powers necessary for the purposes of the relevant transfer and that the value of the Company used to determine the consideration proposed by the Offeror (so-called "enterprise value") must be such as to ensure a valuation of the syndicated shares not lower than that which would be recognised to the syndicated shares by applying the criteria set out in Article No. 2473, Paragraph 3, of the Italian Civil Code for the determination of the consideration for the shares of the withdrawing shareholders.

Upon receipt of the communication certifying the willingness to transfer all its syndicated shares to the Offeror, Renato Soru shall be obliged to transfer all its syndicated shares to the Offeror together with Amsicora.

Standstill

For the entire duration of the Amsicora-Soru Shareholders' Agreement, each party has reciprocally undertaken with the other party not to (i) conclude, directly or indirectly, including through trustees or third parties, additional purchases of (a) shares of the Company on the market with respect to the Syndicated Shares and/or (b) derivative financial instruments that confer a long position on the Company's securities, as defined in accordance with the provisions of Article No. 120 of the TUF and of Articles No. 44-*ter* and No. 119 of the Issuers' Regulations or (ii) to carry out other transactions, such as capital increases, or agreements of any nature and type, such as to give rise to a joint and several obligation on the part of the Parties to promote a takeover bid on the Company's shares pursuant to the provisions of Articles No. 106, 108 or 109 of the TUF, or pursuant to the provisions of the laws and regulations in force from time to time.

- The Purchase Agreement between Amsicora and ICT Holding Limited
- On 10 May 2019, ICT Holding Limited ("ICT"), as seller, and Amsicora signed a purchase agreement for the purchase of 827,998,917 ordinary shares of Tiscali, equal to 20.79% of its share capital (the "Purchase Agreement"). The Purchase Agreement provided, inter alia, for the irrevocable commitment of ICT, from the date of subscription until 30 June 2020, to (i) not exercise its right to convert the 53 convertible bonds into ordinary shares issued by Tiscali on 31 January 2019 as part of the "Tiscali Conv 2019-2020" held by ICT (the "Convertible Bonds"); (ii) not to purchase, directly or indirectly, Tiscali shares or financial instruments that give the latter a long position on Tiscali and not to subscribe to shareholders' agreements with Tiscali shareholders other than Amsicora; (iii) not to require payment of any default interest that may be due during such period; (iv) not to sell or dispose of the Convertible Bonds in any way unless the potential purchaser agrees to adhere in writing to the commitments referred to in points (i), (ii) and (iii) above.
- On 27 January 2020, Amsicora S.r.l. and ICT Holding Limited signed an agreement pursuant to Art. No. 122, Paragraph 1 and Paragraph 5, letter b) of the TUF, under which they agreed to bring forward to 15 May 2020 the term from which ICT may exercise its conversion rights in relation to the No. 53 convertible bonds into ordinary shares issued by Tiscali on 31 January 2019 as part of the "Tiscali Conv 2019-2020" Convertible Bond loan held by ICT (the "Amendment").
- In any case, ICT Holding Limited may exercise its right of conversion from 15 May 2020.
- The Amsicora-ICT Shareholders' agreements will be effective until 30 June 2020 (or sooner if certain conditions are met).
- For further information on the Shareholders' agreements, please refer to the documentation published on the Company's website, "Documents/Shareholders' Agreements" section.
- Change of control clauses and statutory provisions on takeover bids
- With regard to takeover bids, the Company's Articles of Association do not contain clauses derogating from the passivity rule or provisions providing for neutralisation rules.
- Management and coordination
- To the best of the Company's knowledge, as of the date of the Report no shareholder exercises management and coordination activities pursuant to Article No. 2497 et seq. of the Italian Civil Code.

5.3. Report on compliance with the recommendations contained in the Corporate Governance Code

5.3.1. Board of Directors

Role

The Board of Directors plays a prominent role in the life of the Company, since it is the body entrusted with management of the company, as well as the task of strategic and organizational guidelines and as such is responsible for identifying the Company objectives and the achievement thereof. The Board of Directors defines Tiscali's corporate governance system and the structure of the group headed by Tiscali.

This body has, pursuant to Article No. 14 (Powers of the Administrative Body) of the Company's Articles of Association in force, all the powers of ordinary and extraordinary administration. The Board of Directors reviews and approves the strategic, industrial and financial plans of the Company and the Group owning it; it reports quarterly to the Board of Auditors on the activities carried out and the most significant economic, financial and equity transactions carried out by the Company or its subsidiaries, according to Article No. 150 of the TUF and in compliance with the procedure approved by the Board of Directors on 28 April 2017. The functions and powers exercised by the Company's Board of Directors, also in its function of strategic guidance, supervision and control of corporate activities, as provided for in the Company's Articles of Association and implemented in operational practice, are substantially in line with the provisions of the principles and application criteria of Article No. 1 of the Code.

Composition

Pursuant to Article 10 (Directors of the Company) of the Articles of Association, the Board of Directors should be composed of three to nine members guaranteeing the gender balance in accordance with the current legislation.

The Board of Directors has established the following committees: Audit and Risk Committee, Appointments and Remunerations Committee, Committee for the Transactions with Related Parties.

Chairman of the Board of Directors

Article No. 12 (Summoning and direction of the Board of Directors' Meetings) of the Articles of Association establishes that the Chairman of the Board of Directors shall convene the Board, presiding over and coordinating its activities.

At the Board of Directors meetings, the Chairman shall ensure that the Directors are provided, with reasonable advance, the documentation required to allow the Board to discuss the matters under examination.

At the date of the Report, the Chairman of the Board of Directors is Alberto Trondoli.

At the meeting held on 27 June 2019, the Board of Directors granted the Chairman Alberto Trondoli specific powers of legal representation of the Company.

Chief Executive Officer

Article No. 14 (Powers of the Administrative Body) of the Articles of Association at the date of the Report also stipulates that the Board of Directors may, within the limits of law, nominate one or more Chief Executive Officers, determining its powers within the scope of its duties and within the limits of the law.

The Board of Directors has conferred executive powers on the Chief Executive Officer during its meeting held on 27 June 2019 and, successively, on 30 January 2020.

As a general rule, the powers of the Chief Executive Officer can be exercised up to a maximum value of EUR 2.5 million, with a few exceptions for which the limit is raised to EUR 5 or 10 million.

The Chief Executive Officer reports, at meetings of the Board of Directors and in other occasions to the other Board Members and the Board of Statutory Auditors, the transactions of most relevant economic, financial and capital impact made by the Company or its subsidiaries. In addition, he provides adequate and continuous information to the Board of Directors in relation to atypical or unusual transactions which approval is not reserved to said Board, as well as on the most significant activities carried out in the context of the powers and duties conferred. It is common procedure, except in cases of necessity and urgency, that these activities are submitted in advance to the Board of Directors so that the same may decide upon them in a knowledgeable and thoughtful manner.

Non-Executive Minority and Independent Directors

In compliance with the provisions of Law No. 262/2005 and subsequent amendments, the Company's Articles of Association establish that the composition of the Board of Directors meets the criteria established by law about the presence of Independent Directors within the Board.

As of the date of this Report, the Board of Directors is comprised of seven members, three of whom are Independent Directors, and only Director Renato Soru has executive powers delegated by the Board of Directors, since he serves as Chief Executive Officer of the Company.

The Board, at the time of appointment and, in any case, annually when this Report is prepared, assesses the independence of the Directors, in consideration of the information provided by the individuals concerned, and will ensure appropriate disclosure to the market by publishing said Report.

In view of this analysis, the Board confirmed the independence requirements for Anna Belova, Patrizia Rutigliano and Federica Celoria at its meetings of 27 June 2019 and 27 April 2020. In formulating its assessment of the independence of non-executive directors, the Board of Directors took into account the cases in which, according to the Code, the independence requirements must be considered to be lacking, and applied in this regard the principle of substance over form indicated by the Code. In line with the recommendations of the Code of Conduct, the Board of Statutory Auditors verified the correct application of the criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members.

Considering that the current Board of Directors consists of seven members, the percentage of Independent Directors as compared to the current composition is about 42% (3 out of 7).

In 2019, due in part to the composition of the Committees within the Board of Directors, the

Independent Directors did not deem it necessary to hold special meetings in the absence of the other Directors, since they felt that the issues worthy of special review were adequately discussed both at Committee meetings and at Board meetings.

Maximum number of positions held in other companies

With regard to directorships and control positions in other companies, the Board did not deem it necessary to define general criteria regarding the maximum number of positions compatible with an effective performance of the role of Director in the Company, without prejudice to the duty of each Director to assess the compatibility of the positions of Director and Statutory Auditor, possibly held in other companies listed on regulated markets, in financial, banking, insurance or large companies, with the diligent performance of the duties undertaken as a Director of the Company. It should be noted that, as of the date of the Report, none of the Directors holds any position on the Boards of Statutory Auditors of other listed companies of a banking, financial or insurance nature or of significant size.

Meetings

The Board of Directors meets on a regular basis and in any case, at the time of approval of the Quarterly Reports, the Six-month Reports and the drafting of Financial Statements.

As shown in the table below, during FY 2019 the Board of Directors met 12 times.

The Board of Directors approved the calendar of corporate events for the year 2020, providing that:

- The Board meeting for the approval of the draft Annual Financial Statements as at 31 December 2019 will be held on 27 April 2020;
- The annual Shareholders' Meeting will be held on 21 April 2020;
- The Board meeting to approve the Half-Yearly Report as at 30 June 2020 will be held on 14 September 2020.

The calendar was subsequently amended to meet new requirements.

Moreover, for the FY 2020, the Board of Directors has already met twice on the date of the Report.

The majority of the meetings mentioned above were attended by all the Directors and members of the Board of Statutory Auditors, as shown in the table above.

2019 Meetings	**23/1**	**31/1**	**5/3**	**19/3**	**27/3**	**29/3**	**10/4**	**30/4**	**13/5**	**27/6**	**26/9**	**26/11**
Directors attending	7/7	4/7	6/7	6/7	5/7	7/7	6/7	7/7	7/7	7/7	7/7	7/7
Percentage	100 %	57%	86%	86%	71%	100%	86%	100%	100%	100%	100%	100%

Auditors Attending	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3
Percentage	100 %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

2020 Meetings	30/1
Directors attending	6/7
Percentage	86%
Auditors Attending	2/3
Percentage	66%

The average duration of the meetings of the Board was approximately 75 minutes. It is a well-established practice for managers and external consultants to attend meetings of the Board of Directors, depending on the specific nature of the topics discussed, also in order to promote a precise and in-depth knowledge of the Company's and Group's business sector, business dynamics and their evolution, the regulatory framework of reference, as well as to increase the Board of Directors' ability to supervise business activities.

The Board of Directors and the Board of Statutory Auditors are sent draft documents in advance to be approved jointly with any information and instrumental documents to the various resolutions. These are sent by the Corporate Administrative Office, which proceeds to gather the documents from the sectors responsible and to forward them with as much notice as possible. In general, the documentation is sent jointly with the convening notice for the Board meeting, as an exception, if not yet available, some documents may be sent after the convening notice but always with sufficient advance notice regarding the meeting. It is noted that the established procedure in the case of particularly voluminous or complex documentation, is to provide support for the Board Members with an executive summary specifically prepared by the competent corporate departments, which summarize the most significant and relevant points of the documents placed before the Board.

Appointment of Directors

Article 11 (*Board of Directors*) of the Company's Articles of Association provides for the appointment of directors, a list voting system, which ensures the appointment of a number of Directors, also among those listed, who have not obtained the majority votes, and ensures transparency and fairness of the appointment procedure. The right to submit the lists is granted to Shareholders who, alone or jointly with other Shareholders, represent at least the percentage of Share capital required by applicable regulations. For FY 2020, the shareholding required for the presentation of a list is equal to 4.5% of the share capital (see CONSOB Resolution No. 28 dated 30 January 2020). The aforementioned system ensures, therefore, that even minority Shareholders have the power to submit their own lists. Any person entitled to vote may vote for one list only. The Company has adjusted the current appointment systems to Law no. 120/2011 on gender equality concerning the access to management and supervisory bodies of companies listed on regulated markets; therefore, each list has to submit a number of candidates belonging to the less represented gender at least equal to the minimum number required by law.

The election procedure of Directors is as follows:

a.1) At the outcome of the vote, the votes obtained from each list will be divided successively by one, two, three, four and so on until the number of Directors to be elected.

The quotients obtained will be progressively assigned to the candidates on each list in the order provided for therein.

Elected candidates if, arranged in a single decreasing ranking on the basis of the quotients obtained, they have obtained the highest ratios, without prejudice to the appointment of the candidate listed first in the minority list, i.e. the one which obtained the highest number of votes among those regularly presented and voted and that is not connected – even indirectly – with the shareholders who presented or voted for the list with the highest number of votes.

If a person who, according to current legislation, is connected to one or more shareholders who presented or voted for the first list by number of votes, voted for a minority list, the existence of such linking relationship is relevant only if the vote was decisive for the election of the minority administrator. In any case, the applicable laws and regulations apply from time to time.

In the event of an equal quotient for the last Director to be elected, the one on the list that obtains the highest number of votes will be preferred and, with the same number of votes, the one with the oldest age.

If at the end of the voting there were not enough appointed Directors with the requisites of independence, or if the respect of gender balance was not assured, the first hypothesis would be to exclude the candidate who would have been elected with the lowest quotient and who does not meet the independence requirements and, in a second hypothesis, to exclude the candidate with the lowest quotient, whose election would result in non-compliance with gender balance. The excluded candidates will be replaced by the subsequent candidates in the ranking, the election of whom determines compliance with the provisions relating to the requirements of independence and gender balance.

This procedure will be repeated until the number of Directors to be elected is completed. If, having adopted the aforementioned criterion, it was not possible to complete the number of Directors to be appointed, the appointment of the missing Directors will be immediately provided by the Assembly, with a resolution adopted by a simple majority of those present on the proposal of the shareholders present.

a.2) If only one list is presented, all the directors will be drawn, in progressive order, only from the list presented, provided that the same obtains the majority of votes.

If at the end of the voting there were not enough appointed Directors with the requisites of independence, or if the respect of gender balance was not assured, the first hypothesis would be to exclude the candidate who would have been elected with the lowest quotient and who does not meet the independence requirements and, in a second hypothesis, to exclude the candidate with the lowest quotient, whose election would result in non-compliance with gender balance; the appointment of the missing Directors as per the aforementioned exclusions will be immediately provided by the Assembly, with a resolution adopted by a simple majority of those present on the proposal of the shareholders present.

b) If, pursuant to the appointment procedure above, at least two members who meet the independence requisites established by the applicable legislation were elected, the last of the elect who do not meet these requirements taken from the list that obtained the most number of votes cast by shareholders after the first, and who is not connected in any way, not even indirectly, with the shareholders who presented or voted this last list will have to be replaced with the first candidate subsequently listed in that list who is in possession of such requirements and, if following such replacement a member still remains to be elected who meets the independence requirements established by applicable law, the last of those elected who do not meet these requirements from the list that obtained the highest number of votes must be replaced with the first candidate subsequently listed on that list that meets these requirements.

c) If the Board of Directors elected pursuant to the foregoing does not allow compliance with the gender balance provided for by the regulations in force, the last elected representatives of the most represented gender, of the list resulting first by number of votes expressed by shareholders, fail in the number required to ensure compliance with the requirement and are replaced by the first unelected candidates from the same list of the less represented gender. In the absence of candidates of the less represented gender on the list resulting first by the number of votes expressed by the shareholders in sufficient number to proceed with the replacement, the aforesaid criterion will apply to the successive more voted lists, from which the elected candidates have been drawn. If, applying the above criteria, it is not possible to identify suitable replacements, the Shareholders' Meeting integrates the body with the majorities required by law, ensuring the satisfaction of the requirement of gender balance provided for by the regulations in force.

d) The appointment mechanism by means of list voting above is applied only in case of full renewal of Directors; for the appointment of Directors who, for any, reason are not appointed pursuant to the aforementioned procedure, the Shareholders' Meeting resolves with the majority pursuant to the law in force, in compliance with the regulatory requirements for the representation of genders; this requirement also applies to the co-optations made by the Board itself pursuant to the applicable regulations.

Pursuant to the aforementioned Article No. 11 (*Board of Directors*), the lists for proposal of appointment to the office of Director must be submitted to the registered headquarters at least twenty-five days before the date set for the Meeting, together with a description of the professional curricula of the candidates and a declaration by which each party accepts the appointment, certifying that there are no reasons for ineligibility or incompatibility, as well as certifying that the requirements of integrity and professionalism required by applicable regulations and Bylaws, substantially in line with the principles and criteria contained in Article No. 5 of the Code, are in place. No later than twenty-one days before the date scheduled for the Meeting, the lists and the accompanying documentation should be disclosed as required by law. In the event of resolution to appoint individual members of the Board of Directors, the system of appointment by list vote, which Article No. 11 (*Board of Directors*) of the Articles of Association provides for solely in case of complete renewal of the Board of Directors, will not apply.

Although based on the provisions of the aforementioned Article 11 (*Board of Directors*) and the aforementioned considerations on the Directors' appointment system, ensures a fair system, respectful of minority interests, the Board of Directors, however, has deemed it appropriate that the Committee for Remuneration also assume functions in terms of appointments, thus becoming the Committee for Appointments and Remunerations.

For more information, also with reference to the information required by Article No. 123-*bis* of the TUF concerning the Directors' remuneration and by the Code, reference should be made to the Report on remuneration policy and compensation paid which has been published in accordance with Article No. 123-*ter* of the TUF, available on the Company's website.

Plans of succession

It should be noted that the Company, having regard to the particular setup of the Shareholding Structure as well as to the system of delegation of power implemented within the Board of Directors, at the date of approval of the Report has not adopted a specific plan for the succession of Executive Directors, as the Company has the possibility to promptly activate the Board of Directors in order to take the appropriate resolutions.

5.3.2. Shareholders’ Meetings

In accordance with the principles and application criteria referred to in Article No. 9 of Code, the Company encourages and facilitates the participation of Shareholders at the Shareholders’ Meetings, providing, in compliance with regulations on price sensitive information, the information concerning the Company required by Shareholders.

The Company, in order to facilitate information and participation of its own Shareholders, as well as to facilitate the obtaining of documentation that, under the terms and conditions of law, must be made available to them at the Company’s registered office on the occasion of the Shareholders4 Meetings, dedicated a proper section called “Governance/Shareholders’ Meetings” of the www.tiscali.com website, which allows access to such documentation in electronic format.

As suggested by the third policy application in Article No. 9 of the Code, the Shareholders’ Meeting adopted its own Meeting Regulations, latest version dated April 29, 2011, also available on the Company’s website in the section “Documents”.

The Meeting Regulations were adopted with the aim of ensuring an orderly and effective performing of the meetings, define the rights and duties of all participants, and establish clear and unambiguous rules, without intending in any way to limit or restrict the right of each shareholder to express its opinions and demand explanations on the matters on the agenda. The Board of Directors thinks that the prerogatives of the minority interests should be respected when approving resolutions, because the current Articles of Association do not require majorities other than those specified by law.

In compliance with Article No. 2370 of the Civil Code and with Article No. 8 (*Participation in the Meeting*) of the Articles of Associations, the Shareholders from which the Company has received communication sent by the authorized intermediary as per the current regulations, certifying the ownership of shares on the so-called record date, as well as any voting proxy, may participate in the Meeting.

Those who have the right to attend the Shareholders’ Meeting may be represented, in accordance with the law, by proxy, which may be granted in writing or electronically, if provided for by specific regulations and in the manner indicated therein. The Company excludes the possibility of using a person to whom holders of voting rights may grant a proxy. It is up to the Chairman of the Shareholders’ Meeting to ascertain the right to attend the Shareholders’ Meeting and the regularity of the proxies. Resolutions of the Shareholders’ Meeting passed in accordance with the law and with these Articles of Association are also binding on dissenting shareholders.

Resolutions of the Shareholders' Meetings, both ordinary and extraordinary, are valid if taken with the attendance and majorities required by law.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in the absence thereof, by the Deputy Chairman, if appointed, or, in the absence thereof, by a person appointed by the Shareholders' Meeting. The Shareholders' Meeting appoints a secretary, who may or may not be a shareholder, and also appoints, where deemed appropriate, two scrutineers from among the shareholders and the Statutory Auditors. The resolutions of the Shareholders' Meeting are recorded in the minutes signed by the Chairman, the secretary and, if necessary, the scrutineers. In the cases provided for by law and whenever he deems it appropriate, the Chairman shall have the minutes drawn up by a Notary. On the occasion of the Shareholders' Meetings, the Board, through the Chief Executive Officer, has reported to the Shareholders' Meeting on the activities carried out and planned and has made every effort to ensure that shareholders are provided with adequate information on the elements necessary for them to take the decisions for which they are responsible.

5.3.3. Board of Auditors

Appointment and Composition

Consistent with the first principle of Article No. 8 of the Code, concerning the appointment of the Statutory Auditors, Article No. 18 (*Board of Auditors*) of the Articles of Association provides a list voting system which guarantees the transparency and fairness of the appointment procedure and protects the rights of minority interests.

Only Shareholders who alone or jointly with other Shareholders can document that they hold at least the percentage of Share Capital envisaged by applicable legislation, will have the right to submit the lists. The lists must indicate five candidates listed in numerical order, starting with the one who has seniority professionally. For FY 2020, the shareholding required for submission of a list for 2019 established by CONSOB is equal to 4.5% of the share capital (see CONSOB Resolution No. 28 of 30 January 2020). Each Shareholder may submit or participate in submission of only one list and each candidate may appear on only one list subject to penalty of ineligibility. The lists of appointment proposals must be filed at the registered headquarters at least twenty-five days before the date scheduled for the Meeting, together with a description of the professional curricula of the candidates and a declaration in which each accepts the appointment proposal, and states that there are no reasons for ineligibility or incompatibility, as well as the existence of requirements of integrity and professionalism required by applicable legislation and the Articles of Association. No later than twenty-one days before the date scheduled for the Meeting, the lists and the accompanying documentation should be disclosed as required by law.

Each Shareholder may vote for only one list. The following are elected: a) the list that obtained the most votes, in the progressive order in which they appear in the list, two Acting Members and two Alternate Members b) the third Statutory Auditor will be the candidate for the relevant office indicated in first place, among the Statutory Auditors, in the list that will have obtained the highest number of votes after the first, among the lists submitted and voted by shareholders who are not connected, not even indirectly, with the shareholders who submitted or voted for the list that obtained the highest number of votes; c) the second Alternate Auditor shall be a candidate for the relevant office indicated in first place among the Alternate Auditors on the same minority list referred to in the previous point. In the event of a tie between the lists submitted and voted by shareholders who are not connected, not even indirectly, with the shareholders who submitted or voted for the list obtaining the highest number of votes, the candidate on the list submitted by shareholders holding the largest shareholding or, alternatively, by the largest number of shareholders, will be elected. The Chairman of the Board of Statutory Auditors shall be the candidate for the position of Statutory Auditor indicated in first place in the list that will have received the highest number of votes after the first, among the lists submitted and voted by shareholders who are not connected, not even indirectly, with the shareholders who submitted or voted for the list that obtained the highest number of votes. If only one list is presented, the first three candidates in progressive order and the fourth and fifth candidates will be elected by majority Standing Auditors and the chairmanship of the Board of Statutory Auditors will be held by the first candidate.

If the elected Board of Statutory Auditors does not allow the gender balance provided for by current legislation to be respected, the last elected candidates on the majority list of the most represented gender shall fall from office in the number necessary to ensure compliance with the requirement and shall be replaced by the first non-elected candidates on the same list of the least represented gender. In the absence of candidates of the less represented gender on the majority list in sufficient number to proceed with the replacement, the above criterion shall be applied to the minority lists from which the elected candidates were taken.

If, by applying the above criteria, it is in any case not possible to identify suitable substitutes, the Shareholders' Meeting shall integrate the body with the majorities required by law, ensuring that the requirement of gender balance provided for by current legislation is met.

Requisites

Article 18 (*Board of Auditors*) of the Articles of Association states that at least one of the Acting Statutory Auditors, and at least one of the Alternate Auditors, should be chosen from those listed in the register of auditors who have worked on statutory audits for a period of not less than three years.

Statutory Auditors failing to meet the aforementioned condition must have gained at least a total of three-year experience in specific activities in any way related to the corporate purpose and, in any event, relevant to the telecommunications sector. Article 18 (*Board of Auditors*) also provides that those who already hold positions as standing auditors in more than five listed companies may not be appointed as statutory auditors.

Activities

The members of the Board of Statutory Auditors operate autonomously and independently, in constant liaison with the Audit and Risk Committee, attending its meetings regularly, and with the Internal Audit department, in line with the principles and application criteria of Article No. 8 of the Code.

During FY 2019 and as at the date of the Report, the Board of Statutory Auditors met 13 times, at the presence of all the Statutory Auditors, and recording an average duration of the meetings of approximately 2 hours.

For FY 2020, at least 15 meetings are expected to be held, 3 of which have already been held.

5.3.4. Committees internal to the Board of Directors and other Governance bodies

The Board of Directors, in accordance with the recommendations of Articles No. 6 and 7 of the Code, established a number of internal Committees and appointed their members. Specifically, for FY 2019, the Board of Directors in office until 26 June 2019 had appointed the following internal Committees:

- *Appointments and Remuneration Committee*, comprised of Paola De Martini (Chairman), Anna Belova e Alina Sychova;
- *Audit and Risk Committee*, comprised of Anna Belova (Chairman), Paola De Martini e Oleg Anikin;
- *Committee for Transaction with Related Parties*, comprised of Paola De Martini (Chairman), Anna Belova e Oleg Anikin.

On 27 June 2019, following the appointment of the Board of Directors by the Shareholders' Meeting held on 26 June 2019, the Board of Directors set up from among its members the following internal Committees: (i) the Appointments and Remuneration Committee, (ii) the Audit and Risk Committee and (iii) the Committee for Transactions with Related Parties, also appointing the respective members.

These committees remain in office until the approval of the financial statements for the year ended 31 December 2021, together with the Manager Responsible for the preparation of corporate accounting documents, the Supervisory Board and the Head of Internal Audit.

Audit and Risk Committee (reference)

With regard to the Audit and Risk Committee, please refer to paragraph 3.5 “Internal Audit” below.

Appointments and Remunerations Committee

Since March 2001, the Company’s Board of Directors, established its own internal Remuneration Committee, as required by the third principle of Article No. 6 of the Code and relevant application criteria.

The Committee in office at the date of this report, appointed at the meeting of the Board of Directors held on 27 June 2019, is composed of three Non-Executive Directors, two of whom Independent: Patrizia Rutigliano (Chairman), Federica Celoria, Sara Polatti. At least one member of the Appointmens and Remuneration Committee has knowledge and experience in accounting and financial matters, and/or remuneration policies.

The Company, in accordance with the provisions of the Code, has opted to set up a single Committee which carries out its functions both in terms of appointments pursuant to application criterion 5.C.1 of the Code and remuneration pursuant to application criterion 6.C.5. Specifically, as per the application criterion 5.C.1 of the Code and application criterion 6.C.5, the Appointments and Remuneration Committee has the following functions:

a) Expresses opinions to the Board of Directors on the size and composition of the Board and make recommendations on the professional figures whose presence on the Board of Directors is deemed appropriate and on the matters referred to in Articles 1.C.3 and 1.C.4 of the Code;

b) Proposes to the Board of Directors candidates for the office of director in cases of cooptation, where it is necessary to replace independent directors;

c) Periodically assesses the adequacy, overall consistency and concrete application of the policy for the remuneration of Directors and executives with strategic responsibilities, making use in this regard of the information provided by the managing directors; makes proposals to the Board of Directors in this regard;

d) Submits proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other directors holding particular positions as well as on the setting of performance objectives related to the variable component of such remuneration; it monitors the application of the decisions adopted by the Board itself, verifying, in particular, the actual achievement of performance objectives.

Within the scope of its functions, the Committee may avail itself of external consultants, at the Company’s expense. The Committee meets when deemed necessary, at the request of one or more members. The provisions of the Articles of Association apply to the calling and holding of meetings, insofar as they are compatible.

The work of the Committee is coordinated by a Chairman, minutes of the meetings are kept regularly and, according to consolidated procedures, the Chairman of the Committee informs the Board of Directors during the first useful meeting.

During FY 2019 and as at the date of the Report, the Appointments and Remuneration Committee met twice: 21 March and 27 June 2019. All Committee members attended the meetings.

With reference to FY 2020 financial year, as at the date of the Report, the Appointments and Remuneration Committee met on 24 April 2020.

The Appointments and Remuneration Committee examined and approved the annual remuneration reports, subsequently approved by the Board of Directors and submitted to the Shareholders' Meeting, and the proposal for the appointment of certain corporate offices as well as incentive plans, as more fully described in the Report on remuneration policy and remuneration paid 2019, were discussed and approved and submitted to the Board of Directors. Directors abstain from participating in the meetings of the Nominating and Remuneration Committee in which proposals are made to the Board regarding their remuneration.

In the performance of its functions, the Appointments and Remuneration Committee has had access to the information and corporate functions necessary for the performance of its duties.

All members of the Committee and, upon invitation, all members of the Board of Statutory Auditors attended the meetings.

The meetings lasted an average of about 30 minutes.

Committee for Transactions with Related Parties

At the date of the Report, the Committee for Transactions with Related Parties is composed of the independent directors Anna Belova (Chairman), Federica Celoria and Patrizia Rutigliano, appointed by the Board of Directors on 27 June 2019; this Committee is responsible for assessing transactions of greater significance.

Otherwise, in case of evaluation of transactions of minor importance, the Committee for Transactions with Related Parties coincides with the Audit and Risk Committee.

The Committee for Transactions with Related Parties has the task of carrying out the functions provided for by CONSOB regulations and the Procedure for the regulation of Related Party Transactions, adopted by the Company on 12 November 2010 and entered into force on 1 January 2011 (the "**RPT Procedure**"), as subsequently amended on 27 April 2020. The RPT Procedure defines the rules, methods and principles designed to ensure the transparency and substantive and procedural fairness of transactions undertaken with related parties by Tiscali. The RPT Procedure provides for different approval procedures for transactions with related parties according to their relevance, value and nature.

The Committee shall perform the following functions: (i) give its non-binding opinion on the interest of the Company's fulfillment of minor transactions (as defined in the RPT Regulations) and the economic advantages and substantial fairness of the relevant conditions; (ii) in the case of major transactions (as defined in the RPT Regulations), it is also involved in the negotiations and in the investigation phase and then expresses its reasoned binding opinion, subject to special approval procedures, in the interest of the Company upon completion of the transaction in question, and the economic advantage and substantial fairness of the relative conditions.

During FY 2019, the Committee for Transactions with Related Parties met twice: 21 March and 2 December 2019. All members of the Committee for Transactions with Related Parties attended the meetings.

During FY 2020 and as at the date of the Report, the Committee for Transactions with Related Parties met on 24 April 2020.

All members of the Board of Statutory Auditors attended the meetings of the Committee for Transactions with Related Parties.

The meetings lasted on average about 30 minutes.

5.3.5. Internal Audit

The Company already formalized the organizational structure of internal auditing in October 2001.

On 25 March 2004, following the changes to the Corporate Governance Code for listed companies and the Borsa Italiana S.p.A. suggestions, the Board of Directors updated the organizational structure of the internal auditing system of the Company, after the structure was updated also to take into account the amendments to the Code of Conduct.

The internal auditing system is in line with the principles and application criteria contained in Article No. 7 of the Code.

Internal Auditing System

The internal auditing system is the set of processes designed to monitor the efficiency of company transactions, the reliability of financial reporting and compliance with laws and regulations, as well as the safeguarding of company assets.

The Board of Directors has the top responsibility for the internal auditing system, which sets the guidelines and periodically verifies the adequacy and effectiveness, ensuring that the main business risks are identified and appropriately managed.

In addition to a continuous discussion and interchange between the various corporate bodies involved, the Audit and Risk Committee prepares every six months, upon approval of the draft of financial statements and the six-month interim report, a special report on the system of corporate governance of the Company and the Group and the activities undertaken during the period, the information issued by the Supervisory Board and the Internal Auditing Manager are annexed to the Committee’s report.

The Board of Directors examines the aforementioned information and evaluates the governance system jointly with the Internal Audit plans. With reference to FY 2019, during the meetings held on 28 March and 26 September, relating to the approval of the draft Financial Statements as at 31 December 2018 and the Half-yearly Report as at 30 June 2019 respectively, the Board has deemed the internal auditing system adequate relating to the needs of the Company, to the regulations in force and to the recommendations of the Code, approving the plans for Internal Audit.

The Board assessed the adequacy of the organizational, administrative and accounting structure of Tiscali Italia Spa, an operating company of the Tiscali Group wholly owned by Tiscali S.p.A., with strategic importance, with particular reference to the internal control and risk management system. The Board has assessed the general performance of operations, taking into account, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with those planned.

The Audit and Risk Committee plays a key role in the internal auditing system; for its tasks and operation, please make reference to the next paragraph. Other bodies that are part of the internal auditing system are the Director in Charge, whose duties were taken over by the Chief Executive Officer, and the Internal Audit department.

The Director in Charge operationally implements the instructions of the Board of Directors on internal auditing, also proceeding to the actual identification and management of key business risks, submitting them for the assessment of the Board of Directors. The Director in Charge proposes to the Board of Directors the appointment of the Chief Internal Auditor, whose support is used in the performance of its functions.

The Chief Internal Auditor is equipped with the resources to carry out his functions and does not report hierarchically to any operational area manager; he reports on his work to the CEO and to the Board of Directors, as well as to the Audit and Risk Committee and the Board of Statutory Auditors, at least every six months.

The Chief Internal Auditor has operational responsibility for coordinating activities of the Internal Auditing department, as it does not report to any operational manager hierarchically and is in possession of the necessary professional skills to perform pertaining duties in line with the recommendations of the Code. In order to further strengthen the independence requirement, the Chief Internal Auditor, and therefore the Internal Auditing department, hierarchically report to the Chairperson of the Audit and Risk Committee while, from an administrative point of view, they report to the CEO, whose powers include the provision of suitable means to the Chief Internal Auditor and the Internal Auditing department. The Audit and Risk Committee, in reviewing the work plan prepared by the Chief Internal Auditor, also assesses the suitability of the means and resources granted. The Chief Internal Auditor had access to all information useful for the performance of his duties.

For FY 2019, the office of the Chief Internal Auditor was held by Francesca Marino, appointed on 26 June 2018 by the Board of Directors, subject to the opinion of the Control and Risk Committee and the Board of Statutory Auditors, and confirmed on 27 June 2019.

As at the date of this Report, the main activities in the area of internal auditing by the Chief Internal Auditor, the Committee and the Internal Audit department were the following:

- Assessment of the Group's governance and the activity conducted by each auditing bodies;
- Preparation of six-monthly reports for the Board of Directors on governance activities;
- Assessment of the activity of the Supervisory Body and updating, dissemination and application of the "Organization, management and control model" of the Group pursuant to Law Decree No. 231/2001;
- Implementation of the 2019 Auditing Plan, in particular with the verification procedures for management of contracting and activation of customers, purchasing of goods and services for the needs of the Company and the collection and recovery of customer accounts receivable;
- Drafting of the 2020 Audit Plan;
- Update of the "Model of Organization, Management and Control" pursuant to Law Decree No. 231/2001, as well as the administrative and accounting procedures in order to ensure the full compliance with the requirements referred to in Article No. 154-*bis* of the TUF. The Company made use of a specialized external company and, at the date of this report, the selection of proposals received from the various companies involved for this assignment is being done.

Audit and Risk Committee

The Board of Directors, in line with the recommendations of the Code, has established an Audit and Risk Committee, with advisory and consulting functions.

As at the date of the Report, the Audit and Risk Committee is comprised of three Non-Executive Directors, two of them are Independent: Francesca Celoria (Chairman), Manilo Marocco and Patrizia Rutigliano. The Audit and Risk Committee has consultative and advisory functions with the aim of improving the functionality and the ability for strategic planning of the Board of Directors in relation to the internal auditing system. At least one member of the control and risk committee has experience in accounting and financial and/or risk management. As per the application criterion 7.C.2 of the Code, the Audit and Risk Committee assists the Board of Directors by:

a) Assessing, together with the Officer in Chief and after consulting the Comptroller and the Board of Statutory Auditors, the correct use of the accounting principles and, in the case of groups, their uniformity for the purposes of preparing the consolidated financial statements;

b) Expressing opinions on specific aspects related to the identification of the main business risks;

c) Assessing the periodic reports on the evaluation of the internal control and risk management system and those of particular importance prepared by the internal audit function;

d) Monitoring the autonomy, adequacy, effectiveness and efficiency of the internal audit function;

e) Asking the internal audit function to carry out assessments on specific operational areas, notifying the Chairman of the Board of Statutory Auditors at the same time;

f) Reporting to the Board of Directors, at least once every six months, when the Annual and Half-yearly Financial Reports are approved, on the activities carried out and on the adequacy of the internal control and risk management system;

g) Supporting, through adequate investigation activities, the assessments and decisions of the Board of Directors relating to the management of risks deriving from prejudicial facts of which the Board of Directors has become aware.

Committee meetings are attended by the entire Board of Statutory Auditors, its Chairperson or an Auditor delegated by the Chairperson of the Board of Statutory Auditors. In view of the topics discussed from time to time, the Chairperson of the Audit and Risk Committee may invite to participate other parties, in addition to the CEO, such as the auditing company, the General Manager or the Chief Financial Officer, if any, and the Officer in Charge of Preparing the Company’s Accounting Documents, etc.

The meetings of the Audit and Risk Committee are held, usually, before meetings of the Board of

Directors scheduled for approval of quarterly reports, six-month report and the draft annual financial statements, and at least once every six months. The Chairman of the Audit and Risk Committee ensures that members are provided reasonably in advance of the meeting date, the documentation and information necessary to the work, except in cases of necessity and urgency. The work of the Committee is however summarized in written form.

During FY 2019, the Audit and Risk Committee met five times: 21 March 2019, 28 March 2019, 27 June 2019, 26 September 2019 and 17 December 2019; during FY 2020, to date, the Audit and Risk Committee met on 24 April 2020.

All meetings of the Committee were attended by all the members of the Audit and Risk Committee. All meetings of the Committee were attended by the entire Board of Statutory Auditors.

In agreement with the topics on the agenda, the meetings were attended by the Chief Internal Auditor, the Supervisory Body and the Officer in Charge of Preparing the Company's Accounting Documents, and the representatives of the auditing company or directors and consultants of the Company.

All meetings were regularly convened and recorded, and had an average duration of approximately 60 minutes.

5.4. Internal auditing relative to accounting and financial information

5.4.1. Introduction

The internal control and corporate reporting must be understood as a process that, by involving several company departments, provides reasonable assurance as to the reliability of financial information, the reliability of financial reporting and compliance with applicable regulations. The meaningful correlation with the risk management process, which consists of the process of identifying and analyzing those factors which may affect the achievement of business goals, is clear, and the main purpose is to determine how these risks can be managed and monitored properly and rendered as harmless as possible. A system of appropriate and effective risk management can indeed mitigate the adverse effects on business objectives, including the reliability, accuracy, reliability and timeliness of accounting and financial information.

5.4.2. Key characteristics of the current risk management and internal auditing systems in relation to the financial reporting process

A) Phases of the Risk Management and Internal Audit System in relation to the financial reporting process.

Identification of financial reporting risks

The risk identification activity is conducted primarily through the selection of relevant entities (companies) for the Group and, later, through the analysis of risks that are found along the business processes giving rise to financial reporting.

This activity includes: i) the definition of quantitative criteria in relation to income and asset contributions provided by individual companies in the last financial statements and the selection rules with minimum thresholds. The consideration of qualitative factors is not excluded; ii) identifying key processes, combined with material data and information, namely accounting items for which there is a not remote possibility of containing errors with a potential significant impact on financial information.

For each significant account, the most significant “statements” are identified, always according to evaluations based on risk analysis. The financial statements assertions are represented by the existence, completeness, after the event, from the assessment, from rights and obligations and the presentation and disclosure. The risks therefore relate to the possibility that one or more account statements are not properly represented, with a consequent impact on the information itself.

Assessment of financial reporting risks

The risk assessment is carried out both on an overall company level and at level of specific processes. The first area includes risks of fraud, improper operation of IT systems or other unintentional errors.

At process level, risks related to financial reporting (underestimation, overestimation of items, inaccuracy of information, etc.) should be analyzed at the level of the activities that make up the business processes.

Identification of controls against identified risks

As a preliminary activity, attention is paid to company-level controls connected to data/information and relevant statements, which are identified and assessed both by monitoring of the reflection at the process level and at a general level.

The company-level controls are designed to prevent, detect and mitigate any significant errors, although not operating at the process level.

Assessment of controls against identified risks

The assessment of the control system used is a function of several elements: timing and frequency; adequacy; operational compliance; organizational assessment. The overall control analysis overseeing each risk is defined autonomously as a summary of the assessment process of the adequacy and compliance correlating to said controls.

Said analyses summarize considerations on the effectiveness and efficiency of the individual risk monitoring controls and the overall assessment on risk management is split into assessments of existence, adequacy and compliance.

Information flows with the results of the activity performed submitted to administrative bodies by the Officer in Charge in support to accounting documents.

B) Roles and departments involved.

The Reporting Officer is substantially at the top of the system that oversees financial reporting and informs company management on the matter.

In order to carry out his/her tasks, the Reporting Officer has the power to set out the organizational guidelines for an appropriate structure as part of its function; the Officer also is equipped with the means and tools to carry out its activities; and has the ability to collaborate with other organizational units.

A variety of corporate departments contribute with information of economic and financial nature. Therefore, the Reporting Officer sets up systematic and successful relationships with these departments.

The Reporting Officer is bound to promptly inform the Board of Auditors should critical issues emerge of an accounting, equity and financial nature.

The Consolidated Accounts Department serves as an intermediate layer and a link between the Reporting Officer and the Administrative Advisors within the Tiscali Group (the "**Administrative Advisors**"), arranging to collect, test, assemble, monitor the information received by the latter.

The Consolidated Accounts Department cooperates with the Reporting Officer with regard to the documentation of accounting processes and their related updating over time. The Administrative Advisors of the Group gather operational information, check it and guarantee the adequate flow of information concerning the transposition of pertaining external regulations from time to time.

A steady flow of information is provided among the three levels described above, through which the Reporters inform the Consolidated Financial Statements Department and the Reporting Officer, both on the methods in which management and control activity is carried out for the preparation process of accounting documents and financial information, and on any critical issues that emerged during the period and the remedial action implemented to overcome any problems.

The model used is believed to allow for providing sufficient guarantees for proper accounting and financial information.

5.5. Organization, management and control model as per Law Decree No. 231/2001

The company has adopted an organization, management and control model pursuant to Law Decree No. 231/2001, in order to guarantee, also at a formal level, conditions of fairness and transparency in the conduct of company activities (the “**Organizational Model**”), which consists of:

1) A general part, in which the aims and principles of the model are described and its essential components identified and regulated;

2) Special parts, containing the rules that company representatives and persons subject to their management and supervision are required to observe for the purposes of the correct application of the Organizational Model and that the Supervisory Board and other control functions have the tools to carry out monitoring, control and verification activities.

In compliance with the provisions of Article No. 6 of Law Decree No. 231/2001, the Company has appointed a Supervisory Body with the task of supervising the functioning and observance of the Organizational Model and ensuring that it is updated. In particular, on 20 July 2018, the Board of Directors, with the favorable opinion of the Appointments and Remuneration Committee, appointed the new Supervisory Body, composed of Maurizio Piras (Chairman), Maria Sardelli and Francesca Marino; the members of the Supervisory Body remained in office until June 2019.

The Supervisory Board was re-appointed by the Board of Directors on 27 June 2019 and, at the date of the Report, is composed as follows: Maurizio Piras (Chairman), Francesca Marino. The Supervisory Board will remain in office until the approval of the Financial Statements as at 31 December 2021.

On 12 November 2010, the Board of Directors adopted a Code of Ethics that expresses the principles of corporate ethics that must characterize the Company’s management and operating processes at all times. The Code of Ethics also contains a number of rules of conduct aimed at preventing the commission of offences as well as all conduct in contrast with the Company’s values.

The Model pursuant to Law Decree No. 231/2001 and the Code of Ethics are available on the Company’s website, in the “Documents/Organizational Model” section.

The Supervisory Body provides, among other things, for the following (i) promote and supervise the dissemination and knowledge of the Model and the implementation of the personnel training plan through training plans to the Recipients (as defined in the Organizational Model); (ii) report to the Board of Directors any violations of the Organizational Model and/or of the regulations in force of which it becomes aware in the performance of the above tasks; (iii) supervise the effectiveness, adequacy and compliance with the provisions of the Organizational Model by the Recipients.

The Supervisory Board exercises the following tasks: (i) supervision of the effectiveness of the model, which consists in verifying the consistency between the various management activities and the model established; (ii) review the adequacy of the model, with regard to its ability to prevent unlawful conduct; (iii) analysis of the maintenance over time of the requirements of the model and its suitability to pursue the purposes for which it is intended; (iv) update of the model, in the event that the analyses carried out make it necessary to make corrections and adjustments through the presentation of proposals for adaptation of the model to the company bodies/functions able to give them concrete implementation. According to the type and scope of the interventions, the proposals will be directed towards the Personnel and Organization, Administration, etc., departments, or, in certain cases of particular importance, towards the Board of Directors; (v) continuous monitoring, i.e., verification of the implementation and effective functionality of the proposed solutions.

The Supervisory Body shall report to the Board of Directors: (i) when necessary, on the formulation of proposals for any updates and adjustments to the Special Parts of the Model adopted, to be carried out by means of the amendments and additions that might be necessary; (ii) immediately, with regard to ascertained violations of the Model adopted, in cases where such violations may result in the Company being held liable, so that appropriate measures may be taken. In cases where it is necessary to take appropriate measures against Directors, the Supervisory Board is required to notify it to the Shareholders' Meeting; (iii) periodically, with regard to an information report, on at least a half-yearly basis, on the verification and control activities carried out and their outcome.

The Supervisory Board shall report to the Board of Statutory Auditors: (i) immediately, with regard to ascertained violations of the Model adopted, in cases where such violations may give rise to liability on the part of the Company, as the Board of Statutory Auditors must supervise the adequacy of the Company's administrative, organizational and accounting system and its proper functioning; (ii) periodically, by submitting the periodic information report referred to in the previous item.

5.6. Governance of the Transactions with Related Parties

On 28 April 2017, with a positive opinion of the independent directors, the Company's Board of Directors approved the new RPT Procedure, in accordance with Article No. 2391-*bis* of the Civil Code and of CONSOB Regulation No. 17221 dated 12 March 2010, available on the Company's website www.tiscali.com under the "Documents/Procedures" section, in the version updated on 27 April 2020, to which reference is made. The RPT Procedure governs transactions with related parties carried out by Tiscali and its subsidiaries or associated companies.

During FY 2019, and up to the date of this report, the Committee assessed on two occasions a related party transaction pursuant to the RPT Procedure, minor transactions concerning contracts of a commercial nature with Istella S.p.A., of which CEO Renato Soru is a partner.

5.7. Confidential information and market disclosure: Investor Relations

An Investor Relations department operates in the Company, which is entrusted with the task of establishing a dialogue with Shareholders and institutional investors.

The Investor Relations department, prepares, among other things, the text of press releases and, according to the kind of each press release, oversees, in consultation with the Legal and Corporate

Affairs department, the internal approval procedure. Furthermore, it deals with their publication, also through a network of external companies professionally specialized in such tasks.

Disclosure is ensured not only by press releases, but also through periodic meetings with institutional investors and the financial community, as well as by extensive documentation made available on the website www.tiscali.com.

The use of online communication, which mainly benefits non-institutional public, is considered as essential by the Company, as it makes possible a homogeneous distribution of information.

Tiscali undertakes to systematically oversee to the accuracy, completeness, continuity and updating of financial matters disclosed via the Company's website. One may also contact the company through a specific e-mail address (ir@tiscali.com).

Directors, Statutory Auditors and top management of Tiscali and its subsidiaries are obliged to maintain the confidentiality of documents and information acquired in carrying out their tasks. Any dealings between these parties and the press and other mass media, as well as with financial analysts and institutional investors, which involve confidential documents and information concerning Tiscali or the Group, must only occur through the Chief of Investor Relations, with the exception of interviews and statements made by the executive Directors.

Management and, in any case, all employees and collaborators are required to maintain the confidentiality of *price sensitive* documents and information acquired as a result of, and during the performance of their duties and cannot communicate them to others except for work-related reasons of function or position, unless such documents or information have already been published in the due forms. The aforementioned parties are prohibited from giving interviews to the press, or making any public statements, which contain information on relevant facts, classified as "confidential" pursuant to Article No. 7 of the EU Regulation No. 596 dated 16 April 2014 concerning market abuse ("**MAR**"), which have not been included in press releases or documents already disclosed to the public, or expressly authorized by the *Investor Relations* department.

In accordance to what is stated in Paragraph 2 of Article No. 114 of the TUF, the Company has established procedures for reporting by the various corporate department to the *Investor Relations* department of events deemed *price sensitive.*

Implementing Article No. 18 of the MAR concerning keeping a register of persons with access to classified information, the Company has established at the *Investor Relations* department a register of persons, who, because of their working or professional activity or because of their duties, have access to this type of information. In accordance with the aforementioned legislation, the register, managed with IT systems, contains: the identity of any person having access to classified information, the reason why such person has been included on the list, the date on which such person was recorded in the register, the date of update of the information relating to that person.

The Board of Directors, in its meeting held on 28 April 2017, approved the procedures for managing the register of persons with access to classified information and the company procedure for the public disclosure of classified information.

5.8. Diversity Policies

The Board of Directors, in its meeting dated 10 May 2018 and on the proposal of the Appointments and Remuneration Committee, adopted the Diversity Policy of the Board of Directors and the Board of Statutory Auditors (the "**Policy**") in relation to the composition the administrative and management bodies relating to aspects such as age, gender composition and training and professional development.

The aforementioned Policy describes the optimal characteristics of the composition of the Board of Directors and of the Board of Statutory Auditors so that they can exercise their duties in the most effective way, taking decisions that can concretely make use of the contribution of a plurality of qualified points of view, able to examine the issues under discussion from different perspectives.

The purpose of the Policy is, first of all, to orientate the candidacies formulated by the Shareholders during the renewal of the administrative and control bodies, ensuring on this occasion an adequate consideration of the benefits that can derive from a harmonious composition of the same, aligned to the various diversity criteria indicated above.

Of the indications contained in this Policy, the Appointments and Remuneration Committee also takes into account if it is called upon to propose candidates to the Board of Directors to the Board of Directors, taking into consideration any reports received from Shareholders, in certain predetermined cases.

Consolidated Financial Statements
of Tiscali S.p.A.
as at 31 December 2019

6. Consolidated Financial Statements and Explanatory Notes

1. Income Statement

Consolidated income Statement	Notes	2019 (#)	2018
(Thousands of Euros)			
Revenues	1	142.622	165.188
Other incomes	2	15.451	3.542
Purchase of materials and external services	3	99.260	114.210
Personnel cost	4	22.392	24.326
Other operating charges (incomes)	3	751	43
Write-downs of receivables from customers	5	10.103	9.622
Restructuring costs	6	1.997	6.668
Depreciations & amortizations	6-12-13-14-15	42.176	47.957
Operating result		**(18.605)**	**(34.097)**
Result from the investments evaluated at equity method		(359)	(429)
Financial Income	7	14.452	1.088
Financial Expenses	7	11.847	11.623
Income (loss) before tax		**(16.359)**	**(45.061)**
Taxation	8	109	224
Net result from operating activities (ongoing)		**(16.468)**	**(45.286)**
Result from held for sale and discontinued operations	9	0	128.484
Net result	10	**(16.468)**	**83.198**
To be attributed to:			
- Result pertaining the Parent Company		**(16.468)**	**83.198**
- Result pertaining Third Parties		-	-
Profit (loss) per share			
Profit per share from current and transferred activities:			**0**
- Base		(0,004)	**0,021**
- Diluted		(0,004)	**0,019**
Profit per share from current activities:			
- Base		(0,004)	**(0,011)**
- Diluted		(0,004)	**(0,010)**

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

The application of IFRS 16 also determined the recognition of rights of use for a net book value of EUR 17.2 million as at 31

December 2019, the recognition of the related financial debt of EUR 18.2 million and a reduction in trade payables of EUR 0.5 million.

2. Comprehensive Income Statement

Comprehensive Income Statement	Notes	2019 (#)	2018
(Thousands of Euros)			
Result for the period		**(16.468)**	**83.198**
Other elements for the comprehensive Income Statement:			
Other elements of the comprehensive income statement that later will be reclassified in the profit/(loss) for the fiscal year		0	0
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year		(157)	132
(Loss)/profit from revaluation on plans with defined benefits		(157)	132
Total of other elements for the comprehensive Income Statement:		**(157)**	**132**
Total result of the comprehensive Income Statement		**(16.625)**	**83.330**
To be attributed to:			
Shareholders of the Parent Company		**(16.625)**	**83.330**
Minority Shareholders		-	-
Total		**(16.625)**	**83.330**

3. Balance Sheet

Statement of Assets and Liabilities	31 December 2019 (#)	31 December 2018 (*)
(Thousands of Euros)		
Non-current assets		
Intangible assets	53.149	45.940
Leased contracts rights of use	20.484	
Customer acquisition costs	9.777	9.668
Property, plants and machinery	32.486	79.032
Investments evaluated at equity method	3.719	3.719
Other financial assets	908	26.142
	120.523	**164.501**
Current assets		
Trade receivables	15.222	34.927
Tax receivables	227	227
Other receivables and other current assets	33.607	127.465
Cash and cash equivalents	11.653	18.977
	60.709	**181.596**
Total assets	**181.232**	**346.097**
Capital and reserves		
Share Capital	46.355	43.065
Stock option reserve	96	(13)
Results from previous fiscal years and other reserves	(85.988)	(170.965)
Results for the fiscal year pertaining to the Group	(16.468)	83.198
Shareholders' equity_ Group	**(56.005)**	**(44.715)**
Shareholders' equity_ third parties	**0**	
Shareholders' equity_ third parties	**0**	
Total Shareholders' equity	**(56.005)**	**(44.715)**
Non-current liabilities		
Bank loans and other fin. Inst.	67.932	0
Obligation under finance leases	19.092	7.132
Other non-current liabilities	7.187	6.398
Employee severance indemnities	2.830	3.294
Provisions for liabilities and charges	4.257	8.083
	101.298	**24.907**
Current Liabilities		
Convertible bond	5.246	0
Banks overdrafts and loans	845	103.826
Obligation under finance leases	6.379	60.608
Trade payables	60.650	134.840
Tax payables	5.143	5.093
Other current liabilities	57.675	61.539
	135.939	**365.906**
Total Shareholders' equity and Liabilities	**181.232**	**346.097**

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

(*) For the sake of greater clarity, the Company has reclassified "Customer acquisition costs" in a specific item in the financial statements (for further details, please refer to Note 12, paragraph "Leasing rights"). As at 31 December 2018, this item was included under "Intangible Assets".

4. Cash Flow Statement

(Thousands of Euro)	Notes	2019	2018
OPERATING ACTIVITIES		**(16.468)**	**(45.286)**
Adjustments for:			
Amortization	12-13-14-15	42.176	47.957
Provision for write-downs accounts receivables from customers	5	10.103	9.622
Gain on disposal of non-current assets	2	(527)	(2.110)
Gain on Sa Illetta sale	2	(10.573)	0
Stock Option figurative cost	22	5	(13)
Income taxes	8	109	224
Changes in provision for risks	6	863	5.340
Payables/ receivables and other credits write-offs	28	(10.624)	(4.614)
Other changes	4-6	1.593	2.945
IFRS 16 implementation impact	3	(3.760)	0
Senior Loan and Bond ancillary charges	7	(321)	0
Fastweb Voucher utilization	3	16.946	0
Financial charges / income	7	(2.605)	10.535
Cash flows from operating activities before changes in working capital		***26.918***	***24.601***
Changes in receivables	18	9.294	1.931
Change in inventories	0	0	0
Changes in payables to suppliers	28	(76.784)	(19.316)
Change in payables to long-term suppliers	25	(1.608)	(8.327)
Net change in provisions for risks and charges	27	(3.470)	(425)
Net change in provisions for TFR	26	(640)	(268)
Changes in other liabilities	30	(110)	403
Changes in other assets	20	92.520	680
Changes in working capital		**19.203**	**(25.322)**
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		**46.121**	**(721)**
INVESTMENT ACTIVITY			
Change in other financial assets	17	(374)	(280)
Cash and cash equivalents deriving from business combinations	0	0	0
Acquisitions of Fixed Tangible Assets	15	(12.168)	(3.625)
Acquisitions of Customers acquisition costs	14	(8.173)	(7.342)
Acquisitions of Intangible assets	12	(23.055)	(7.193)
o/w due to voucher utilization (no cash effect)	12	10.820	493
Change in payables related to acquisitions of Assets	25	16.081	8.536
AVAILABILITY OF CASH AND CASH EQUIVALENTS FOR INVESTMENT ACTIVITIES		**(16.869)**	**(9.411)**
FINANCIAL ASSETS			
Changes in payables to banks	24	(29.011)	(10.919)
of which:			
Repayment of share capital and interest Senior debt		(20.483)	0
Increase/Decrease in current accounts overdrafts		(8.528)	(10.919)
Changes in bond	24	10.070	0
Repayment/acceptance of financial leasing	24	(17.575)	(5.641)
Exchange rate effect	7	(61)	(14)
OCI reserves	22	0	0
Changes in Net Equity	22	0	0
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		**(36.576)**	**(16.574)**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**(7.324)**	**(26.706)**
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE	9	0	44.218
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**18.977**	**1.465**
CASH AND CASH EQUIVALENTS AT YEAR-END		**11.653**	**18.977**

It should be noted that the changes in items relating to transactions with related parties have not been shown in the Cash Flow Statement as their amount is not significant.

5. Statement of Changes in Shareholders' Equity

(Thousands of Euros)	Capital	Legal reserve	Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority Interests	Total
Balance as of January 1, 2019	**43.065**	**1.253**		**(13)**	**(1.478)**	**(87.542)**	**(44.715)**	0	**(44.715)**
Reclass Legal reserve		676				(676)			
Stock option Reserve Restatement	**(2.010)**			2.010					
Bond conversion	**5.300**						**5.300**		**5.300**
Reclass Stock option Reserve to Other Reserve				(1.906)		1.906			
Reclass OCI Reserve to Other reserve					(29)	29			
Total result of the comprehensive Income Statement					(127)	(16.468)	**(16.595)**		**(16.595)**
Balance as of December 31th, 2019	**46.355**	**1.929**	**-**	**96**	**(1.635)**	**(102.750)**	**(56.005)**	0	**(56.005)**

(Thousands of Euros)	Capital	Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority ownership	Total
Balance as of January 1, 2018	**121.507**	**24**	**2.010**	**(1.610)**	**(249.963)**	**(128.031)**	0	**(128.031)**
Share Capital reduction	**(78.442)**	(24)	(2.010)		80.476	-		-
Other movements			(13)			**(13)**		**(13)**
Currency transl. difference								
Total result of the comprehensive Income Statement				132	83.198	**83.329**		**83.329**
Balance as of December 31th, 2018	**43.065**	**-**	**(13)**	**(1.478)**	**(86.289)**	**(44.715)**	0	**(44.715)**

6. Income Statement pursuant to CONSOB Resolution No. 15519 dated 27 July 2006

Consolidated income Statement	Notes	2019 (#)	of which related parties	2018	of which related parties
(Thousands of Euros)					
Revenues	*1*	142.622	248	165.188	97
Other incomes	*2*	15.451		3.542	
Purchase of materials and external services	*3*	99.260	900	114.210	1.681
Personnel cost	*4*	22.392	665	24.326	1.262
Other operating charges (incomes)	*3*	751		43	
Write-downs of receivables from customers	*5*	10.103		9.622	
Restructuring costs	*6*	1.997		6.668	
Depreciations & amortizations	*6-12-13-14-15*	42.176		47.957	
Operating result		**(18.605)**	**(1.316)**	**(34.097)**	**(2.846)**
Result from the investments evaluated at equity method		(359)		(429)	
Financial Income	*7*	14.452		1.088	
Financial Expenses	*7*	11.847	516	11.623	
Income (loss) before tax		**(16.359)**	**(1.832)**	**(45.061)**	**(2.846)**
Taxation	*8*	109		224	
Net result from operating activities (ongoing)		**(16.468)**	**(1.832)**	**(45.286)**	**(2.846)**
Result from held for sale and discontinued operations	*9*	0		128.484	
Net result	*10*	**(16.468)**	**(1.832)**	**83.198**	**(2.846)**
To be attributed to:					
- Result pertaining the Parent Company		**(16.468)**		**83.198**	
- Result pertaining Third Parties		-		-	
Profit (loss) per share					
Profit per share from current and transferred activities:				**0**	
- Base		(0,004)		**0,021**	
- Diluted		(0,004)		**0,019**	
Profit per share from current activities:					
- Base		(0,004)		**(0,011)**	
- Diluted		(0,004)		**(0,010)**	

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

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

7. Balance Sheet in accordance with CONSOB Resolution No. 15519 dated 27 July 2006

Statement of Assets and Liabilities	Notes	31 December 2019 (#)	of which related parties	31 December 2018 (*)	of which related parties
(Thousands of Euros)					
Non-current assets					
Intangible assets	*12*	53.149		45.940	
Leased contracts rights of use	*13*	20.484			
Customer acquisition costs	*14*	9.777		9.668	
Property, plants and machinery	*15*	32.486		79.032	
Investments evaluated at equity method	*16*	3.719		3.719	
Other financial assets	*17*	908		26.142	
		120.523		**164.501**	
Current assets					
Trade receivables	*18*	15.222	381	34.927	78
Tax receivables	*19*	227		227	
Other receivables and other current assets	*20*	33.607	61	127.465	72
Cash and cash equivalents	*21*	11.653		18.977	
		60.709	**442**	**181.596**	**150**
Total assets		**181.232**	**442**	**346.097**	**150**
Capital and reserves					
Share Capital		46.355		43.065	
Stock option reserve		96	5	(13)	(13)
Results from previous fiscal years and other reserves		(85.988)		(170.965)	
Results for the fiscal year pertaining to the Group		(16.468)		83.198	
Shareholders' equity_ Group	*22*	**(56.005)**	**5**	**(44.715)**	**(13)**
Shareholders' equity_ third parties		**0**			
Shareholders' equity_ third parties	*23*	**0**			
Total Shareholders' equity		**(56.005)**		**(44.715)**	
Non-current liabilities					
Bank loans and other fin. Inst.	*24*	67.932		0	
Obligation under finance leases	*24*	19.092		7.132	
Other non-current liabilities	*25*	7.187		6.398	
Employee severance indemnities	*26*	2.830		3.294	
Provisions for liabilities and charges	*27*	4.257		8.083	
		101.298		**24.907**	
Current Liabilities					
Convertible bond	*24*	5.246		0	
Banks overdrafts and loans	*24*	845		103.826	
Obligation under finance leases	*24*	6.379		60.608	
Trade payables	*28*	60.650	363	134.840	97
Tax payables	*29*	5.143		5.093	
Other current liabilities	*30*	57.675		61.539	713
		135.939	**363**	**365.906**	**810**
Total Shareholders' equity and Liabilities		**181.232**	**(74)**	**346.097**	**646**

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

(#) (*) For the sake of greater clarity, the Company has reclassified "Customer acquisition costs" in a specific item in the financial statements (for further details please refer to Note 12, paragraph "Leasing rights"). As at 31 December 2018, this item was included in the item "Intangible assets".

8. Explanatory Notes

Tiscali S.p.A. (hereinafter referred to as "Tiscali" or the "Company", and jointly with its subsidiaries the

“Tiscali Group”), is a limited company incorporated in Italy and registered at the Registry Office of Companies of Cagliari, with registered office in Cagliari, Sa Illetta.

Through a network based on IP technology, Tiscali offers its customers, individuals and companies, a wide range of communication services: Internet access in Fixed Broadband and Broadband Fixed Wireless mode, mobile services (voice and data) and value-added digital services, B2B services, media activities through the Tiscali.it portal. The data offer also includes voice services (VOIP — for the meaning of the acronyms used in this Report, please refer to the Glossary). Tiscali continued to market Fixed Wireless Broadband services in continuity with previous years (through its subsidiary Aria Srl) following the Wholesale Agreement signed with Fastweb following the sale of the LTE business unit to Fastweb in November 2018.

In particular, the development is focused on access in FTTH technology.

These consolidated financial statements (hereinafter referred to as the “Financial Statements”) have been prepared using the Euro (EUR) as the accounting currency, as this is the currency used to conduct most of the Group’s operations; all values are rounded off to thousands of Euro (EUR 000), unless otherwise stated. Foreign activities are included in the consolidated financial statements in accordance with the principles described in the following Notes.

In preparing these financial statements, management has made the existence of the going concern assumption, therefore has drafted the financial statements using the principles and criteria applicable to companies in operation

9. Assessment of the business as a going concern and business outlook

Asset-financial and economic situation of the period

The Tiscali Group closed 2019 with a loss of EUR 16.5 million as compared to a profit of EUR 83.2 million in 2018. The result for 2018 was primarily attributable to the net gain on the sale of the licence of 40 Mhz in the 3.5 Ghz band and the Fixed Wireless Access (FWA) business branch to Fastweb of EUR 128.5 million, net of which the net result for 2018 would have been a loss of EUR 45.3 million.

The 2019 net income was significantly impacted by non-recurring factors (detailed and described in the paragraph *Non-recurring Transactions*) amounting to EUR 24.5 million, mainly relating to:

- The income from the sale of the Sa Illetta Property, in accordance with the Sa Illetta Leasing Agreement entered into with the Pool Leasing on 28 March 2019, for a total of EUR 11.1 million.
- The income, recorded following the signing of the Restructuring Agreements, given by the difference between the amortized value of the Senior Loan recorded in the financial

statements and the new book value of the new Senior Loan calculated on the basis of the Restructuring Agreements signed;

- Other net non-recurring income and charges totalling EUR 0.5 million.

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

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

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

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

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

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

The New 2020-2022 Business Plan

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

The contents of this Plan, briefly, include:

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

- The diversification in the business area of the portal.

Uncertainties connected to the COVID-19 pandemic

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

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

d) A reduction in March and April in the number of new contracts for Mobile as compared to budget forecasts (-12%). A recovery is expected with the end of the emergency;

e) Operating costs due to the use of more voice traffic have increased and an impact on 2020 is estimated equal to higher costs of approximately EUR 200 thousand, as well as additional investments of approximately EUR 60 thousand. The increased bandwidth usage has also been substantially absorbed by the network infrastructure with adjustments already budgeted for;

f) A delay in receipts which showed, with the same turnover, a reduction in March of about 10% (about EUR 1.6 million). This reduction, which is not due to the worsening of customers' solvency, but to the movement difficulties that have limited movements, is substantially attributable solely to non-automatic collections and is expected to be recovered during the year given the strategic nature of the service offered to customers.

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

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

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

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

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

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

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

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

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

     - operational implementation of the Fastweb Agreement, which has allowed the expansion of the addressable market of the Company thanks to the possibility to continue to market LTE services in the "Digital Divide Areas" extended under the terms of the Agreement, on a wider market thanks to the commitment signed by Fastweb to complete the migration from Wi Max technology to LTE technology at its own expense, and the possibility for Tiscali to access Fastweb's Fibre Network;

     - In July 2019, new agreements were signed with other operators (Open Fiber and Linkem) allowing Tiscali to use the FWA and Fibre network of these operators.

     - The above agreements now enable Tiscali to reach 10.9 million households and businesses with FWA technology (4.9 million households with speeds of up to 100Mb thanks to Fastweb's network and around 16 million households with speeds of up to 30Mb thanks to Linkem coverage). With regard to the Fibre market, Tiscali has been able to provide fibre services to around 20 million households and businesses since the end of 2019 (13.5 million in multi-mode fibre technology and 6.5 million in FTTH technology).

   - Concluded, in December 2019, an agreement with TIM that allows it to offer its Mobile customers 4G technology with speeds of up to 150 Mbps, differentiating itself from low cost mobile operators offering a 4G "Basic" technology with speeds of up to 30 Mbps, with an offer available in 7565 Italian municipalities (98.2% of national coverage);

   - Began the relaunch of the Tiscali brand, launching an institutional advertising campaign in March 2019, and a subsequent campaign in September 2019 — following the rebranding and launch of the new logo undertaken following the change in governance during the year;

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

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

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

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

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

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

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

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

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

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

10. Business Outlook

Please refer to paragraph 4.8.

11. Other events after the FY end

30 January 2020 — Extension of maturity of the Tiscali Conv 2019 -2020 bond loan

On 30 January 2020, the Board of Directors and the Bondholders' Meeting, the latter meeting held in full, resolved to change the maturity of the Tiscali Conv 2019 - 2020 convertible bond issue, extending it from 31 January 2019 to 30 June 2020.

Merger by incorporation of Aria s.r.l. and Veesible S.r.l. into Tiscali Italia Spa

It should be noted that on 31 January 2020 the subsidiaries Veesible s.r.l. and Aria S.r.l. were merged by incorporation into Tiscali Italia Spa.

February 2020 — COVID-19 pandemic

Since February 2020, the Italian national scenario has been characterized by the COVID-19 pandemic emergency and the consequent restrictive measures for its containment put in place by the Italian government authorities.

As at February 23, 2020, a series of Law Decrees were issued on "Urgent measures for the containment and management of the COVID-19 epidemic emergency". These measures resulted in the suspension of non-essential production and commercial activities and important restrictions on the movement of natural persons. On 11 March 2020, the World Health Organization (WHO) declared the existence of a worldwide pandemic as a result of the increasing number of cases of contagion not only in Italy but also in other countries.

These circumstances, extraordinary in nature and extent, have direct and indirect repercussions on the country's economic activity and have created a context of general uncertainty, the evolution and effects of which cannot be predicted.

These factors are to be considered non-adjusting events within the meaning of IAS 10, paragraph 21 (OIC 29, paragraph 59), and therefore do not involve adjustments to the balances in the financial statements as at 31 December 2019.

In fact, although the phenomenon occurred in China close to the balance sheet date, the WHO declared the pandemic as an "international emergency phenomenon" only in March 2020, and the restrictive and containment measures in Europe were adopted by individual countries from

February/March 2020. This event is to be considered a non-adjusting event within the meaning of IAS 10 Paragraph 21, and therefore does not involve adjustments to the balances in the Financial Statements as at 31 December 2019.
The potential effects of this phenomenon on the financial statements cannot be precisely determined to date and will be constantly monitored by the directors during the current year.
Reference should be made to paragraph 6.1 “Assessment of the business as an ongoing concern and business outlook” for further considerations on this issue.

12. Accounting Standards

The 2019 Consolidated Financial Statements have been prepared according to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and harmonized by the European Union, as well as to the provisions implementing Article No. 9 of the Law Decree No. 38/2005. The IFRS include also all the International Accounting Standards (“IAS”) and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) previously known as Standing Interpretations Committee (“SIC”).

The preparation of the Financial Statements requires Directors to make a few estimates and, in specific cases, to adopt assumptions in applying the accounting principles. The areas of the financial statements which, in such circumstances, presuppose the adoption of application assumptions, and those most characterized by the making of estimates are described in the following note *Critical decisions taken in the application of accounting standards and in the use of estimates*.

The annual financial statements, as required by the relevant legislation, have been prepared on a consolidated basis and are subject to audit by Deloitte & Touches Spa.

In compliance with the Law Decree No. 254 dated 30 December 2016, Tiscali Spa, as the “parent company”, has prepared a consolidated non-financial statement as a separate report with respect to the consolidated financial statement, called “Sustainability Report”, which contains the information required by the same Decree.

The Company, on 27 April 2020, also approved the consolidated non-financial statement (2019 Sustainability Report), which will be subjected to a limited examination by the auditing company Deloitte & Touche Spa.

The publication of the Sustainability Report is disclosed by means of a press release containing the indication of the section of the Tiscali S.p.A. website where the non-financial consolidated statement is published.

<u>Financial Statements Formats</u>

The preparation of the consolidated financial statements as at 31 December 2019, in compliance with

IAS 1 – “Presentation of Financial Statements” calls for:

- A statement of the assets/liabilities and financial status: the IFRS call for assets and liabilities to be classified as current and non-current or, alternatively, according to the order of their liquidity. The Group has chosen the current and non-current classification criteria and with the evidence, in two separate items, of “Assets disposed and/or held for sale” and “Liabilities Transferred and/or to be Transferred”.
- Comprehensive income statement: the IFRS call for such statement to include all the financial transactions pertaining to the fiscal year, independently of the fact that they have been included in the income statement or net assets and a classification of the entries based on the type or destination of the same, in addition to separating the financial entries of ongoing assets from those of the net result from “Assets disposed and/or held for sale”. The Group decided to use two statements:
    - *Income statement,* which includes only the revenues and costs classified by type;
    - *Comprehensive income statement,* which includes charges and incomes directly entered in the Net equity at net of fiscal effects.
- Cash Flow Statement: as allowed by the reference principles, the Cash Flow Statement has been prepared and presented according to the indirect method.
- In reference to the CONSOB resolution No. 15519 dated 27 July 2006, regarding the financial statements schemes, it is to be noted that specific sections have been added to show the significant relations with related parties as well specific notes to highlight, where applicable, significant non-recurring transactions performed during the normal course of the business activity.

All values shown in the accounting statements and explanatory notes, unless otherwise indicated, are expressed in thousands of Euros (EUR 000).

Segment Information

With its Directive (EC) No. 1358/2007 dated November 21, 2007, the Commission of European Communities ordered the introduction, in lieu of the IAS 14 “Segment Information", of the IFRS 8 “Operating Segments”, which has as its scope to information to be provided in the financial statements related to the operating segments where those who prepare the financial statements is active.

Operating segment means the component of an entity:

- That carries out entrepreneurial activities that generate revenues and costs (including revenues and costs regarding transactions with other components of the same entity);

- Whose operating results are periodically reviewed at the top management level in order to adopt decisions regarding the resources to be allocated to the segment and to assess the results;
- For which separate financial statements information is available.

Differently from what is established by IAS 14, such principle requires essentially to identify and represent the results of the operating segments according to the *"Management Approach"*, that is through methods used by the management in the internal report activities to assess performance and allocate resources to the segments.

The Company applies the management approach regarding the definition of the segment information according to a method consistent with the operating segments in which the Group's activity is subdivided.

The operating segments are as follows:

- Access (connectivity BTC and BTB);
- Media & Advertising;
- Corporate.

Assets Held for sale and Discontinued Operations

Assets Held for sale and discontinued operations, as required by the IFRS 5 are classified in a specific entry of the balance sheet and they are assessed at the lowest value of their previous book value and market value, at net of sale cost up to the transfer of the assets.

The assets fall within such entries when it is expected that their book value will be recovered through a transfer transaction rather than through carrying out of the normal activity of the company. This condition occurs only when the sale is highly likely, the asset is available for immediate sale in its "as is" status and the Board of Directors of the Parent company has committed to the sale, which is expected to occur within twelve months from the classification of such entry.

After the sale, the residual values are reclassified at the various posts in the balance sheet.

Revenues and costs related to the assets held for sale and/or discontinued operations are posted under the entry "Results from assets transferred/to be transferred" ("discontinued operations"), whenever the following conditions established by IFRS 5 for such assets occur:

a) They represent an important independent branch of operation or geographical areas of operation;

b) They are part of a single coordinated program of discontinuation of an important independent branch of operation or geographical area of operation;

c) The asset is the subsidiary originally acquired exclusively for its sale.

The following components are shown in a single item and net of the relative tax effects in the income statement under the heading “Assets disposed and/or held for sale”:

- The result for the period realized by the subsidiaries held for sale, including the possible adjustment of their net assets to the market value (fair value);
- The result inherent to the assets ‘sold’, including the result of the period realized by the subsidiaries up to the date of transfer of control to third parties, together with the profits and/or losses deriving from the transfer.

The analysis of the composition of the comprehensive income deriving from the activities under examination is reported in the explanatory notes.

The equity and economic effects of the disposals are shown in the note *Assets sold and/to held for sale.*

Please refer to Note 9 for further information on the Assets disposed and/or held for sale.

Seasonality of Revenues

Tiscali is not significantly affected by seasonality of the business.

Consolidation Criteria

The consolidation area includes the Parent Company Tiscali S.p.A. and the companies that it controls, those companies on which it holds the power, directly or indirectly, to establish financial and operating policies or those companies for which it is financially exposed and has a right over the variable results deriving from its involvement in such entities that it influences thanks to the power it can exercise over them. In the specific circumstances related to Tiscali, control coincides with the majority of the voting rights that it can exercise on occasion of the ordinary Shareholders’ Meeting of the companies part of the consolidation area.

The subsidiary companies are consolidated from the date in which control has been effectively transferred to the Group and they are no longer consolidated on the date when control is transferred outside the Group.

In preparing the consolidated financial statements the assets, liabilities, costs and revenues of the consolidated companies are entered line by line in their comprehensive amount, attributing to Third Party Shareholders the specific entries in the balance sheet and income statement for the shares of Net Equity and the result of the fiscal year due to them. The accounting value of the shareholding for each controlled company is eliminated with the corresponding net equity shares of each subsidiary company including any adjustments to the fair value on the acquisition date; the resulting positive difference is posted as goodwill among intangible assets as detailed below, while any negative difference, whenever resulting after an appropriate remeasuring of the adjustments to the fair at the acquisition date (“negative goodwill”) is posted in the income statement.

All significant transactions that occurred between companies of the Group, as well as the related balances, are erased at the time of consolidation, just like profits and losses not realized on infra-group transactions.

The net equity shares and the result of the fiscal year pertaining to the minority shareholders are identified separately respect to the net equity and the result of the fiscal year of the Group, on the basis of the percentage held by them in the net assets of the Group.

If the losses attributable to Third Party Shareholders in a consolidated subsidiary are greater than the Net Equity pertaining to the Third Party Shareholders of the subsidiary, the surplus and an additional loss attributable to the Third Party Shareholders are posted in the Net Equity pertaining to the Third Party Shareholders of the Parent Company unless the Third Party Shareholders are subjected to a binding obligation and can make an additional investment to cover the losses.

If the subsidiary later posts profits, the profits attributable to Third Party Shareholders are attributed to the Net Equity pertaining to the Shareholders of the Parent Company until the share losses of the Third Party Shareholders, previously covered by the Parent Company shareholders, is recovered.

Shareholdings in related companies as well as in those with join control are posted in the consolidated financial statements among the non-current assets and assessed according to the method of net equity, as established, respectively by IAS 28 (*Shareholdings in related companies*) and IFRS 11 (*Agreements under Joined Control*).

The related companies are those in which the Group can exercise considerable influence but neither control nor joint control through participation to the decision on the financial and operating policies of the subsidiary company. According to the net equity method, such shareholdings are initially calculated in the balance sheet at cost of acquisition, corrected by adjustments subsequent to the acquisition of the net equity of the related companies, at net of any losses of value of each shareholding. Any surplus from the acquisition cost respect to the percentage belonging to the Group of the fair value of the related company’s assets, liabilities and potential liabilities identifiable on the date of acquisition is recognized as goodwill. Such goodwill is included in the value of the investment and it is subjected to an impairment test. The lower value of the cost of acquisition respect to the percentage belonging to the Group of the fair value of the related company's assets, liabilities and potential liabilities identifiable on the date of acquisition is posted in the income statement for the fiscal year of the acquisition. The consolidated financial statements include also the shares belonging to the Group in the results of the related companies as well as those with joint control effective from the date in which the significance influence begins until the moment in which such significant influence ends. Whenever the shares pertaining to the Group in the losses of the related company exceeds the book value of the shareholding in the financial statements, the value of the shareholding is brought to zero and the shares of the additional losses are calculated only if the Group is obligated to do so.

Non-realized profits and losses deriving from transactions with related companies or join control companies are taken out based on the value of the shareholding of the Group in such companies.

Unconsolidated investments in other unlisted companies that do not represent a Joint Venture or an associated investment, for which the fair value cannot be reliably determined, are valued at cost adjusted for impairment losses

Variations in the Consolidation Area

The consolidation area of the Group includes the Tiscali S.p.A. (Parent company) Financial Statements and those of the companies on which the same exercises control, directly or indirectly, starting from the date in which control was acquired and up the date in which such control ends. The fully consolidated companies are reported below and on the note "List of Controlled Companies included in the consolidation area".

There were no variations in terms of consolidation of the Group during FY 2019.

As at 31 December 2019, the consolidation area follows:

Name	Registered office	Shareholding owned by	Values as of December 31, 2019 (EUR/000)			Percentage of direct shareholding	Percentage of Group shareholding (**)
			Share Capital	Net Equity	Net Result		
Tiscali S.p.A.	Italy	Parent Company	45.990	(2.507)	(2.507)	n.a.	n.a.
Tiscali Italia S.p.A.	Italy	Tiscali S.p.A.	18.794	18.179	(16.279)	100,0%	100,0%
Veesible S.r.l.	Italy	Tiscali Italia S.p.A.	600	692	91	100,0%	100,0%
Aria Group (#)	Italy	Tiscali S.p.A.	15.583	103.983	2.055	100,0%	100,0%
World Online International Nv (*)	Netherlands	Tiscali S.p.A.	115.519			99,5%	99,5%
Tiscali International Bv (*)	Netherlands	World Online International NV	115.469	(1.782)	(594)	100,0%	99,5%
Tiscali International Network B.V. (*)	Netherlands	Tiscali International BV	18	18.003	530	100,0%	99,5%
Tiscali Financial Services SA (*)	LUX	Tiscali International BV	31	(423.899)	(4.131)	100,0%	99,5%

(*) Data disclosed by the companies through reporting packages for consolidated purposes as at 31 December 2019

(**) Group's participation percentage

(#) Data from the consolidated reporting package of the Aria Group, drafted for the consolidated financial statements as at 31 December 2019

It should also be noted that the subsidiary Janna S.c.p.a., in which the company holds 17% and exercises significant influence, has been consolidated using the equity method.

Other intangible assets

Computer software - Costi di sviluppo

Computer software – Development costs

Software licenses purchased are capitalized and recorded as intangible assets at the cost incurred for the acquisition and amortized on a straight-line basis over the estimated useful life.

Internally generated intangible assets arising from costs incurred for the development of applications software under Group control and directly associated with the production of services, in particular regarding the "technology platforms" for access and management of the Tiscali network, are recognized in assets if:

- the following general conditions indicated by IAS 38 for the capitalization of intangible assets are met: (a) the asset is identifiable; (B) it is probable that the asset will generate future economic benefits; (C) the development cost of the asset can be measured reliably;
- the Group can demonstrate the technical feasibility of completing the intangible asset so that it is available for use or sale, its intention to complete the asset and use or sell, how the asset will generate probable future economic benefits, the availability of technical, financial or other resources to complete the development and its ability to measure reliably the expenditure during its development.

During the development period, the asset is reviewed annually in order to record any impairment losses. After their initial recognition, development costs are valued at cost, net of any amortization or accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use. The cost is amortized over the period in which it is expected that the related project will generate revenues for the Group.

The costs associated with the development and maintenance of software which do not meet the above-mentioned requirements and the costs of research, are fully expensed in the period they are incurred in.

Broadband Service activation costs

Acquisition costs and activation of customers are amortized over a period of 36 months.

Costs for obtaining new customers

The incremental costs incurred to obtain new customers are capitalized over a period of 36 months.

Periodically, management verifies that the application of a specific analysis criterion, i.e., the application of a useful life equal to the churn rate (longer than 36 months) by applying the derecognition of interrupted contracts generates different economic and equity results. The analysis updated to 2019 shows that the simplified approach followed by management presents results that are substantially consistent — and, in any case, slightly more prudent — than those obtainable from a specific analysis.

IRU

The IRU are classified as "concessions and similar rights" and consist of costs incurred for the acquisition of the registration rights of use of the fiber optic network, namely the 'transmission capacity' and related charges; they are amortized on a straight-line basis, in the shorter of the duration of the concession defined by contract and the estimated utilization of the right.

<u>Property, plants and equipments</u>

Property, plants, machinery and equipment are stated at acquisition or production cost, including related charges, net of accumulated depreciation and any accumulated impairment losses. These tangible assets do not include revaluations.

Depreciation is calculated on a straight-line basis on the cost of the assets net of the related residual values, if any, over their estimated useful lives. Land, including that pertaining to buildings, is not depreciated.

The depreciation rates are reviewed annually and revised if the current estimated useful life differs from that estimated previously. The effects of such changes are recognized in the income statement on an estimated basis.

The minimum and maximum rates of depreciation applied in FY 2019 are shown below:

Property	3%
Plants	12%-20%
Equipment	12%-25%

The ordinary maintenance costs are fully charged to the income statement in the period in which they are incurred, while maintenance expenses of an incremental nature are attributed to the assets to which they refer and depreciated over their residual useful life.

Profits arising from the assignment or take-out of assets are determined as the difference between the sales proceeds and the net carrying amount of the asset and are charged in the FY income statement.

Leased Assets

As from 1 January 2019, the Tiscali Group has applied IFRS 16 *Leases*, endorsed by Regulation No. 2017/1986 issued by the European Commission on 31 October 2017, which replaces IAS 17 and related interpretations. In particular, IFRS 16 eliminates the classification of leases as operating or financial for the purposes of preparing the financial statements of companies operating as lessees.

Accounting according to this principle provides for:

1. the recognition in the balance sheet of an asset representing the right of use and a financial liability representing the commitment to the leasing company, presented in separate items with respect to the other balance sheet components;
2. the recognition in the income statement in the income statement, under operating costs, of amortization, depreciation and any write-downs/depreciations of the asset for right of use and, in the financial section, the interest expense accrued on the financial liability;
3. the recognition among the cash flow of the financing activities of the payments made to the leasing companies and among the operating cash flow of the notional financial charges determined by applying the amortizing cost method to the financial liability.

The Group adopted this principle as from 1 January 2019, making use, as permitted by the same, of certain simplifications permitted by the provisions, listed below:

1. Use of a single discount rate to a leasing portfolio with reasonably similar characteristics
2. Contracts with a residual duration of less than 12 months were not considered;
3. Initial direct costs were excluded from the right of use assessment at the transition date;
4. Lease contracts for which the underlying asset is a low-value asset were excluded (i.e., the assets underlying the lease contract do not exceed EUR 5 thousand when new). The contracts for which the exemption has been applied fall mainly into the following categories: i) Computers, telephones and tablets; ii) Printers; iii) Other electronic devices; iv) Furniture and furnishings.
5. With reference to company cars, non-release components have not been separated;
6. Use of the information present at the transition date to determine the lease term, with particular reference to the exercise of extension and early closure options.

The Group has chosen to apply the standard retrospectively, recording the cumulative effect of the application of the standard in the Shareholders' Equity as at 1 January 2019 (not modifying the comparative data for 2018), in accordance with the provisions of paragraphs IFRS 16:C7-C13. In particular, the Group has accounted for lease contracts previously classified as operating:

a) A financial liability, equal to the present value of future payments remaining at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;

(b) A right of use equal to the value of the financial liability at the date of transition, net of any lease related prepayments and accrued income/expenses recognized in the balance sheet at the balance sheet date.

The effects as at 1 January 2019 of the application of IFRS 16 are reported below:

(EUR mln)	**Impact at the transition date (01.01.2019)**
ASSETS	
Non Current Assets	
Property Rights of use	18,6
Network Equipment Rights of use	1,9
Total Assets	**20,4**
NET EQUITY AND LIABILITIES	
Non Current Liabilities	
Obligations under finance lease_long term	16,2
Current Liabilities	
Obligations under finance lease_short term	4,2
Total Liabilities	**20,4**
Net Equity	

The transition to IFRS 16 introduces certain elements of professional judgement which involve the definition of certain accounting policies and the use of assumptions and estimates in relation to lease term, the incremental borrowing rate and, more generally, the interpretation of contracts and clauses contained therein for calculation purposes, also taking into account forecasts of future use of the assets. The main assumptions made are set out below:

- The Group has decided not to apply IFRS 16 for contracts containing a lease that have an intangible asset as the underlying asset;

- *Lease term*: the Group analyzed all of the lease contracts, defining for each of them the lease term, given by the "non-cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was deemed reasonably certain. Specifically, for property, this valuation took into account the facts and circumstances specific to each asset. With regard to the other categories of assets, mainly company cars and equipment, the Group has generally considered it not probable for any extension or early termination clauses to be exercised given of the Group's usual practice;

• Definition of the *incremental borrowing rate*: the incremental borrowing rate has been defined as the weighted average of the rates of the main loans outstanding of the Group, in relation to the weight of these loans on the total financial debt. It should be noted that the weighted average incremental borrowing rate applied to financial liabilities as at 1 January 2019 was 6.54%.

Reconciliation of lease commitments

In order to assist in understanding the impact of first-time adoption of the standard, the following table provides a reconciliation between future commitments relating to leases, which were disclosed in *Note 20* of the 2018 Annual Financial Report, and the impact of the adoption of IFRS 16 as at 1 January 2019.

Reconciliation of lease commitments:

	January 1st, 2019
Commitments for operating lease as at 31 December 2018	**1.988**
Minimum lease payments for financial lease as at 31 Dicember 2018	70.400
Installments for short term *lease* (exemption)	-55
Not discounted financial liabilities for leasing as at January 1st, 2019	**72.333**
Discounting Impact	-2.778
Financial liabilities for lease at at January 1st, 2019	**69.555**
Present value of financial leasing liabilities	**67.741**
Additional financial liabilities for leases due to the transition to IFRS 16 on January 1st, 2019	**1.814**

For the sake of completeness, it should be noted that, as previously indicated, following the rescheduling of the financial debt to the Pool Leasing, on 1 January 2019 the “Sa Illetta” finance lease contract was derecognized (EUR 40.5 million) and the right of use was recorded on the new lease contract for the same building (EUR 13.5 million).

Impairment losses of assets (*Impairment*)

Goodwill and Financial Statement sheet assets are tested (*impairment tests*) Annually or more frequently if there is indication of impairment. The carrying value of intangible assets with finite useful lives and property, plant and equipment is tested whenever there is an indication that the asset may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU (*Cash Generating Unit*), to which the asset 'belongs'. The recoverable amount is the greater amount between fair value net of sales costs and its value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the asset is reduced to its recoverable amount. The loss of relevant impairment is recognized in the income statement under write-downs. In the event that a write-down in previous years, no longer has reason to exist, the carrying value of the asset (or cash-generating unit) is increased to the new value resulting from the estimate of its recoverable amount, but not over the net book value that the asset would have had if no impairment had been recognized for the asset loss. The reversal is recognized in the income statement.

The Company has identified 3 operating segments subject to information, based on the requirements of IFRS 8. For the purposes of the impairment test, however, the "Corporate" operating segment is tested together with the "Access" operating segment, as it shares with it a significant amount of assets. It should also be noted that the Corporate financial sector has mainly intercompany cash flows.

Financial Instruments

Loans and Receivables

The receivables of the Group are stated in the items "Other Non-Current Financial Assets", "Trade Receivables", "Other Receivables and Other Current Assets" and "Other Current Financial Assets", and include guarantee deposits, trade receivables, loans to others generated as part of the core business.

They are valued, in case they have a fixed term, at amortized cost using the effective interest method. When financial assets have no fixed maturity, they are valued at acquisition cost. Receivables due beyond one year, bear interest or bear interest below market are discounted using market rates.

Assessments are frequently carried out to find objective evidence of impairment of a financial asset or group of assets. If any such evidence exists, the impairment loss should be recognized as an expense in the income statement in the period.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term deposits, in the latter case with a term of less than three months.

Debts and financial liabilities

The debts and financial liabilities of the Group are disclosed in the items “Bonds”, “Due to Banks and Other Lenders”, “Finance Lease Liabilities”, “Other Non-Current Liabilities”, “Payables to Suppliers”, and include trade payables, payables to others, the financial payables, including payables for loans received for advances on the sale of loans and finance leases.

Trade payables and other payables are stated at nominal value. Borrowings are initially recognized at cost, equal to the fair value of the consideration received, net of transaction costs. Subsequently, the loans are valued at amortized cost using the effective interest method, calculated considering the issue costs and any other premium or discount applicable to the regulation.

Financial derivatives

The Group does not use derivatives.

Liabilities due to pensions and employee severance indemnities

Employee benefits are the remuneration paid by the company in exchange for the work performed by the employee or by virtue of the termination of the employment relationship.

Benefits subsequent to the employment relationship are defined on the basis of programs which, even if not formalized, according to their characteristics are divided into “defined-contribution” and “defined-benefit” programs.

For defined-contribution plans, the company’s obligation, limited to the payment of contributions to the State or to a legally separate asset or entity (the so-called “Fund”), is determined on the basis of the contributions due.

The liability relating to defined-benefit plans is determined on the basis of actuarial assumptions and is recognized on an accrual basis consistent with the working period necessary to obtain the benefits.

For defined-benefit plans, the changes in the value of the net liability (so-called revaluations) deriving from actuarial gains (losses) resulting from changes in the actuarial assumptions used or adjustments based on past experience are recognized in the statement of comprehensive income, and from the return on assets serving the plan other than the component included in the net interest. The revaluations of the net liability for defined benefits, recorded in the shareholders’ equity reserve relating to the other components of the overall profit, are not subsequently reclassified to the income statement.

Provisions for liabilities and charges

Provisions for liabilities and charges relating to potential legal and tax liabilities, are made in respect of the predictions made by the Directors, on the basis of judgments developed by the Group legal and tax advisors, about the likely burden believed reasonable will be taken for the fulfillment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfill an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Recognition of income

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be measured reliably; revenues are stated net of discounts, allowances and returns.

Revenues from services rendered are recognized in the income statement using the percentage of completion of the service and only when the result of the service can be reliably estimated.

In particular, the income statement of revenues from Internet access services (narrowband and broadband) and voice services, takes place on the basis of actual traffic produced at the reference date and/or service periodic fee payable at that date.

Revenues related to the activation of broadband services (ADSL) are recognized in the income statement on a linear basis over a period of 24 months. Portions not attributable to the period are recorded under other current liabilities, as deferred income.

Barter revenues, if they relate to exchanges of services of a similar nature, are recorded at the net value of the exchange made. If the underlying services have dissimilar characteristics, the values of the services are recorded at fair value unless such fair value cannot be reliably estimated.

Financial income and charges

The interest income and charges, including interest on bond issues, is recognized using the effective interest rate.

Research costs and advertising expenses

Research costs and advertising expenses are charged directly to the income statement as incurred in the FY.

Taxes

Income taxes include all taxes calculated on the taxable income of the companies of the Group, considering the temporary and permanent changes established by applicable legislation, based on the best possible interpretation of corporate events.

Deferred tax liabilities are generally recognized for all taxable temporary differences related to Group companies and participations in associated companies.

Any deferred tax assets, arising from temporary differences and/or tax losses carried forward, are taken over to the extent that it is considered likely that there may be future taxable tax results that allow the use of these deductible temporary differences and/or tax losses.

Earnings per Share

Basic earnings per ordinary share is calculated by dividing the share of the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

For the purposes of diluted earnings per ordinary share, the weighted average number of shares outstanding is adjusted by assuming the subscription of all the potential shares deriving, for example, the conversion of bonds and exercise of rights on dilutive shares and potential dilutive effect of the allocation of shares to the beneficiaries of the Stock Option plans already accrued.

13. Major decisions in applying accounting policies and use of estimates

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2019

The following amendments have been applied for the first time by the Group starting from 1 January 2019:

- On 13 January 2016, the IASB published **IFRS 16 — *Leases*** replacing IAS 17 — *Leases* and the IFRIC Interpretations 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. Please refer to Note 7.12 *Preparation Principles — Leased Assets* for further information on this application.

- On 12 October 2017, the IASB published the **Amendment to IFRS 9 — *Prepayment Features with Negative Compensation***. This document specifies that a debt instrument that provides for an early redemption option could comply with the characteristics of the contractual cash flows ("SPPI" test) and, consequently, could be measured using the amortized cost method or the fair value through other comprehensive income even if the "reasonable additional compensation" envisaged in the event of early repayment is a "negative compensation" for the lender. The adoption of this amendment had not significant effect on the Consolidated Financial Statements of the Group.

- On 7 June 2017, the IASB published the interpretation ***Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)***. The document deals with the issue of uncertainties on the tax treatment to be adopted in the field of income taxes. In particular, the Interpretation requires an entity to analyze the uncertain tax treatments (individually or as a whole, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all information relevant. In the event that the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. Furthermore, the document does not contain any new disclosure obligations but underlines that the entity will have to establish whether it will be necessary to provide information on the considerations made by management and related to the uncertainty inherent in the accounting of taxes, in accordance with IAS 1.

  The new interpretation has been applied since 1 January 2019. The adoption of this amendment had no significant effect on the Consolidated Financial Statements of the Group.

- On 12 December 2017, the IASB published the document ***Annual Improvements to IFRSs 2015-2017 Cycle*** which incorporates the amendments to certain principles as part of the annual improvement process. The adoption of this amendment had no significant effect on the Consolidated Financial Statements of the Group.

- On 7 February 2018, the IASB published the document ***Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)***. The document clarifies how an entity must recognize a change (i.e., a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the liability or net asset arising from the plan. The amendments clarify that after the occurrence of this event, an entity uses updated hypotheses to measure the current service cost and the interests for the rest of the reference period following the event. The adoption of this amendment had no significant effect on the Consolidated Financial Statements of the Group.

- On 12 October 2017, the IASB published the document ***Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)***. This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures for which the equity method is not applied. The adoption of this amendment had no significant effect on the Consolidated Financial Statements of the Group.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IFRC AND IFRIC APPROVED BY THE EUROPEAN UNION, NOT YET APPLICABLE ON A COMPULSORY BASIS AND NOT EARLY ADOPTED BY THE GROUP AS AT 31 DECEMBER 2019

At the reference date of this Consolidated Financial Report as at 31 December 2019, the competent bodies of the European Union had not yet completed the endorsement process required for the adoption of the amendments and principles described below.

- On 29 March 2018, the IASB published an amendment to the ***References to the Conceptual Framework in IFRS Standards***. The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted.

  The Conceptual Framework defines the basic concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way so as to provide useful information to investors, lenders and other creditors.

  The Conceptual Framework supports companies in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders understand and interpret the Standards.
- On 26 September 2019, the IASB published the amendment entitled ***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***, which amends the IFRS 9 — *Financial Instruments* and IAS 39 — *Financial Instruments: Recognition and Measurement*, as well as IFRS 7 — *Financial Instruments: Disclosures*. Specifically, the amendment modifies some of the requirements for the application of hedge accounting, providing for temporary exceptions to the same, in order to mitigate the impact of the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information on their hedging relationships in their financial statements that are directly affected by the uncertainties generated by the reform and to which the above waivers apply.

  The amendments apply from 1 January 2020, but early application is permitted. Directors do not expect the adoption of this amendment to affect the Consolidated Financial Statements of the group.

- On 31 October 2018, the IASB published the document ***Definition of Material (Amendments to IAS 1 and IAS 8)***. The document introduced a change in the definition of "relevant" contained in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The purpose of this amendment is to make the definition of "relevant" more specific and to introduce the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that an information is "obscured" if it has been described in such a way as to produce an effect similar to the one that would have been produced if this information had been omitted or incorrect for primary readers of a financial statement. The amendments introduced by the document apply to all operations from 1 January 2020. The Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this amendment.

ACCOUNTING PRINCIPLES, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

- On 22 October 2018, the IASB published the document ***Definition of a Business (Amendments to IFRS 3)***. The document provides some clarifications regarding the definition of business for the purpose of a correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantial process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create an output" with "ability to contribute to the creation of an output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

  The amendment also introduced a test ("Concentration Test"), optional for the entity, to determine whether a set of activities/processes and assets purchased is not a business. If the test gives a positive result, the set of activities/processes and assets purchased does not constitute a business and the principle does not require further verification. If the test gives a negative outcome, the entity will have to carry out further analyses on the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added numerous illustrative examples to IFRS 3, in order to make the practical application of the new definition of business understandable in specific cases. The amendments apply to all business combinations and acquisitions of assets subsequent to 1 January 2020, but early application is permitted.

Given that this amendment will be applied to the new acquisition transactions that will be concluded starting from 1 January 2020, any effects will be recognized in the consolidated financial statements closed after that date.

USE OF ESTIMATES

The preparation of the Consolidated Financial Statements and the Explanatory Notes to the Financial Statements involved the use of estimates and assumptions to determine certain assets and liabilities and to measure contingent liabilities. Although the estimation process did not involve issues during 2019 different from in the past, the results that will result from the occurrence of expected and/or foreseeable events could differ from those assumed. The estimates and assumptions considered are therefore reviewed on an ongoing basis and the effects of any changes are recognized in the financial statements.

The use of estimates is particularly relevant for the following issues:

1. Estimates relating to financial statement items recorded in compliance with the new IFRS 16 standard, for which reference should be made to note 7.12 *Preparation criteria — Leased assets*;
2. Estimates relating to the assumptions underlying the valuations included in the impairment test, for which reference should be made to Note 11 *Impairment test;*
3. Estimates of provisions for risks and charges. Although as at 31 December 2019 the company was not involved in litigation of a significant amount, the estimate of possible impacts — based on the most recent information available — is based on a complex estimation process involving the internal legal department and its legal advisors;
4. Estimate relating to the recognition of revenues on the basis of IFRS 15. For the Group, the estimation process relates to the presence of certain contracts that could contain various performance obligations.

14. Explanatory Notes

Revenues (Note 1)

Revenues	2019	2018
(EUR 000)		
Revenues	142.622	165.188
Total	**142.622**	**165.188**

Revenues in 2019 decreased as compared to those in 2018. For further details on the decrease in revenues and their composition, please refer to the Management's Report.

The item in question includes other revenues on a portion of the "Sa Illetta" property held under finance lease by the Group for EUR 1.5 million.

There were no ordinary transactions during the period with a counter-party which alone accounted for more than 10% of the Group's revenues

Other Income (Note 2)

Other Income	2019	2018
(EUR 000)		
Other Income	15.451	3.542
Total	**15.451**	**3.542**

Other income includes, amounting to EUR 15.4 million, primarily:

- Income from the sale of the Sa Illetta property, in accordance with the Sa Illetta Leasing Transaction Agreement signed on 28 March 2019, for an amount of EUR 11.1 million;
- Income from transactions on debit positions with suppliers for an amount of EUR 2.7 million;
- Other income of EUR 1.6 million.

Purchase of materials and outsourced services and other operating cost (income) (Note 3)

Purchase of materials and outsourced services, payroll and other operating costs (income)	2019	2018 (*)
(EUR 000)		
Line/traffic rental and interconnection costs	63.659	71.220
Costs for use of third party assets	7.409	14.415
Portal services costs	751	2.039
Marketing costs	5.248	1.584
Other services	22.194	24.952
Other operating costs (income)	751	43
Totale	**100.011**	**114.253**

(*) Economic data for 2018 were restated as follows: following an internal audit of the cost accounting and cost allocation processes, aimed at making the economic and financial reporting system consistent with the Company's new business model, the following costs were reclassified as follows: (i) reclassification from "Other services" to "Costs for use of third-party assets" for EUR 9 million; (ii) reclassification from "Other services" to "Line rental/ traffic and interconnection costs" for EUR 0.5 million; (iii) reclassification from "Other services" to "Costs for portal services" for EUR 1.2 million; (iv) reclassification from "Other

services" to "Marketing costs" for EUR 1.6 million.

The item "Line rental costs/traffic and interconnection" mainly includes the costs of voice traffic and fees for Fixed Broadband, Broadband FWA and Mobile services. The reduction by EUR 7.6 as million compared to 2018 is mainly related to the reduction in traffic volumes and the average number of lines in 2019 as compared to 2018.

The item "Costs for use of third-party assets" includes the cost of leases and rentals of capital goods. The reduction as compared to 2018 amounts to EUR 7 million. As compared to 31 December 2018, this item does not include the lease payments for operating leases, which as from 1 January 2019 were recognized in accordance with IFRS 16, for an amount of EUR 3.7 million.

"Costs for portal services" decreased during the period by approximately EUR 1.3 million. The reduction is mainly related to the reduction in revenue sharing due to the reduced volumes of average revenues of the concessionaire Veesible.

"Marketing costs" increased by about EUR 3.7 million as compared to 2018. The net increase is due to the following factors:

- Communication costs higher by EUR 4.4 million as compared to 2018, attributable to the costs of the advertising campaign carried out in March and September 2019 to relaunch the brand, for a total cost of EUR 4.5 million, as compared to EUR 240 thousand of marketing costs recorded in 2018;
- Reduction in distribution costs by approximately EUR 0.5 million, mainly due to the reversal of costs in relation to a settlement agreement with a service provider signed in January 2019 for an amount of EUR 0.7 million;
- Reduction in advertising costs (banner exchange) attributable to reduced advertising turnover and other marketing costs for an amount of EUR 0.2 million.

The item "Other services" includes costs for the maintenance and operation of industrial sites, administrative offices, rents, consulting and professional fees, billing costs, postage, travel expenses, and other general costs.

The reduction by approximately EUR 2.7 million as compared to 2018 is mainly due to the following:

- Reduction in maintenance and utilities at industrial sites by approximately EUR 1.8 million, attributable to the reduced volumes of activity during the period;
- Reduction in professional charges by approximately EUR 0.6 million;
- Reduction in costs for compensation to the Board of Directors by approximately EUR 0.6 million;
- Increase in costs for fines and penalties to the Treasury and Public Administration by EUR 0.2 million;

- Reduction by EUR 0.3 million in costs for the purchase of goods for resale (hardware and software).

Staffing costs (Note 4)

Staffing cost	2019	2018
(EUR 000)		
Wages and salaries	14.582	15.090
Other staffing costs	7.809	9.236
Total	**22.392**	**24.326**

As anticipated in the Management Report, the decrease in personnel costs is mainly attributable to the actions aimed at the reorganization and reduction of the workforce undertaken in 2018 and in the first half of 2029 with the voluntary redundancy incentive scheme, with a reduction by 84 units as compared to 31 December 2018, as shown in the following table:

Number of Units

	31 December 2019	31 December 2018
Managers	13	17
Middle Managers	35	45
Employee	450	517
Workers	1	1
External	0	3
Totale	**499**	**583**

Write-down of receivables from Customers (Note 5)

Write-downs of receivables from customers	2019	2018
(EUR 000)		
Provisions for bad debts	10.103	9.622
Total	**10.103**	**9.622**

The item “Provisions for bad debts” amounts to EUR 10.1 million (7.1% of revenues), an increase as compared to EUR 9.6 million in FY 2018 (5.8% of revenues).

The allocation to the “Provisions for bad debts” is determined in order to adjust the provision shown in the financial statements, net of utilizations for the period, to the provision estimated on the basis of the various underlying credit statuses, i.e. — in particular for receivables from retail customers — taking into account the relative seniority of the unpaid amount and the method provided for by IFRS 9 (so-called expected credit losses model).

Restructuring Costs (Note 6), Depreciation and Amortization (please refer also to Notes 12, 13, 14, 15)

Restructuring costs	**2019**	**2018**
(EUR 000)		
Restructuring costs	1.997	6.668
Total	**1.997**	**6.668**

The item "Restructuring costs" includes the following:

- Provisions for risks and charges of EUR 1.6 million, broken down into provisions for legal disputes for EUR 1.1 million, charges for removal of Wi-max antennas for EUR 0.1 million, provisions for penalties relating to tax liabilities for EUR 0.2 million and other provisions for EUR 0.2 million;
- Assets write-off for EUR 0.4 million;

Depreciation	**2019**	**2018**
(EUR 000)		
Depreciation	42.176	47.957
Total	**42.176**	**47.957**

Depreciation and amortization amounted to EUR 42.2 million, a decrease by EUR 5.8 million as compared to EUR 48 million of the previous year, mainly due to the derecognition of the Sa Illetta asset following the signing of the Sa Illetta Leasing Transaction Agreement.

Amortization and depreciation as at 31 December 2019 include the increase by EUR 3.2 million attributable to the application of IFRS 16.

Net financial income (charges) (Note 7)

A breakdown of Net financial income (charges) for the FY is provided below, with a positive balance of EUR 2.6 million.

Net financial income (charges)	2019	2018
(Thousands of EUR)		
Financial income		
Interest on bank deposits	0	0
Income from Senior Loan restructuring	0	0
Other financial income	14.451	1.088
Total	**14.452**	**1.088**
Financial charges		
Interest and other charges due to banks	6.198	5.015
Other financial charges	5.649	6.608
Total	**11.847**	**11.623**
Net financial income (charges)	**2.605**	**(10.535)**

The item “Financial income" includes an income of EUR 12.8 million deriving from the recognition at amortized value of the new financial debt following the implementation of the Senior Debt Restructuring Agreements signed on 28 March 2019. The income derives from the derecognition of the previous debt recorded in the financial statements, compared to the new amortized value.

This item also includes an income of EUR 1.5 million due to the release of the discounting charges for the Fastweb Voucher, which were allocated in 2018, following the redetermination of the same voucher as at 31 December 2019, based on actual utilization at that date and the expected utilization until exhaustion. As the Voucher is expected to be fully utilized by 31 December 2019, the remaining Voucher credit has been recorded under assets at nominal value (EUR 24.7 million) and the discounting charges previously set aside have been reversed to the income statement.

The item “Financial Charges” amounts to about EUR 11.8 million, and mainly includes the following:

- Interest expense, relating to the loan to Senior Lenders of EUR 4,9 million (EUR 4.2 million in FY 2018);
- Interest expense on bank current accounts for EUR 0.3 million (EUR 0.8 million in FY 2018);
- Default interest payable for EUR 2.6 million (EUR 3.2 million in FY 2019);
- Interest expense on financial leases and IRU for approximately EUR 1.5 million, of which EUR 1 million following the application of IFRS16 on operative rentals (EUR 1.1 million in FY 2018);
- Bank charges for EUR 1.4 million (EUR 2.2 million in FY 2018).

Income Taxes (Note 8)

Income taxes	2019	2018
EUR 000		
Current taxes	109	224
Deferred taxes	0	0
Total	**109**	**224**

The balance of current taxes includes the IRAP cost due for the financial year.

With regard to the Group's tax losses carried forward, for which no deferred tax assets had been recognized as at 31 December 2019, it should be noted that as at 31 December 31 deferred tax assets amounted to EUR 341.8 million, which includes the tax losses carried forward that were generated on a continuing basis under the optional tax consolidation regime and transferred to the parent company. Previous tax losses of the subsidiaries Aria and Veesible, which arose after inclusion in the tax consolidation, are excluded, as these losses ceased to exist with the merger of both companies into Tiscali Italia, which took place on 31 January 2020.

Results from the operating assets disposed of and/or assets held for sale (Note 9)

Profit from operating assets disposed of and/or held for sale amounted to zero in the period, as compared to EUR 128.5 million in the previous FY, concerning the Fastweb Transaction.

Earning (Loss) per Share (Note 10)

The earnings per share of "operating assets" is negative and amounted to EUR 0.004 and was calculated by dividing the net loss for the FY 2019 attributable to the ordinary shareholders of the Parent company, amounting to EUR 16.5 million, by the weighted average number of ordinary shares in circulation during the year, totaling 4,508,697,203.00.

The diluted earnings per share of "operating assets" is negative and amounted to EUR 0.004 and was calculated by dividing the net loss for the period attributable to the ordinary shareholders of the Parent Company, equal to Euro 16.4 million, by the weighted average number of potential shares in circulation during the year, equal to 4,539,536,255.00.

The number of potential shares deriving from the potential exercise of the outstanding Stock Option plans (number of options equal to 30,839,052) was considered for the calculation of the weighted number of potential shares.

Assessment of possible reduction in the value of assets – "Impairment Test" (Note 11)

Following the significant transactions carried out in 2019 (extensively described in Notes 5.5 and 5.8), the Directors have drawn up a **New 2020-2022 Business Plan**, which was approved by the Board of Directors of the Company on 27 April 2020.

The New 2020-2022 Business Plan includes the effects of the Fastweb Transaction, the Financial Debt Restructuring Agreements, the agreements concluded with Open Fiber, Linkem and TIM, as well as the effects of the Company's new business strategies.

The Company, in compliance with the provisions included in IAS 36, has therefore verified the possible presence of impairment indicators as at 31 December 2019. The verification of any loss in value of the assets was carried out by comparing the value of registration of assets as at 31 December 2019, and their value in use, determined on the basis of the following fundamental elements.

(i) Definition of Cash Generating Units

The Group identified the Cash Generating Units with the segments set forth in segment disclosures. The impairment test on assets was performed on the Cash Generating Units identified. As indicated in the section dedicated to the accounting policies followed by the Group, the Company has identified three operating segments subject to disclosure based on the requirements of IFRS 8. For the purposes of impairment testing, however, the "Corporate" CGU is tested together with the "Access" CGU, as it shares a significant amount of assets with it. It should also be noted that the Corporate financial sector has mainly intercompany cash flows.

(ii) Criteria for estimating the recoverable amount

The value in use of the CGU (Cash Generating Unit) was determined on the basis on the cash flows for the years 2020 to 2022 resulting from the New 2020-2022 Business Plan of the Tiscali Group (as defined in the Note "Significant events after year-end, business outlook and assessment of the business as an ongoing concern") approved by the CEO of the Company, mandated by the Board of Directors, on 27 April 2020.

Therefore, the terminal value for the purposes of the impairment test was calculated using a 3-year time span and the normalized cash flow for FY 2022.

The main assumptions used to estimate the recoverable amount concern:

- 3-year explicit forecast period (01 January 2020 – 31 December 2022);
- EBITDA arising from market and business development assumptions;
- Investments to maintain the expected development of the business and pre-established level of profitability;
- Determination of the terminal value calculated as perpetuity based on the projection of the year 2022, properly normalized;
- WACC rate determined on the basis of market valuations of the cost of money and specific

risks related to the company's core business;

- Long-term growth (LTG) equal to 1.5%.

The WACC has been calculated as follows:

- Risk Free Rate. The market rate for a risk-free investment, the U.S. risk-free rate was considered adjusted taking into account the Italian inflation rate. It amounts to 2.0%;
- Country Risk Premium. The country risk premium was calculated taking into account the 10-year U.S. Swap default, as compared to the 10-year Italian Swap default risk. It represents the country's risk factor for Italy and amounts to 1.9%;
- Beta unlevered and Beta relevered.
    - The unlevered Beta rate was calculated as the average of the unlevered Beta rates of a group of companies similar to Tiscali (as regards size, sector and structure) and amounts to 0.54.
    - The unlevered Beta rate was adjusted taking into consideration the following two factors specifically related to the Tiscali Group:
        - Tiscali's debt/equity ratio, defined as ratio 1 (50% of debt – 50% of shareholders' equity);
        - Tiscali's tax structure.
        - Including the aforementioned factors, a beta relevered rate of 0.95% was defined.
- Market Risk Premium. The risk premium attributed by the market amounts to 5.5%;
- Size Premium. The Premium Size was calculated based on the "Duff and Phelps" table and represents the risk level of Tiscali as compared to the other companies included in the panel and amounts to 3%;
- Company Specific Risk Premium. The corporate risk premium was set at 2.5%.

Based on these parameters, the WACC used for the verifications is 9.58% (8.8% in FY 2018).

At the consolidated level, the test showed a positive difference between the recoverable value and the consolidated book value, therefore the Group believes that it is not necessary to write down any non-current assets of the balance sheet.

(iii) Sensitivity analysis of the impairment test results

In consideration of the current and expected scenario, and of the results of the impairment tests performed for the period ended on 31 December 2019, an analysis was carried out on the sensitivity of the recoverable value estimated using the discounted cash flow method. It is believed that the discount rate is a key parameter in estimating the recoverable value. The sensitivity analysis carried out by the Company shows that even a WAAC higher than 1% (10.58%) would not produce significant effects on the cover level.

Furthermore, a sensitivity analysis on the long-term growth rate was also carried out. These analyses revealed that a zero-growth rate (as compared to a 1.5% rate used by the Company) would not produce significant effects on the cover level.

(iv) Considerations concerning the presence of external impairment indicators.

Taking into account the current market situation, considerations have been made regarding the existence of external indicators of loss of value, with particular reference to what is expressed by the financial market. To this end, the market capitalization of the Tiscali Group does not reveal any elements that differ from the result of the impairment procedure. In particular, as previously indicated, the market capitalization amounted to about EUR 49.1 million as at 31 December 2019.

Intangible Assest (Note 12)

Intangible assets (EUR 000)	Computers, software and development costs	Concessions and similar rights	Broadband service activation costs	Other intangible assets	Intangible assets under development and advances	Total
HISTORICAL COST						
1 January 2019	4.661	138.835	94.400	32.561	1.976	272.432
Increases		8.763	11.462	2.261	569	23.055
Disposal	(20)	(8.036)	(9.467)	(294)		(17.818)
Reclassifications		725	138	15	(1.263)	(385)
31 December 2019	4.641	140.286	96.533	34.543	1.282	277.284
ACCUMULATED AMORTIZATION						
1 January 2019	4.661	108.344	86.189	27.298		226.492
Increases in amortization		7.407	6.864	1.189		15.460
Disposal	(20)	(8.036)	(9.467)	(294)		(17.818)
Reclassifications						
31 December 2019	4.641	107.715	83.587	28.193		224.135
NET BOOK VALUE						
1 January 2019	()	30.491	8.210	5.263	1.976	45.940
31 December 2019	()	32.571	12.946	6.350	1.282	53.149

In order to provide a better representation, EUR 385 thousand of Intangible assets have been reclassified among *Tangible Assets*.

The movements of intangible assets during FY 2019 follow:

The item *Development Costs* includes the development costs for personalized application software for the exclusive use of the Group. They have been fully amortized.

The balance of *Concessions and Similar Rights* equals to EUR 32.6 million, and mainly includes:

- EUR 9.5 million for licenses and software, including costs related to LTE base station design tools, remote activation and management of the equipment installed at the customer's premises, the costs related to the licenses for the use of the VOIP platform and software for managing customers (billing, customer care) and ERP systems;
- EUR 22 million for fees and costs associated with the purchase of transmission capacity on a multi-annual basis, in the form of concession contracts for transmission capacity (IRU – Indefeasible Right of Use), relating to IRU and accounted for by the Tiscali Italia subsidiary, whose main suppliers are Telecom Italia, Interoute, Fastweb, Infracom;
- EUR 1.1 million for software licences
- 1,1 milioni di Euro for patent and industrial property rights.

The increase in FY 2019, amounting to EUR 8.8 million, is attributable to software licenses for EUR 2.6 million, to costs incurred for the purchase of multi-annual rights for the use of the fiber optic network (IRU — *Indefeasible Right of Use*) for EUR 4.7 million and to patent purchase for EUR 0.1 million. Depreciation for the period, calculated according to the criteria highlighted in the annual financial report, amounted to EUR 7.4 million.

Moreover, this item also includes reclassifications for EUR0.7 million. These are reclassifications of intangible assets from *Intangible assets in progress and advances*, relating to investments that became amortized during the period.

The item *Broadband Service Activation Costs* amounts to EUR 12.9 million. The increase in FY 2019 of EUR 11.5 million relates to the acquisition costs and customer activation for the Fixed Broadband customers. Depreciation for the period, calculated according to the criteria highlighted in the annual financial report, amounted to EUR 7 million.

Other Intangible Fixed Assets amount to EUR 6.3 million. The increase in FY 2019 amounts to EUR 2.3 million. Depreciation for the period, calculated according to the criteria highlighted in the annual financial report, amounted to EUR 0.5 million.

Intangible Assets in progress and Advances amount to EUR 1.2 million.

In FY 2019, the amount of EUR 385 thousand of assets was reclassified from the item *Intangible assets in progress and advances* to *Plant and machinery*, in relation to investments depreciated during the period.

Leased Contracts Rights of Use (Note 13)

Leased contracts rights of use (EUR 000)	Property rights of use	Network equipment rights of use	Total
HISTORICAL COST			
1 January 2019_ pubblished			
Reclass opening value Network equipment in leasing to Leased equipment rights of use		131.446	**131.446**
1 January 2019_ reclassed		**131.446**	**131.446**
Increases	18.566	1.856	**20.422**
Disposal		(610)	**(610)**
Reclassifications		121	**121**
31 December 2019	**18.566**	**132.813**	**151.379**
ACCUMULATED AMORTIZATION			
1 January 2019_ pubblished			
Reclass opening value Network equipment in leasing to Leased equipment rights of use		126.326	**126.326**
1 January 2019_ reclassed		**126.326**	**126.326**
Increases	2.045	3.134	**5.179**
Disposal		(610)	**(610)**
Reclassifications			
31 December 2019	**2.045**	***128.850***	**130.895**
NET BOOK VALUE			
1 January 2019_ pubblished		**5.120**	**5.120**
31 December 2019	**16.521**	**3.963**	**20.484**

In compliance with IFRS16, as thoroughly described in the *Accounting Principles* section, the Company has capitalized operating lease contracts as from 1 January 2019.

In particular, the following categories of assets have been identified:

Property Rights of Use: includes the capitalization of operating lease contracts relating to industrial properties (including the Sa Illetta headquarters);

Network Equipment Rights of Use: includes the capitalization of operating lease contracts for network infrastructure and equipment.

The depreciation of these categories of assets is determined in relation to the duration of the lease contracts.

The item *Property Rights of Use* includes the capitalization of the lease agreement for the Sa Illetta headquarters, which expired on 28 March 2019. The contract, which has a 9-year duration, provides for the payment of an annual rent of EUR 2.1 million.

In addition, in compliance with IFRS 16, which abolished the distinction between operating leases and finance leases, the finance lease contracts that in 2018 were included under *Plant and Machinery* in the item *Network Equipment Rights of Use* were reclassified as from 1 January 2019.

The net opening book value of this reclassification amounts to EUR 5.1 million.

Furthermore, in order to provide a better representation, EUR 121 thousand of assets recorded in the category *Intangible Assets* have been classified under *Leased Contracts Rights of Use*.

Customer acquisition costs (Note 14)

This item includes costs relating to fees paid to dealers and commercial intermediaries for the acquisition of customers. Changes in these assets in FY 2019 are shown below:

Other Non Current Assets *(EUR 000)*	Customers Acquisition costs	Total
HISTORICAL COST		
1 January 2019	58.518	**330.951**
Increases	8.173	**31.228**
Disposal	(113)	**(17.931)**
Reclassifications		**(385)**
31 December 2019	58.518	**343.862**
ACCUMULATED AMORTIZATION		
1 January 2019	48.742	**275.234**
Increases in amortization	8.064	**23.524**
Disposal	(113)	**(17.931)**
Reclassifications		
31 December 2019	48.742	**280.828**
NET BOOK VALUE		
1 January 2019	9.668	**55.608**
31 December 2019	9.777	**62.926**

Property, Plant and Equipment (Note 15)

The following table shows the changes occurred in FY 2019:

Tangible assets (EUR 000)	Property	Plant & machinery	Other tangible assets	Tangible assets under construction	Total
HISTORICAL COST					
1 January 2019_ pubblished	**64.260**	**311.777**	**6.323**	**6.486**	**388.846**
Reclass opening value Network equipment in leasing to Leased equipment rights of use		(131.446)			(131.446)
1 January 2019_ reclassed	**64.260**	**180.331**	**6.323**	**6.486**	**257.400**
Increases		**10.309**		1.859	**12.168**
Disposal	(62.294)	**(1.026)**	(733)	(151)	**(64.203)**
Other Changes					
Reclassifications		**4.354**		(4.090)	**264**
31 December 2019	**1.966**	***193.968***	**5.590**	**4.104**	**205.628**
ACCUMULATED DEPRECIATION					
1 January 2019_ pubblished	**23.779**	**280.769**	**5.266**		**309.814**
Reclass opening value Network equipment in leasing to Leased equipment rights of use		**(126.326)**			**(126.326)**
1 January 2019_ reclassed	**23.779**	**154.443**	**5.266**		**183.487**
Depreciation network equipment in leasing	326	**13.040**	107		**13.473**
Disposal	(22.138)	**(951)**	(729)		**(23.818)**
Reclassifications					
31 December 2019	**25.744**	***320.975***	**9.910**		**356.630**
NET BOOK VALUE					
1 January 2019_ reclassed	**40.481**	***25.888***	***1.057***	**6.486**	**73.913**
31 December 2019		***27.436***	***946***	**4.104**	**32.486**

As described in the paragraph *Leased Contracts Rights of Use*, in this note, in compliance with IFRS16, which substantially abolished the distinction between operating leases and finance leases, as from 1 January 2019, the finance leases that in FY 2018 were included under *Property, Plant and Equipment* in the item *Plant and Equipment* were reclassified to *Network Equipment Rights of Use.* The net opening book value of this reclassification amounts to EUR 5.1 million.

In addition, in order to provide a better representation, EUR 264 thousand of assets recorded under *Intangible assets* have been classified under *Property, Plant and Equipment*.

The item *Property*, whose balance as at 31 December 2019 was zeroed, included the net book value of the registered office in Sa Illetta (Cagliari), equal to EUR 40.5 million, which was sold to the Leasing Pool, in accordance with the Debt Leasing Settlement Agreement signed on 28 March 2019.

Plant and Equipment for EUR 30.7 million includes specific network equipment such as routers, DSLAMs, servers, and transmission equipment installed at ULL sites.

Investments for the period include investments of EUR 10.2 million.

There are also reclassifications for EUR 4.5 million, of which EUR 41 million from *Tangible assets in progress* and EUR 0.43 million from *Intangible assets in progress and advances* in which they were classified in FY 2018.

Depreciation for the period, calculated according to the criteria shown in the annual financial report, amounted to approximately EUR 15 million.

Other tangible assets, whose balance amounts to EUR 1 million, include furniture and fittings, electronic and electromechanical office machines and motor vehicles. The decrease in the period is related to the depreciation for the period, calculated according to the criteria shown in the annual financial report, for EUR 0.1 million.

Tangible assets in progress and advances, whose balance amounts to EUR 4.1 million, mainly includes investments in network infrastructure.

This balance is net of reclassifications for EUR 4.1 million. These are reclassifications of property, plant and equipment from *Tangible assets in progress* to *Plant and Equipment* for investments that entered into depreciation in 2019.

Equity investments valued using the equity method (Note 16)

Investments evaluated at equity method	**31 December 2019**	**31 December 2018**
(EUR 000)		
Investments evaluated at equity method	3.719	3.719
Total	**3.719**	**3.719**

This item includes the value of the subsidiary Janna, S.c.p.a., (EUR 3.7 million), a consortium company over which the Group has a significant influence by virtue of certain agreements between the shareholders and which has as its object the management of a submarine fibre optic cable laid between Sardinia and the peninsula and between Sardinia and Sicily.

The table below shows Janna's main economic and financial data as at 31 December 2018 (as per the latest approved financial statements):

Name	Registered office	Shareholding owned by	Values as of December 31, 2018 (EUR/000)			Percentage of direct shareholding	Investment Book Value as at Dec 31th, 2019	Investment Book Value as at Dec 31th, 2018
			Share Capital	Net Equity	Net Result			
Janna S.C.p.a.	Italia	Tiscali Italia S.p.A.	13.717	8.527	-2.244	17%	3.719	3.719

The operational headquarters of the consortium company Janna is in Sa Illetta, km 2.300, in Cagliari. As at 31 December 2018 (as per the latest approved financial statements) the investee company has had:

- Current assets for EUR 5.2 million
- Current liabilities of EUR 0.7 million

- Non-current assets for EUR 6 million
- Non-current liabilities of EUR 2 million
- Revenues of EUR 0.5 million
- Net loss of EUR 2.2 million

No dividends were collected from this investee company during the period.

It should be noted that the company agreements require Tiscali Italia S.p.A. to provide, in proportion to its investment, the funds necessary for the subsidiary's operations.

Other non-current financial assets (Note 17)

Other non-current financial assets	31 December 2019	31 December 2018
(EUR 000)		
Guarantee deposits	900	526
Other receivables	8	25.617
Total	**908**	**26.142**

Security deposits are represented by deposits paid in the context of carrying out activities on multi-year contracts.

Other receivables in FY 2018 included the long-term component of the receivable from Fastweb for service vouchers arising from the sale of the 3.5 Ghz licence and the Fixed Wireless Access (FWA) business unit on 16 November 2018 for EUR 25.6 million.

In FY 2019, the remaining credit for Fastweb vouchers, amounting to EUR 24.7 million, was reclassified in the short term, as it is expected to be fully utilized by 2020.

Trade Receivables (Note 18)

Trade receivables	31 December 2019	31 December 2018
(EUR 000)		
Trade receivables	35.720	57.772
Write-down provision	(20.498)	(22.844)
Total	**15.222**	**34.927**

Trade receivables as at 31 December 2019, amounting to EUR 15.2 million, net of write-downs totaling EUR 20.5 million, originate from sales of Fixed Broadband and Fixed Wireless services and advertising sales.

The analysis of the recoverability of receivables is carried out periodically, adopting a specific policy for the determination of the allowance for doubtful accounts based on experience and historical trends.

The Group does not have a particular concentration of credit risk, as its credit exposure is spread over a very large customer base. In particular, it should be noted that the estimate of the credit risk is already made when the receivables are recorded, taking into account the generic risk of uncollectability of receivables not past due at the reference date, which can be inferred from historical experience.

The changes in the provision for doubtful debts during the respective years follow:

Bad debt allowance variations	**31 December 2019**	**31 December 2018**
(EUR 000)		
Bad debt allowance BoP	**(22.844)**	**(42.866)**
Provision	(10.103)	(9.622)
Utilizations	12.449	29.644
Bad debt allowance Eop	**(20.498)**	**(22.844)**

The provision for the year amounts to EUR 10.1 million.

Provisions and utilizations include the write-down made during the current year and utilizations for the write-off of credit positions no longer recoverable.

The breakdown by maturity (gross of the allowance for doubtful accounts) as at 31 December 2019 and 31 December 2018, respectively, follows:

Aging Receivables_ gross of Bad debt	**31 December 2019**	**31 December 2018**
(EUR 000)		
not overdue	6.359	14.307
1 - 180 days	6.827	12.037
181 - 360 days	5.149	11.041
oltre 360 days	17.385	20.387
Total Receivables	**35.720**	**57.772**
Bad debt	(20.498)	(22.844)
Total Receivables net of bad debt	**15.222**	**34.927**

The breakdown by maturity (net of the allowance for doubtful accounts) as at 31 December 2019 and 31 December 2018, respectively, follows:

Aging Receivables_ net of Bad debt	**31 December 2019**	**31 December 2018**
(EUR 000)		
not overdue	6.035	13.116
1 - 180 days	4.489	8.566
181 - 360 days	1.651	6.177
oltre 360 days	3.047	7.068
Total	**15.222**	**34.927**

Tax Receivables (Note 19)

Tax receivables	31 December 2019	31 December 2018
Tax receivables	227	227
Total	**227**	**227**

This item includes receivables for IRSE (Corporate Income Tax) recorded in the accounts of the Parent Company.

Other Receivables and Other Current Assets (Note 20)

Other Receivables and other Current Assets	31 December 2019	31 December 2018
EUR 000		
Other receivables	27.172	119.589
Prepaid expenses	6.435	7.876
Total	**33.607**	**127.465**

Other Receivables include the remaining credit of the Fastweb Voucher for an amount of EUR 24.7 million.

As at 31 December 2019, *Other Receivables* included the receivable for the short-term component of the Fastweb sale price for an amount of EUR 110.5 million (including the Voucher component, originally amounting to EUR 55 million).

As noted above, this receivable was collected on 1 July 2019 for the remaining monetary component (EUR 80 million). The remaining part, relating to the Voucher for services, was progressively used during 2019.

The item *Other Receivables* also includes the following items:

- Receivables from the tax authorities and other social security institutions for EUR 0.5 million;
- Advances to suppliers and other receivables of EUR 2 million.

The item *Prepaid expenses*, whose balance is EUR 6.4 million, includes costs already incurred and pertaining to subsequent years, mainly relating to long-term lease contracts for lines, hardware and software maintenance costs, insurance and advertising.

Liquid Assets (Note 21)

As at 31 December 2019, liquid assets amounted to EUR 11.7 million and include the company's liquid resources, essentially held in bank current accounts. There is no secured deposit.

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Shareholders' Equity (Note 22)

Shareholders' equity	31 December 2019	31 December 2018
EUR 000		
Share capital	46.355	43.065
Legal Reserve	1.929	1.253
Stock Options Reserve	96	(13)
Reserve for employees benefits	(1.635)	(1.478)
Accumulated losses and other reserves	(86.282)	(170.739)
Profit/(loss) for the year	(16.468)	83.198
Total Shareholders' equity	**(56.005)**	**(44.715)**

Changes in the items of *Shareholders' Equity* are detailed in the relevant table, to which reference should be made.

The Shareholders' Equity as at 31 December 2019 amounts to EUR 46.3 million, corresponding to a number of shares, representing the share capital of the Parent Company, of 4,508,697,203.00, with no par value.

Share capital increased by EUR 5.3 million, due to the partial conversion of the Tiscali Conv 2019-2020 convertible bond issued by Sova Disciplined Equity Fund in July and September 2019.

The stock option reserve records a change of EUR 109 thousand, broken down as follows:

- Increase by EUR 2 million, due to the reconstitution of the opening value of the reserve itself, approved on 13 May 2019 by the Shareholders' Meeting. This reconstitution was made by reclassification from *Other Reserves*.
- Decrease by EUR 1.9 million, attributable to the reclassification to *Other Reserves* of the part of the reserve relating to stock option plans, whose effects exhausted as at 31 December 2019.
- Increase by EUR 5 thousand, due to notional charges accrued in 2019.

Minority Interest (Note 23)

As at 31 December 2019, the balance of *Minority interests* is nil (nil also as at 31 December 2018).

Current and Non-Current Financial Liabilities (Note 24)

<u>Introduction</u>

On 28 March 2019, as described in the section *Main results achieved during the FY and subsequent events*, the Company signed the Debt Restructuring Agreements and the Sa Illetta Leasing Transaction Agreement with the Lenders and the Leasing Pool.

Current financial liabilities	31 December 2019	31 December 2018
(EUR 000)		
Convertible bond	5.246	
Payables to banks and other financing parties	845	103.826
Payables for finance leases (short term)	6.379	60.608
Total	**12.470**	**164.434**

<u>Bond Loan</u>

This item includes the recognition at amortized cost of the Convertible Bond issued on 31 January 2019 by ICT and Sova Disciplined Equity Fund for a nominal amount of EUR 10.6 million. In July and September 2019, Sova Disciplined Equity converted its share for a total nominal amount of EUR 5.3 million.

<u>Payables to banks and other lenders – current portion</u>

The item *Payables to Banks*, amounting to approximately EUR 0.8 million, mainly includes the following:

- Bank payables for EUR 0.1 million;
- The current component of the Senior loan for EUR 0.2 million. With regard to this debt, on 1 July 2019 the Company made the EUR 20 million repayment (including principal and accrued interest) provided for in the new Senior Debt financial plan;
- Financing provided by the Ministry of Development and the Ministry of University and Research for EUR 27 thousand;
- Valuation of the put option on the Convertible Bond issued on 31 January 2019 for EUR 0.4 million.

As at 31 December 2018, this item mainly included the short-term portion of Senior Debt prior to restructuring in March 2019, amounting to EUR 92.2 million.

<u>Payables for Financial Leases – current portion</u>

This item amounts to EUR 6.4 million and includes the following items:

- Short-term portion of financial lease payables for EUR 3.3 million;
- Short-term portion of payables for operating leases, which the Company has capitalized, as from 1 January 2019, in accordance with IFRS16, for EUR 3.1 million. In particular, this amount includes the short-term portion of the capitalization of the lease of the Sa Illetta headquarters for EUR 1.5 million and the short-term portion of the capitalization of operating leases for network equipment for EUR 1.6 million. For details on the method of application of IFRS16 adopted by Tiscali, and the equity effects of the standard at the date of first application, see the paragraph *Accounting Principles.*

Non Current financial liabilities	31 December 2019	31 December 2018
(EUR 000)		
Payables to banks and other financing parties	67.932	0
Payables for finance leases (long term)	19.092	7.132
Total	**87.024**	**7.132**

Payables to banks and other lenders

This item includes the following:

- The long-term component of the Senior loan restructured on 28 March 2019 (better described below) for EUR 64.4 million;
- The long-term component of the Banca Intesa Sanpaolo (formerly Cassa di Risparmio dell'Umbria) loan to the subsidiary Aria S.p.A., restructured on 28 March 2019, for EUR 3.5 million.

Payables for Financial Leases – long-term portion

Payables for Financial Leases include the following:

- Long-term portion of financial lease payables for EUR 4 million (recognized in accordance with IAS 17)
- Long-term portion of operating lease payables, which the Company has recorded, as from 1 January 2019, as required by IFRS16, for EUR 15 million. In particular, this amount includes the long-term portion representing the right to use the Sa Illetta site for EUR 12.5 million, and the long-term portion representing the right to use certain network equipment for EUR 2.6 million. For details on the method of application of IFRS16 adopted by Tiscali and the equity effects of the standard at the date of first application, see the paragraph *Accounting Principles*.

Net Financial Position

The Group’s net financial position is shown in the following table:

Net Financial Position	31 December 2019	31 December 2018
(EUR 000)		
A. Cash and bank deposits	11.653	18.977
B. Cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	***11.653***	***18.977***
E. Current financial receivables		
F. Non-current financial receivables		
G. Current bank payables	149	6.739
H. Current portion of bonds issued	5.246	
I. Current part of long-term loans	235	96.885
J. Other current financial payables	6.840	60.810
K. Current financial indebtedness (G) + (H) + (I)	***12.470***	***164.434***
L. Net current financial indebtedness *(K)-(D)-(E)-(F)*	**818**	**145.457**
M. Non-current bank loans	67.932	
N. Bonds issued		
O. Other non-current financial payables	19.092	7.132
P. Non-current financial indebtedness *(M)+(N)+(O)*	**87.024**	**7.132**
Q. Net financial indebtedness *(L)+(P)*	**87.841**	**152.589**

The table above has been drawn up in the light of CONSOB Communication No. DEM/6064293 dated 27 July 2006.

The table below shows the reconciliation between the Net Financial Position drawn up on the basis of the CONSOB communication and the Net Financial Position as show in the Management Report.

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

The gross financial debt (current and non-current), amounting to EUR 99.5 million, is mainly made up of items shown in the following table:

Breakdown of current and non current debt	31 December 2019	Current portion	Non-current portion
(EUR 000)			
Senior debt	64.675	227	64.449
Bonds issued	5.246	5.246	
Bank payables	3.641	158	3.483
Total Senior debts and other bank payables	**73.562**	**5.631**	**67.932**
Payables to leasing companies			
Finance leases	7.279	3.256	4.023
Operating lease	18.193	3.124	15.069
Total payables to leasing companies	**25.471**	**6.379**	**19.092**
Other financial payables (incl Put option bond)	**461**	**461**	
Total payables to leasing companies and other financial payables	**25.932**	**6.840**	**19.092**
Total indebtedness	**99.494**	**12.470**	**87.024**

The main items shown in the above table are as follows:

- Convertible Bond issued on 31 January 2019 for a residual amortized value of EUR 5.2 million;
- Senior Debt as per the refinancing agreement signed on 28 March 2019 with Intesa San Paolo and Banco BPM for EUR 64.7 million;
- Bank debt for an amount of EUR 3.6 million, including a long-term loan with Banca Intesa Sanpaolo (formerly Cassa di Risparmio dell'Umbria) for the subsidiary Aria S.p.A. restructured on 28 March 2019 for EUR 3.5 million;
- Payables for financial leasing contracts for a total of EUR 7.3 million;
- Payables for operating lease contracts for EUR 18.2 million. This amount includes the operating lease contract for the Sa Illetta headquarters, which expired on 28 March 2019, for EUR 14 million. The residual amount refers to operating lease contracts for network equipment.
- Other financial payables for an amount of EUR 0.5 million, which include the following:
  - Ministerial loans for EUR 27 thousand;
  - Payables for put option valuation of the Convertible Bond loan for EUR 433 thousand.

The table below shows the monetary and non-monetary variations of the financial liabilities recorded in FY 2019:

Cash and no cash variations of Financial liabilities	31 December 2018	Cash movements (repayments/ new debt)	Accrued Interests	No Cash movements _ Senior Loan Restructuring	No Cash movements _ Sa Illetta Debt Restructuring	Leasing IFRS 16 Capitalization	Bond issue - Amortized Costs	Reclass	31 December 2019
(EUR 000)									
Senior debt	92.187	-20.483	4.946	-13.165				1.190	64.675
Bonds issued							5.246		5.246
Bank payables	11.437	-6.606						-1.190	3.641
Leasing	67.741	-8.934	1.474		-53.003	18.193			25.471
Other finance liabilities_ ministerial loans	202	-175							27
Other finance liabilities_Put Option Bond							434		434
Financial liabilities	**171.566**	**(36.197)**	**6.421**	**(13.165)**	**(53.003)**	**18.193**	**5.679**		**99.494**

Covenants

The senior loan and the Sa Illetta leasing contract provide for the Company to comply with certain financial and operating requirements (so-called “Covenants”) which, if not met, give the possibility of acceleration to financial counterparties.

As previously indicated, as at 31 December 2019 the company calculated these Covenants and drew up a pro-forma version of one of them to remove the effect of IFRS16, which was not provided for when the covenants were defined. This approach was shared with the financial counterparties.

As highlighted in the section on subsequent events, the risks and effects on the Group’s economic and financial performance related to the COVID-19 pandemic, as set out in the Management Report, are currently not fully foreseeable. In this context, the Directors constantly monitor the evolution of the impacts and do not exclude that in the immediate future these impacts may also lead to a failure to comply with the Covenants set out in the contract.

Event of default

The Restructuring Agreement of the Senior Debt provides for a number of “events of default” upon the occurrence of specific events, such as: (i) failure to fulfil payment obligations; (ii) failure to fulfil the commitments contractually agreed upon; (iii) failure to comply with the financial covenants; (iv) false statements; (v) failure to execute or violation of guarantee documents; (vi) significant cross-default events; (vii) significant “warnings” or “qualifications” by the auditing company; (viii) insolvency, liquidation and winding up of significant group companies; (ix) initiation of insolvency proceedings; (x) initiation of payment enforcing procedures against the Group; (xi) loss of significant disputes (xii) termination of significant activities of Group companies; (xiii) occurrence of an event that has a negative effect on the Group’s business.

The following table summarizes the main elements of the loan as at 31 December 2019 (nominal values as at 31 December 2019):

Euro/ mln

Loan	Amount	Due date	Senior Lenders	Contractor	Guarantors
First facility - Tranche A	15,0	31-mar-24	Banco BPM	Tiscali Italia S.p.A.	Tiscali S.p.A
First facility - Tranche B	8,3	30-set-24	Banco BPM		Tiscali International BV
					Tiscali Financial Services SA
					Veesible S.r.l.
Loan	**Amount**	**Due date**	**Senior Lenders**	**Contractor**	**Guarantors**
Second facility - Tranche A	42,6	31-mar-24	Intesa San Paolo S.p.A.	Tiscali Italia S.p.A.	Tiscali S.p.A
Second facility - Tranche B	42,6	30-set-24	Intesa San Paolo S.p.A.		Tiscali International BV
					Tiscali Financial Services SA
					Veesible S.r.l.

Other loans

The main information on the loans outstanding as at 31 December 2019 for the subsidiary Aria S.p.A.:

i) Loan of initial EUR 3 million with Banca Intesa San Paolo (former Cassa di Risparmio dell'Umbria), signed in April 2009, maturing in October 2020.This loan is not subject to financial covenants.

ii) Loan of initial EUR 1 million with Banca Intesa San Paolo (former Cassa di Risparmio dell'Umbria), signed in May 2010, maturing in October 2020. This loan is not subject to financial covenants.

These loans were restructured as part of the renegotiation of the Senior Loan and amending agreements were signed on 28 March 2019:

- Deadline: 30 September 2024;
- Interest: 1% fixed rate;
- Absence of financial covenants;
- Reimbursement divided into two tranches:
    - Depreciation: EUR 1 million in 5 six-monthly installments starting 31 March 2022
    - Bullet: approximately EUR 2.5 million in a lump sum on 30 September 2024.

Leases

<u>Introduction</u>

As thoroughly described in the paragraph *Accounting Principles*, the Company has applied IFRS 16 as from 1 January 2019.

The application of this standard has led to the recognition of assets subject to operating leases in the balance sheet (with a balancing entry in financial payables), in addition to assets subject to financial leases recognized in the past in accordance with IAS 17.

The Group has chosen to apply the standard retrospectively, but has recognized the cumulative effect of applying the standard in Shareholders' Equity as at 1 January 2019 (without changing the comparative figures for FY 2018).

The rights relating to these contracts have been recorded under assets under *Leased Contracts Rights of Use*.

The table below shows the present value of the minimum lease payments due:

(EUR 000)	Minimum lease payments		Present value of minimum lease payments	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Not longer than 1 year	7.915	62.586	6.354	60.608
Longer than 1 year and not longer than 5 years	17.880	7.814	14.466	7.132
Longer than 5 years	4.996	0	4.651	0
Total	30.791	**70.400**	25.471	**67.741**
Less future finance charges (-)	5.320	2.660	0	0
Present value of minimum lease payments	25.471	**67.741**	25.471	**67.741**
Included in the financial statements as:				
Current borrowings			6.354	60.608
Non-current borrowings			19.117	7.132
	0	**0**	**25.471**	**67.741**

For the sake of completeness, the following tables summarize the impact on the income statement and balance sheet of the application of IFRS16:

Consolidated income Statement	**2019 post IFRS 16**	**IFRS 16 impact**	**2019 before IFRS 16**
(Thousands of Euros)			
Revenues	142.622	0	142.622
Other incomes	15.451	0	15.451
Purchase of materials and external services	99.260	(3.760)	103.020
Personnel cost	22.392	0	22.392
Other operating charges (incomes)	751	0	751
Write-downs of receivables from customers	10.103	0	10.103
Restructuring costs	1.997	0	1.997
Depreciations & amortizations	42.176	3.181	38.995
Operating result	**(18.605)**	**578**	**(19.183)**
Result from the investments evaluated at equity method	(359)	0	(359)
Financial Income	14.452	0	14.452
Financial Expenses	11.847	989	10.858
Income (loss) before tax	**(16.359)**	**(410)**	**(15.948)**
Taxation	109	0	109
Net result from operating activities (ongoing)	**(16.468)**	**(410)**	**(16.058)**
Result from held for sale and discontinued operations	0	0	0
Net result	**(16.468)**	**(410)**	**(16.058)**

Statement of Assets and Liabilities	2019 post IFRS 16	IFRS 16 impact	2019 before IFRS 16
(Thousands of Euros)			
Non-current assets			
Intangible assets	53.149		45.940
Leased contracts rights of use	20.484	17.240	0
Customer acquisition costs	9.777		9.668
Property, plants and machinery	32.486		79.032
Other financial assets	908		26.142
	116.804	**17.240**	**160.782**
Current assets			
Inventories			
Trade receivables	15.222		15.222
Other receivables and other current assets	33.607		33.607
Cash and cash equivalents	11.653		11.653
	60.482	**0**	**60.482**
Assets directly related to held for sales			
Total assets	**181.232**	**17.240**	**163.991**
Capital and reserves			
Share Capital	46.355		46.355
Stock option reserve	96		96
Results from previous fiscal years and other reserves	(85.988)		(85.988)
Results for the fiscal year pertaining to the Group	(16.468)	(410)	(16.058)
Shareholders' equity_ Group	**(56.005)**	**(410)**	**(55.595)**
Shareholders' equity_ third parties			
Shareholders' equity_ third parties	**0**	**0**	**0**
Total Shareholders' equity	**(56.005)**	**(410)**	**(55.595)**
Non-current liabilities			
Bank loans and other fin. Inst.	67.932		67.932
Obligation under finance leases	19.092	15.069	4.023
Other non-current liabilities	7.187		7.187
Employee severance indemnities	2.830		2.830
Provisions for liabilities and charges	4.257		4.257
Provisions for deferred taxes	0		0
	101.298	**15.069**	**86.229**
Current Liabilities			
Convertible bond	5.246		5.246
Banks overdrafts and loans	845		845
Obligation under finance leases	6.379	3.124	3.256
Trade payables	60.650	(542)	61.192
Other current liabilities	57.675		57.675
	130.795	**2.581**	**128.214**
Total Shareholders' equity and Liabilities	**181.232**	**17.240**	**163.991**

Other Non-Current Liabilities (Note 25)

Other non-current liabilities	31 December 2019	31 December 2018
(EUR 000)		
Trade payables	3.530	3.338
Other payables	3.658	3.059
Total	**7.187**	**6.398**

The item *Trade Payables* refers to the long-term component of payables to suppliers.These payables are recorded at amortized cost.

The item *Other Payables* of EUR 3.7 million, basically includes:

- EUR 1.8 million for tax payables for files to be settled in the long term;
- EUR 1.1 million of payables to Engineering relating to the severance pay of employees, deriving from the rental of the business branch to the same Engineering;
- EUR 0.3 million for guarantee deposits to customers;
- EUR 0.5 million due to Janna S.c.p.a. (which is involved in the management of an underwater fiber optics cable between Sardinia and the mainland and between Sardinia and Sicily).

Liabilities for pension obligations and staff severance indemnities (Note 26)

The table below shows the changes during the period:

(EUR/000)	31 December 2018	Accruals	Utilization	Payments to Funds (*)	Reclass from OCI Reserve to Other reserve	OCI Reserve	31 December 2019
	3.294	1.234	(640)	(1.215)	29	127	2.830
Totale	**3.294**	**1.234**	**(640)**	**(1.215)**	**29**	**127**	**2.830**

(*) These are payments made to the treasury funds and other supplementary pension funds

The staff severance provision, which comprises indemnities accrued in favor of employees refers to the Parent company, as well as subsidiaries operating in Italy, and it amounts to EUR 2.8 million as at 31 December 2019.

Further to IAS 19, for estimating staff severance indemnities as at 31 December 2019 (*defined benefit plan)*, the Traditional Unit Credit Method for companies with at least 50 employees, and the Projected Unit Credit Cost – service pro rate for the other companies, were used in accordance with the following stages:

- on the basis of a series of financial hypotheses (increase in living cost, remuneration, etc.), the possible future benefits which might be disbursed in favor of each employee registered in the programme in the case of retirement, death, disability, resignation, etc. were projected The estimate of the future performances takes account of any foreseeable increases corresponding to a further length of service, and to the alleged growth in the remuneration received at the date of the estimate, only for employees of companies with less than 50 employees;
- the *average present value of future performances* was calculated at the date of estimate, on the basis of the adopted annual interest rate, and of the probability of each performance to be really disbursed;

- the liability was established for each company concerned, to an extent equal to the *average present value of the future benefits* which will be generated by the provision existing as of the valuation date, without considering any future provision (for companies with at least 50 employees) or identifying the portion of the average present value of the future benefits which refer to the service already accrued by the employee as of the value date (for the other companies).

Financial Assumptions

Inflation Rate:	1,20%
Discount Rate:	0,77%

Demographic assumptions:

Mortality:	ISTAT 2016 Mortality tables M/F
Disability:	INPS M/F disability tables
Retirement:	100% on reaching AGO requirements
Advance payments:	3.50% from 18 to 65 years
Turnover Rate:	3.00% from 18 to 65 years

A sensitivity analysis of the main valuation parameters was carried out, which shows the impact on the book value of the provision for severance indemnities as these parameters change.

The impact of these changes in percentage terms on the balance sheet value of the fund itself are summarized below:

	Delta % respect to the Staff Severance Provision balance
Turnover Rate + 1%	-1,1%
Turnover Rate - 1%	1,2%
Inflation Rate + 0,5%	3,6%
Inflation Rate - 0,5%	-3,5%
Discount Rate + 0,5%	-5,7%
Discount Rate - 0,5%	5,9%

Since this is the only defined benefit plan relating to the severance indemnity accrued by employees as at 31 December 2006, no new contributions to the plan are expected in the next financial year.

With reference to the portion of severance indemnities accrued during the period and, more generally, from 2007 onwards, this indemnity is considered a defined contribution plan and is not subject to discounting back.

Provisions for risks and charges (Note 27)

	31 December 2018	Increases in provision	Utilisations	Other variations (Reclass)	31 December 2019
(EUR 000)					
Tax Fund	571		(73)	(348)	150
Provision for restructuring charges	5.602	100	(3.903)	(868)	930
Customers Supplementary Indemnity Fund	446	23	(2)		467
Employee disputes risk fund	565	1.051	(111)		1.506
Other provisions for risks and charges	899	510	(201)	(4)	1.204
Total	**8.083**	**1.684**	**(4.290)**	**(1.220)**	**4.257**

As at 31 December 2019, the provision for risks and charges amounted to EUR 4.3 million and mainly includes:

- EUR 0.1 million in provision for taxes;
- EUR 0.9 million in provisions for restructuring charges, mainly relating to reorganization and personnel reduction operations;
- EUR 1.5 million in provisions for legal disputes,
- EUR 0.5 million in provisions for agents' termination indemnity.
- EUR 1.2 million in other provisions for risks and charges.

Utilizations during the period, amounting to EUR 4.3 million, are mainly attributable to the liquidation of redundancy incentives as part of the personnel restructuring plan implemented in 2018 and early 2019.

Reference should be made to the following note *Litigation, Contingent Liabilities and Commitments* to update the status of disputes against which it is believed that the provision for risks set aside represents the best estimate of the risk of liabilities for the Group based on available knowledge.

Trade Payables (Note 28)

Trade payables	31 December 2019	31 December 2018
(EUR 000)		
Trade payables	60.650	134.840
Total	**60.650**	**134.840**

Trade Payables refer to trade payables for the supply of telephony traffic, data traffic, the supply of materials and technologies and services, as well as the provision of long-term investments (mainly LTE network infrastructures).

As mentioned above, the reduction in the period is the result of the payments made in 2019 which allowed the reduction of overdue payments. As at 31 December 2019, net trade payables due (net of payment plans agreed with suppliers, assets and disputed items to the same suppliers) amounted to EUR 14.3 million (EUR 57.7 million as at 31 December 2018).

Average payment times of suppliers

In 2019, Article 7-*ter* of the Law Decree No. 231/2002 was introduced, which requires that the average payment times for transactions carried out during the year be shown, also identifying any average delays between the agreed terms and those actually applied.

The Company has carried out an analysis of the average payment times of the major service providers, taking into consideration the following suppliers:

- a leading wholesale and MVNO service provider
- a leading network provider
- a leading provider of professional IT services

The results of the above analysis, presented in the Sustainability Report, are as follows:

	Average DPO as at December 31th, 2019	DPO contractually agreed
primary wholesale supplier	74	60
primary Mvno supplier	78	30
primary network supplier (*)	154	60
primary IT services supplier	80	30

(*) With regard to the primary network provider, it should be noted that the actual DPOs are much higher than the contractual DPOs, as in 2019 more than half of the amount of the overdue debt was subject to payment rescheduling and/or verified by the Company. This has contributed to the lengthening of payment times.

Tax Payables (Note 29)

Tax payables	**31 December 2019**	**31 December 2018**
EUR 000		
Tax payables	5.143	5.093
Total	**5.143**	**5.093**

The item in question includes the liability for IRAP — Regional Tax on Production Activities (net of any receivables) — recorded in the financial statements of Group companies.

Other Current Liabilities (Note 30)

Other current liabilities	31 December 2019	31 December 2018
(EUR 000)		
Accrued expenses	639	646
Deferred income	15.025	25.491
Other payables	42.010	35.402
Total	**57.675**	**61.539**

Accrued expenses mainly relate to personnel costs.

Deferred income of EUR 15 million mainly relate to:

- the deferral of the revenues deriving from the sale of transmission capacity (IRU) pertaining to future financial years, for approximately EUR 3.4 million (EUR 5.1 million as at 31 December 2018);
- the deferral of the revenues for the activation of the Fixed Broadband and Fixed Wireless and VoIP services relating to other accounting periods for approximately EUR 11.6 million (EUR 13.8 million as at 31 December 2018).

At 31 December 2018, deferred income also included the capital gain on the sale of the Sale & Lease back transaction on the property in Sa Illetta, whose residual value amounted to EUR 6.5 million. This amount was fully released to the income statement when the property was sold to the Leasing Pool on 28 March 2019.

The item *Other payables* amounts to EUR 42 million and mainly includes:

- VAT payables for EUR 18.1 million (EUR 12 million as at 31 December 2018);
- Tax payables and amounts due to social security institutions for approximately EUR 10.7 million (EUR 9.4 million as at 31 December 2018);
- Payables to personnel for EUR 1.2 million (EUR 1.6 million as at 31 December 2018);
- Other payables for EUR 11.9 million (EUR 12.3 million as at 31 December 2018) mainly composed of payables to other public institutions.

15. Other information

Financial Instruments

Financial risk management objectives

The Group's Corporate Treasury division provides business services, coordinates access to the financial markets, monitors and handles the financial risk associated with the operations of the Group by means of internal risk reports which analyze exposures by risk degree and magnitude. These risks include market risks (inclusive of currency risks, fair value interest rate risks, and price risks), credit risks, and risks in cash flow interest rates.

Risk management linked with interest rate

In relation to the outstanding debt, mainly at a fixed rate, the Company does not feel the risk related to fluctuating rates is significant, therefore it has not entered into any risk hedging transactions.

Liquidity risk handling

The following table considers the maturity of financial investments for the next five years, with particular reference to amounts to be paid in fiscal year 2020.

Cash flows shown in the table refer to the nominal amounts due on outstanding loans:

31 december 2019	Balance as at 31 december 2019	Cash out	lower then 1 year	from 1 year to 5 years	higher the 5 years
(Thousands of Euro)					
Guaranteed bank loan_Senior Loan	64.675	77.006	3.779	73.227	-
Guaranteed bank loan_Bond (*)	5.246	-	-	-	-
Lease debts	25.471	25.471	10.402	8.616	6.453
Trade payables (short and long term)	64.072	64.072	60.542	3.530	-
Other debts (#)	50.764	50.764	47.106	3.658	-
Bank debts	3.641	3.641	3.641	-	-

(*) the bond loan does not involve outflows, as it will be converted into capital by 30 June 2020.
(#) excluding accrued expenses and deferred income

31 december 2018	Balance as at 31 december 2018	Cash out	lower then 1 year	from 1 year to 5 years	higher the 5 years
(Thousands of Euro)					
Senior Loan	92.187	104.244	104.244	-	-
Lease debts	67.741	67.741	67.741	-	-
Trade payables (short and long term)	134.840	134.840	-	3.338	-
Other debts	46.892	46.892	-	3.059	-
Bank debts	11.437	11.437	11.437	-	-

Reference should be made to Paragraph 4.8 for considerations on the ability to meet payment obligations with a maturity of less than one year in the context of the assessments made by the Directors on the occurrence of the going-concern assumption.

Fair Value

The following tables show the valuations respectively as at 31 December 2019 and as at 31 December 2018 of financial instruments existing as of the balance sheet date:

	31 december 2019	
	Balance	Fair Value
(Thousands of Euro)		
Guaranteed bank loan_Senior Loan	64.675	65.204
Guaranteed bank loan_Bond	5.246	5.246
Bank debts	3.641	3.641
Lease debts	25.471	25.471

	31 december 2018	
	Balance	Fair Value
(Thousands of Euro)		
Guaranteed bank loan_Senior Loan	92.187	92.531
Bank debts	11.437	11.437
Lease debts	67.741	68.704

The fair value of the financial instruments as indicated above was calculated using the discounted cash flow method, taking as reference the market interest rates, in addition to contractual spreads (where applicable).

Stock Options

On 16 February 2016, the Extraordinary and Ordinary Shareholders' Meeting of Tiscali S.p.A., met under a single summons, approved the 2015-2019 Stock Option Plan intended to the Company's management exercisable in three tranches with a maximum expected issue of 251,622,551 ordinary shares. These plans ceased at 31 December 2019 and therefore the stock option reserve component relating to them has been reclassified to Shareholders' Equity.

Successively, on 12 May 2016, the Board of Directors of Tiscali S.p.A. approved the 2016-2021 Stock Option Plan regarding ordinary shares of Tiscali S.p.A. reserved to the CEO and the Management of the Group, and the following proposal of Capital Increase, also in separate issues, through the issuance of 314,528,189 ordinary shares maximum with no nominal value, to the service of maximum 314,528,189 options valid for the subscription of ordinary shares of the Company to be reserved to the CEO and the Management of the Group as beneficiaries of the 2016-2021 Stock Option Plan, with the exclusion of option right in compliance with the Article No. 2441, Paragraph 5 and 6 of the Civil Code.

The ensuing amendment of Article No. 5 of the Articles of Associations, related and consequential resolutions, delegation of powers.

The valuation of this stock option plan was carried out upon initial recognition, with the portion of the cost during the vesting period recorded in the income statement with a balancing entry in the Shareholders' Equity reserve.

As at 31 December 2019, the stock option reserve recognized in equity amounted to EUR 96 thousand.

Disputes, contingent liabilities and commitments

During the normal course of its business, the Tiscali Group is involved in certain legal and arbitration proceedings, as well as being subject to tax audit.

The following is a summary of the main proceedings in which the Group is involved.

<u>Civil and administrative proceedings</u>

Opposition to Telecom Italia Sparkle injunction

On 22 November 2017, Telecom Italia Sparkle notified an injunction for payment, with a corresponding court order issued by the Court of Rome for receivables due from Tiscali Italia S.p.A. relating to the provision of wholesale voice services. The Company is preparing its defense and providing for the payment of the sum related to services received and not contested, while for the sums object of the dispute an opposition judgment has been initiated. At present, it is not possible to express a forecast on the outcome of the case. The amount of the liability is recorded under payables to service providers.

Opposition to Qualta injunction

On 7 February 2019, Qualta S.p.A. served an order for payment on Tiscali Italia S.p.A. for the maintenance of computer systems. The Company filed an appeal with the Court of Rome asking the judge to rule on the non-existence of the conditions for granting provisional enforceability. In addition, Tiscali Italia S.p.A. believes that the payment order is inadmissible and illegitimate, as well as manifestly unfounded in fact and in law, depending on the breaches committed by Qualta, which must be ascertained and quantified during the course of the proceedings. The amount of the liability is recorded under payables to service providers.

Appeal at the Council of State against TAR rulings on transfer of Fastweb's right to use 3.5GHz licences

The main national telecommunication operators (TIM, Vodafone, Wind3 and Iliad) appealed to the Lazio Regional Administrative Court against the permit to transfer the licenses from Aria to Fastweb, as well as further appealed, also to the Lazio Regional Administrative Court and against the Ministry of Economic Development, against the decision to grant Aria S. p.A. (and the other operators assigned the band on the 3.4-3.6 GHz frequencies, with the exclusion of TIM) an extension of the right of use for consideration for a further 6 years, until 31 December 2029.

On 26 November 2019, the third Section of the Lazio Regional Administrative Court, with three different judgments (No. 13558, 13561 and 13570) partially upholding the appeals filed by Vodafone, TIM and Iliad, respectively, and the appeals on additional grounds filed by Vodafone Italia S.p.A., annulled the acts of the proceedings relating to the extension granted to Aria (which was replaced by Fastweb pending the outcome of the proceedings) limited to the determination of the contribution to be paid for the extension.

Tiscali, through the Law Firm *Villata, Degli Esposti e Associati*, appealed to the Council of State on two grounds: the first plea alleges the lack of jurisdiction of the administrative judge; the second plea concerns the illogicality and contradictory nature of the reasoning in the part in which the Lazio Regional Administrative Court found the criterion decided by MiSE and AGCOM to set the amount of the contribution to be paid by Fastweb for the extension of the rights of use on the 3400-3600 MHz band at the reserve price (auction basis) of the tender launched for the award of the lots on the 3600-3800 MHz band ("5G call for tenders") to be incongruous.

It should be noted that, even in the event of an unfavorable outcome of the appeal, or if a subsequent or new procedure by AGCOM/MiSE defines a higher value of the extension than that already determined, Tiscali would be protected by the provisions of the purchase and sale agreement signed with Fastweb governing events after the transfer of the rights.

Italian Revenue Agency — Provincial Directorate of Cagliari

In December 2019, the Italian Revenue Agency notified a payment slip containing two registration forms issued by the territorial office of Cagliari 1, both resulting from the automated control pursuant to articles 36-*bis* DPR 600/73 and 54-bis of the Decree of the President of the Republic No. 633/72, and relating to the VAT model year 2010 and year 2012. The folder refers exclusively to penalties, interest and collection charges for a total of EUR 2,941 thousand. The Company filed an appeal against this file with the competent Tax Commission, contesting both the illegality and erroneousness of the registration and the criteria for determining the penalties, and the illegality of the claim made with the registration as contrary, inter alia, to the principles set out in the Statute of Taxpayers' Rights.

As at 31 December 2019, the management, considering this risk not probable, did not allocate a provision for risks on this position.

Proceedings of a Criminal Nature

In September 2013, Tiscali S.p.A. received, pursuant to Law Decree No. 231/2001, a notice of conclusion of preliminary investigations into alleged conduct of false corporate communications related to the financial statements from 2008 to 2012. The subsidiary Tiscali Italia received the same notice in January 2014. The offense against the Company and some Directors refers to alleged incorrect accounting entries in respect of provisions for doubtful debts, as per Article No. 2622 of the Civil Code. In June 2016, at the end of the preliminary hearing, the two companies were sent to trial, as well as the Directors accused. The trial phase began in October 2016.

In April 2019, the Second Criminal Section of the Court of Cagliari issued its judgment, which fully acquitted the Group companies and their managers from the accusation of false corporate communications, also for the crimes for which the statute of limitations had meanwhile expired, thus acknowledging the full correctness of their actions. The hearing made it possible to ascertain that the financial statements were drawn up in full compliance with the regulations in place to ensure the transparency of corporate information for the protection of all parties concerned.

Fair Value

In order to provide the classification of financial instruments at fair value as required by IFRS 13, determined on the basis of the quality of the sources of inputs used in the assessment, the fair value measurements of the Group's financial instruments have been classified in the 3 levels established by IFRS 7. In particular, the hierarchy of fair value consists of the following levels:

• Level 1: corresponds to prices quoted on active markets;

• Level 2: corresponds to prices calculated through elements taken from observable market data;

• Level 3: corresponds to prices calculated through other elements different from observable market data.

In FY 2019 there were no assets/liabilities recognized at fair value as per the above detailed parameters.

Segment Reporting

Segment reporting is presented on the basis of the following segments:

- Access (BTC and BTB connectivity);
- Media & Advertising;
- Corporate.

The *Corporate* Segment includes the holding company Tiscali Spa, minor Italian companies, foreign "dormants" and consolidation adjustments and eliminations.

31 December 2019 (*Thousands of EUR*)	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Total
Revenue				
From third parties	138.655	3.895	72	142.622
Intra-group	2.989	81	(3.069)	-
Total revenues	**141.644**	**3.976**	**(2.998)**	**142.622**
Operating profit	**(18.099)**	**204**	**(710)**	**(18.605)**
Result on Investments at equity method				(359)
Financial Income				14.452
Financial Expenses				11.847
Pre-tax result				**(16.359)**
Income taxes				109
Net result from operating activities (on-going)				**(16.468)**
Income from held for sale and discontinued operations				-
Net operating income				**(16.468)**

31 December 2018 (*Thousands of EUR*)	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Total
Revenue				
From third parties	158.475	6.646	67	165.188
Intra-group	18.749	5.276	(24.025)	-
Total revenues	**177.224**	**11.922**	**(23.958)**	**165.188**
Operating profit	**(34.359)**	**279**	**(17)**	**(34.097)**
Portion of results of equity inv. carried at equity				429
Financial Income				1.088
Financial Expenses				11.623
Pre-tax result				**(45.061)**
Income taxes				(224)
Net result from operating activities (on-going)				**(45.286)**
Income from held for sale and discontinued operations				128.484
Net operating income				**83.198**

31 december 2019 *(Euro 000)*	Access(BTC connectivity and BTB)	Media & Adversing	Corporate adjustme nts	Totale
Assets				
Segment assets	174.709	3.459	(656)	177.513
Equity investments carried at equity	-	-	-	-
Equity investments in other companies	3.719	-	-	3.719
Goodwill	-	-	-	-
Assets held for sale	-	-	-	-
Total consolidated assets	**178.428**	**3.459**	**(656)**	**181.232**
Liabilities				
Segments liabilities	202.870	3.407	30.959	237.236
Liabilities held for sale	-	-	-	-
Total consolidated liabilities	**202.870**	**3.407**	**30.959**	**237.236**

31 december 2018 *(Euro 000)*	Access(BTC connectivity and BTB)	Media & Adversing	Corporate adjustme nts	Totale
Assets				
Segment assets	336.999	4.520	852	342.371
Equity investments carried at equity	-	-	-	-
Equity investments in other companies	3.727	-	-	3.727
Goodwill	-	-	-	
Assets held for sale				
Total consolidated assets	**340.725**	**4.520**	**852**	**346.097**
Liabilities				
Segments liabilities	364.977	5.157	20.679	390.812
Liabilities held for sale				
Total consolidated liabilities	**364.977**	**5.157**	**20.679**	**390.812**

Commitments and other guarantees

A breakdown of guarantees given in FY 2019 is shown in the table below:

(Euro 000)	31 december 2019	31 december 2018
Guarantees given to third parties (sureties)	77.251	139.605
Commitments	0	0
Totale	**77.251**	**139.605**

Sureties given mainly refer to the guarantee given for the loans granted by financial institutions to the Tiscali Group for a total of EUR 77.2 million (of which EUR 75.9 million concerning the Senior Loan).

The same item includes EUR 1.3 million in other guarantees, which refer for about EUR 1 million to guarantees provided by Tiscali Italia S.p.A. in favor of public entities for tax payables due to the entities themselves.

Although not material at the consolidated level, the Group's Parent Company provided guarantees for credit lines and leases to the Tiscali Italia S.p.A. subsidiary for EUR 10.6 million and EUR 18.8 million, respectively, in FY 2019 and FY 2018.

Furthermore, the Group's Parent Company provided guarantees for credit lines and leases to the Veesible subsidiary for EUR 0.8 million in FY 2019.

The parent company also had commitments for an amount of EUR 1.6 million in in FY 2019 and FY 2018 relating to the maintenance of the credit lines granted to the subsidiary Tiscali Italia S.p.A..

Non-recurring Transactions

Under the provisions of the CONSOB Resolution No. 15519 dated 27 July 2006, it is reported that in FY 2019, non-recurring transactions were recorded with a total positive effect on the Group's income statement equal to EUR 24.5 million. The transactions that are not part of the ordinary management of the Group even when they occurred in previous years or are expected to occur in the next financial years were considered as "non-recurring" for the purpose of providing the information required by CONSOB Resolution No. 15519 dated July 27, 2006.

In particular, during FY 2019 non-recurring income and costs were recorded, mainly identifiable as follows:

- Income from the sale of the Sa Illetta property, following the execution of the Sa Illetta Leasing Settlement Agreement signed on 28 March 2019 for EUR 11.1 million.
- Income from the elimination of a debt position with a supplier of fixed assets following a transaction for EUR 1.9 million;
- Financial income of EUR 1.6 million from the release of the discounting charges on the receivable from Fastweb for Vouchers, accrued at 31 December 18;
- Financial income of EUR 12.8 million from the derecognition and subsequent recognition at amortized cost of the new financial liability arising from the application of the Senior Debt Restructuring Agreements signed on 28 March 2019;
- Cost reduction of EUR 0.7 million deriving from transactions with service providers concluded during the period;
- Non-recurring charges of EUR 0.9 million, attributable to the integration of payables to public bodies (penalties for late payment of VAT and AGCOM contributions);
- Provision for legal disputes and other charges of EUR 2 million;
- EUR 0.3 million in invoices to be issued;
- Other non-recurring charges of EUR 0.5 million.

The following table shows the exposure in the consolidated income statement of the amounts related to non-recurring transactions:

Non-recurring transactions	2019	2018	variation
Revenue			
Other income	13,0		13,0
Purchase of external materials and services	(0,7)	(1,3)	0,6
Personnel costs			
Other operating expense (income)	(0,3)		(0,3)
Write-downs accounts receivable from customers			
Gross Operating Result (EBITDA)	**12,0**	**(1,3)**	**13,3**
Restructuring costs, provisions for risks and write-downs	**(2,0)**	**(6,6)**	**4,6**
Operating profit (EBIT)	**10,0**	**(7,9)**	**18,0**
Financial income	14,4	1,1	13,4
Financial expenses			
Pre-tax profit	**24,5**	**(6,9)**	**31,3**
Income taxes			
Net result from operating activities (ongoing)	**24,5**	**(6,9)**	**31,3**
Other charges related to held for sale		128,5	(128,5)
Net result for the period	**24,5**	**121,6**	**(97,1)**

Atypical and/or unusual transactions

Pursuant to the CONSOB Communication dated July 28, 2006, it is hereby specified that during FY 2017 the Company did not enter into any atypical and/or unusual transactions, as defined by the above-mentioned Communication.

Related-party transactions

Procedure

The document illustrating the procedure for the discipline of related parties can be found at www.tiscali.com/procedure.

Dealings with non-consolidated Group companies

The Group has no significant dealings with non-consolidated Group companies.

Dealings with other related parties

During the year, the Tiscali Group had a number of dealings with related parties, under conditions considered normal on the respective reference markets, taking into account the characteristics of the goods and services provided.

The table below summarizes the balance sheet and income statement values recorded in the Tiscali Group's consolidated financial statements as at 31 December 2019 and 31 December 2017, as arising from transactions with related parties:

Income Statement Values	Notes	2019	2018
(Euro 000)			
Monteverdi S.r.l.	1	(24)	(29)
Istella	2	248	64
Directors		(1.535)	(2.894)
Convertible Bond	3	(516)	
Stock option	4	(5)	13
Total Expenses & Income		**(1.832)**	**(2.846)**

Asset Values	Notes	31 december 2019	31 december 2018
(Euro 000)			
Monteverdi S.r.l.	1	(41)	(45)
Istella	2	381	78
Directors		(322)	(766)
Convertible Bond	3		
Receivables from Istella sale	5	61	72
Total Suppliers of Materials and Services		**79**	**(660)**
Stock Option Reserve	4	(5)	13
Net assets pertaining to the Group		**(5)**	**13**
Total		**74**	**(646)**

1. *Monteverdi S.r.l.: Company in which the Company's CEO and major shareholder, Renato Soru, holds an equity interest. The relationship in question refers to a contract for the lease of a space used to store company documents.*
2. *Istella: Company owned in part by Renato Soru, the Company's CEO and major shareholder. The report in question refers to the supply, by Tiscali, of IT services (hosting of network equipment), as of October 2018.*
3. *Convertible Bond: issued on 30 January 2019 for a nominal value of EUR 10.6 million subscribed on the same date by ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares. As at 31 December 2019, the residual nominal value of the bond is equal to EUR 5.3 million and consists solely of the ICT share, as the Sova Disciplined Equity Fund completed the conversion of its share on 22 October 2019. In terms of representation in the table of related parties, the following should be noted:*
   a. *The share subscribed by ICT, equal to EUR 5.3 million of nominal value, was represented as a related party in the table above, as ICT was a related party until it held its 20.79% stake in Tiscali. This investment was sold on 16 May 2019. From that date, ICT ceased to be a related party. For the sake of completeness of disclosure, the table above includes the notional charges for the transaction up to the date of sale of the investment, while at the balance sheet level the debt is not represented.*
   b. *The share subscribed by Sova Disciplined Equity Fund SPC was represented as a related party in the table above until 22 October 2019, the date on which it ceased to be a bondholder, following the conversion of the last tranche of its share of the bond loan. For the sake of completeness, the table above includes the notional charges of the transaction up to the date on which Sova Disciplined Equity Fund SPC ceases to be a bondholder, while at the balance sheet level the debt is not represented.*

4. *Stock Option: the company presents some management incentive plans in the form of Stock Options (please refer to the section "Stock Options" for further details).*
5. *Receivables from the sale of Istella These are receivables owed by the buyer of Istella (Renato Soru) in connection with the sale of the company on 16 October 2017.*

Remuneration of directors, statutory auditors and executives with strategic responsibility

With regard to the performance of their functions, in the Parent Company and other consolidated subsidiaries, the remuneration due to Directors and Statutory Auditors of Tiscali and Tiscali Italia in FY 2019 follows:

(EUR 000)	31 december 2019	31 december 2018
Directors	764	1.375
Statutory Auditors	181	219
Manager with strategic responsabilities	772	1.519
Total Remuneration	**1.716**	**3.113**

List of subsidiaries included in the consolidation area

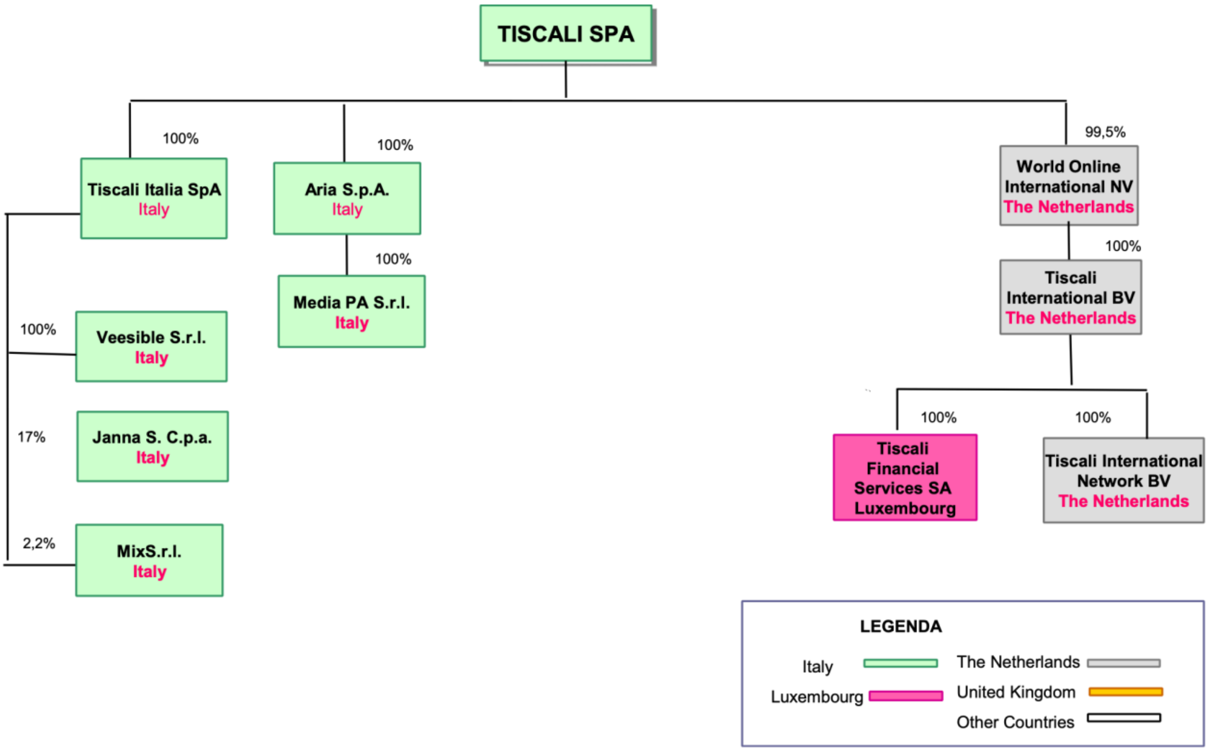
A list of the companies included in the consolidation area follows:

Name	Location	% of shares owned
Tiscali S.p.A.	Italy	
Tiscali Italia S.p.A.	Italy	100,00%
Veesible S.r.l.	Italy	100,00%
Aria S.p.A.	Italy	100,00%
Media PA S.r.l.	Italy	100,00%
World Online International NV	Nederlands	99,50%
Tiscali International BV	Nederlands	99,50%
Tiscali Financial Services SA	Luxembourg	99,50%
Tiscali International Network B.V.	Nederlands	99,50%

List of equity investments in other companies recognized under other non-current financial assets.

Mix S.r.l.	Italy
Janna S.c.p.a.	Italy

The Tiscali Group as at 31 December 2019:



Annex — Information pursuant to Article No. 149-*duodecies* of the CONSOB Issuers' Regulations

The following table, drawn up in accordance with Article No. 149-*duodecies* of the CONSOB Issuers' Regulations, indicates the fees for FY 2019 for auditing services and those for other services provided by the independent auditing firm:

Type of Service	Party providing the Service	Beneficiary	Fees
(EUR 000)			
Financial Audit	Deloitte&Touche SPA	Parent Company – Tiscali S.p.A.	242
	Deloitte&Touche SPA	Subsidiaries	68
Other professional Services required by law	Deloitte&Touche SPA	Parent Company – Tiscali S.p.A.	50
	Deloitte&Touche SPA	Subsidiaries	-
Other services	Deloitte&Touche SPA	Parent Company – Tiscali S.p.A.	-
	Deloitte&Touche SPA	Subsidiaries	-
Total			359

Cagliari, 27 April 2020

The Chief Executive Officer | **The Officer in charge of Preparing the Company's Accounting Documents**

Renato Soru | **Roberto Lai**

2019 Consolidated Financial Statements certification in compliance with Article No. 81-*ter* of the CONSOB Regulation No. 11971 dated May 14, 1999 and subsequent amendments and additions

The undersigned, Renato Soru in his capacity of Chief Executive Officer, and Roberto Lai, in his capacity of the Officer in charge of Preparing the Company's Accounting Documents of Tiscali S.p.A., hereby certify, with account also being taken of the provisions of Article No. 154-*bis*, Paragraphs 3 and 4, of Italian Law Decree No. 58 dated 24 February 1998:

- the adequacy in relation to the Company's characteristics;
- the effective application of the administrative and accounting procedures for the formation of the financial statements in FY 2019.

Tiscali S.p.A. has adopted as a reference framework for the definition and evaluation of its internal control system, with particular reference to internal controls for the preparation of the financial statements, the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents a body of general principles of reference for the internal control system generally accepted at international level.

It is also hereby certified that the financial statements as at 31 December 2019:

- have been drafted were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union, as well as with the legislative and regulatory provisions in force in Italy;
- are consistent with the results of accounting books and entries;
- are suitable for providing a true and fair view of the equity, economic and financial situation of the issuer and all the companies included in the consolidation area.

Lastly, it is hereby certified that the Management Report includes a reliable analysis of the references to important events which have taken place during the year and of their effect on the consolidated financial statements, together with a description of the main risks and uncertainties

Cagliari, 27 April 2020

The Chief Executive Officer

Renato Soru

Renato Soru

The Officer in charge of Preparing the Company's Accounting Documents

Roberto Lai

Tiscali S.p.A.
Financial Statements
as at 31 December 2019

7. Tiscali S.p.A. – Financial Statements and Explanatory Notes

7.1. Income Statement

Income Statement	Notes	2019	2018
(Thousands of Euros)			
Revenues	*1*	5.016.720	4.652.354
Other incomes	*1*	-	3.886
Purchase of materials and external services	*2*	(3.477.386)	(2.813.918)
Personnel cost	*3*	(1.098.960)	(1.293.211)
Other operating (charges)/incomes	*4*	-	(37.294)
Write-downs of receivables from customers	*5*	(109.100)	(109.734)
Restructuring costs	*5*	(47.235.893)	(130.123)
Operating result		**(46.904.618)**	**271.961**
Financial Income	6	46.021.826	66
Financial Expenses	6	(1.087.305)	(5.111)
Income (loss) before tax		**(1.970.097)**	**266.917**
Taxation	7	(536.632)	(127.294)
Net result from operating activities (ongoing)		**(2.506.729)**	**139.623**
Result from held for sale and discontinued operations	8	-	-
Net result		**(2.506.729)**	**139.623**

7.2. Comprehensive Income Statement

Comprehensive Income Statement	2019	2018
(Euros)		
Result for the period	(2.506.729)	139.623
Other elements for the comprehensive Income Statement:		
Other elements of the comprehensive income statement that later will be reclassified in the profit/(loss) for the fiscal year	0	0
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year	0	0
o/w (Loss)/profit from revaluation on plans with defined benefits	0	*39.016*
Total of other elements for the comprehensive Income Statement:	0	39.016
Total result of the comprehensive Income Statement	0	39.016
To be attributed to:		
Shareholders of the Parent Company	(2.506.729)	178.639
Minority Shareholders		
Total	(2.506.729)	178.639

7.3. Statement of Assets and Liabilities

(Thousands of Euros)	Notes	31 December 2019	31 December 2018
Non-current assets			
Investments	*9*	130.562.909	115.084.732
Other financial assets	*10*	115.472.473	78.240.917
		246.035.381	**193.325.648**
Current assets		0	0
Trade receivables	*11*	15.364.594	13.232.735
Other receivables and other current assets	*13*	322.895	427.088
Cash and cash equivalents	*14*	371.376	157.547
		16.286.084	**14.044.589**
		0	**0**
Total assets		**262.321.465**	**207.370.238**
		0	0
Capital and reserves		0	0
Share Capital		46.355.159	43.065.376
Results from previous fiscal years and other reserves		2.141.658	(13.490)
Results for the fiscal year pertaining to the Group		(2.506.729)	139.623
Total Shareholders' equity	*15*	**45.990.089**	**43.191.509**
		0	0
Non-current liabilities		0	0
Other non-current liabilities	*16*	184.903.866	143.760.726
Provisions for liabilities and charges	*17*	613.429	13.429
		185.517.295	**143.774.155**
Current Liabilities		0	0
Convertible bond	*18*	5.245.773	0
Banks overdrafts and loans	*18*	433.636	0
Trade payables	*19*	4.450.801	5.604.045
Other current liabilities	*21*	20.682.824	14.800.528
		30.814.081	**20.404.573**
Total Shareholders' equity and Liabilities		**262.321.465**	**207.370.237**

7.4. Statement of Changes in Net Equity

(Euro)	Capital	Legal reserve	Other reserves	Reserves for stock options	Reserves for employee benefits	Reserve for losses coverage	Accumulated losses and Loss for the period	Total
Balance as of 31 Dec 2017	**121.507.323**	**90.734**	**5.027.458**	**2.010.217**	**(39.016)**	**-**	**(85.570.356)**	**43.026.360**
Capital increase	-	-	-	-	-	-	-	-
Other movements	-	-	-	(13.490)	39.016	-	-	**25.526**
Bond Conversion costs	-	-	-	-	-	-	-	-
Reclassification to losses coverage	(78.441.947)	(90.734)	(5.027.458)	(2.010.217)	-	-	85.570.356	**0**
Net result	-	-	-	-	-	-	139.623	**139.623**
Balance as of 31 dec 2018	**43.065.376**	**-**	**0**	**(13.490)**	**0**	**-**	**139.623**	**43.191.509**
	-	-	-	-	-	-	-	-
Stock Option Reserve Resatement	(2.010.217)			2.010.217				-
Other movements				5.309				**5.309**
Bond Conversion	5.300.000							**5.300.000**
Reclass Stock Option Reserve to Other Reserve			1.906.493	(1.906.493)				-
Allocation of previous year Net Result		6.981	132.642				(139.623)	-
Net result							(2.506.729)	**(2.506.729)**
Balance as of 31 dec 2019	**46.355.159**	**6.981**	**2.039.135**	**95.543**	**-**	**-**	**(2.506.729)**	**45.990.089**

7.5. Cash Flow Statement

(Thousands of Euro)	Note	2019	2018
Result from Operating acttivities		**(2.506.729)**	**139.623**
Adjustments for:			
Amortization of tangible assets		0	0
Amortization of intangible assets		0	0
Provision for write-downs accounts receivables from customers	5	109.100	109.734
Provision for riscks accrual	5	600.000	0
Release of provisions for risks	5	0	(82.344)
Stock Option figurative cost	3	5.309	(13.490)
Bond emission ancillary charges	18	(12.358)	0
Devaluation of Investments in Group companies	5	46.021.823	0
Financial income (transfer of dividends from a group entity)	6	(46.021.823)	0
Release IAS 19 Reserve	15	0	39.016
Financial Expenses	6	1.087.305	0
Other changes	3-7	457.591	(42.334)
Cash flows from operating activities before changes in working capital		**(259.781)**	**150.206**
Changes in receivables	11	1	99.401
Changes in payables to suppliers	19	(1.856.465)	868.693
Net change in provisions for risks and charges	17	0	(159.000)
Net change in provisions for TFR	0	0	0
Changes in other liabilities	21	5.346.710	9.071.827
Changes in other assets	13	104.194	1.546.949
Changes in working capital		***3.594.440***	***11.427.870***
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		**3.334.659**	**11.578.076**
Change in other financial assets	10	0	0
Acquisitions of Fixed Tangible Assets	0	(0)	(0)
Acquisitions of Intangible assets	0	0	(0)
Variation in Investments in Group companies	9	(0)	1
AVAILABILITY OF CASH AND CASH EQUIVALENTS FOR INVESTMENT ACTIVITIES		**(0)**	**1**
Changes in intercompany financial assets/liabilities	10-16	(13.187.152)	(11.665.911)
Changes in other financial liabilities	18	(3.678)	(2.050)
Changes in bond	18	10.070.000	0
o/w due to the bond conversion (no cash effect)		0	0
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		**(3.120.830)**	**(11.667.920)**
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE		0	0
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**213.829**	**(89.843)**
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**157.547**	**247.393**
CASH AND CASH EQUIVALENTS AT YEAR-END		**371.376**	**157.550**

7.6. Explanatory Notes

Tiscali S.p.A. (hereinafter referred to as “Tiscali” or the “Company” and jointly with its subsidiaries the “Group” or the “Tiscali Group”) is a joint stock company founded in Italy and registered at the Business

Registry of Cagliari. Tiscali heads the Tiscali Group, which provides its clients integrated Internet access, telephony and multimedia services, in particular positioning itself in the IP technology services segments, which allow the provision of Internet and voice services through the same technologic platform.

These Financial Statements are prepared using Euros (EUR) as the currency since this was the currency used for the majority of the transactions performed by the Group.

The income statement and balance sheet, the cash flow statement, the statement of changes in equity are presented in Euro (EUR), while the values shown in the explanatory notes are presented in thousands of Euros (EUR 000).

7.6.1. Introduction and and Attestations of Conformity

The following tables have been prepared on the basis of the financial statements as at 31 December 2019, to which reference should be made. The 2019 financial statements represent the separate financial statements of the Parent Company Tiscali S.p.A. and were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the provisions of Article No. 9 of the Law Decree No. 38/2005. IFRS also includes all revised International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

Assessment of the business as a going-concern and business outlook – Events and uncertainties relating to the going concern

Assets-Financial and Economic Performance of the period

Tiscali S.p.A. closed FY 2019 with a net equity of EUR 46 million (EUR 43.2 million as at 31 December 2018) and with a loss of EUR 2 million. As at 31 December 2019, the net financial position is negative and amounts to EUR 58.4 million and is mainly composed of non-current financial payables to Group companies (net of credit positions) for EUR 58.8 million (as compared to a net financial position as at 31 December 2018 negative for EUR 64.9 million, of which EUR 65 million for non-current financial payables to Group companies, net of credit positions). These financial payables are recorded under non-current financial liabilities and their repayment is expected to occur in the medium term through the use of the dividend flows from the subsidiaries. Company assets mainly consist of investments in subsidiaries and intercompany financial assets. On the basis of these considerations, therefore, and considering the prevailing nature of holding companies, the Directors believe that the considerations on the business continuity of the Company are closely related and cannot be separated from the considerations made on the business continuity of the Tiscali Group.

The Tiscali Group closed 2019 with a loss of EUR 16.5 million as compared to a profit of EUR 83.2 million in 2018. The result for 2018 was primarily attributable to the net gain on the sale of the licence of 40 Mhz in the 3.5 Ghz band and the Fixed Wireless Access (FWA) business branch to Fastweb of EUR 128.5 million, net of which the net result for 2018 would have been a loss of EUR 45.3 million.

The 2019 net income was significantly impacted by non-recurring factors (detailed and described in the paragraph *Non-recurring Transactions*) amounting to EUR 24.5 million, mainly relating to:

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

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

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

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

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

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

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

The New 2020-2022 Business Plan

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

The contents of this Plan, briefly, include:

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

Uncertainties connected to the COVID-19 pandemic

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

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

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

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

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

- Reported a consolidated net loss for the FY of EUR 16.5 million;
- Reported a consolidated EBITDA of EUR 25.6 million;
- Had a consolidated net financial position as at 31 December 2019 of EUR 87 million, of which EUR 12.5 million current and EUR 87 million falling due after 12 months;
- At consolidated level, current liabilities exceed current (non-financial) assets by EUR 74.4

million;

- Has a consolidated equity deficit amounting to EUR 56 million;
- Shows net trade payables past due (net of payment plans agreed with suppliers, as well as assets and disputed items to the same suppliers) for EUR 14.3 million, in addition to financial payables past due (net of credit positions) substantially nil (equal to EUR 41 thousand), tax and social security payables past due of approximately EUR 27.9 million.

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

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

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

a) Stabilized its Fixed Broadband customer base, which is substantially in line with the customer base at 31 December 2018 (going from approximately 383 thousand users as at 31 December 2018 to approximately 381.7 thousand users as at 31 December 2019), but showing significant growth in the number of Fiber customers, which increased by 106.8%, from 79.1 thousand users as at 31 December 2018 to 163.7 thousand users as at 31 December 2019, and a growth trend in the second half of the year after a first half in which the customer base had continued to decline, as a result of the Group's re-launch and development, and also thanks to the Fiber offerings on which the Company is focusing;
b) Continued, during 2019, to implement industrial activities consistent with the new development and growth path, namely:
    - Continued to expand the addressable market, thanks to the conclusion/implementation of the following agreements:
        - operational implementation of the Fastweb Agreement, which has allowed the expansion of the addressable market of the Company thanks to the possibility to continue to market LTE services in the "Digital Divide Areas" extended under the terms of the Agreement, on a wider market thanks to the commitment signed by Fastweb to complete the migration from Wi Max technology to LTE technology at its own expense, and the possibility for Tiscali to access Fastweb's Fibre Network;

  - In July 2019, new agreements were signed with other operators (Open Fiber and Linkem) allowing Tiscali to use the FWA and Fibre network of these operators.
  - The above agreements now enable Tiscali to reach 10.9 million households and businesses with FWA technology (4.9 million households with speeds of up to 100Mb thanks to Fastweb's network and around 16 million households with speeds of up to 30Mb thanks to Linkem coverage). With regard to the Fibre market, Tiscali has been able to provide fibre services to around 20 million households and businesses since the end of 2019 (13.5 million in multi-mode fibre technology and 6.5 million in FTTH technology).
- Concluded, in December 2019, an agreement with TIM that allows it to offer its Mobile customers 4G technology with speeds of up to 150 Mbps, differentiating itself from low cost mobile operators offering a 4G "Basic" technology with speeds of up to 30 Mbps, with an offer available in 7565 Italian municipalities (98.2% of national coverage);
- Began the relaunch of the Tiscali brand, launching an institutional advertising campaign in March 2019, and a subsequent campaign in September 2019 — following the rebranding and launch of the new logo undertaken following the change in governance during the year;

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

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

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

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

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

Furthermore, the Directors have drawn up a cash plan for a 12-month period from the date of approval of this document, which also takes into account the financial effects of obtaining extraordinary finance as part of the measures taken to support businesses to deal with the crisis arising from the COVID-19 emergency. On the basis of this cash flow plan, the Group, assuming compliance with the New 2020-

2022 Business Plan and assuming that it obtains further extraordinary finance, would be able to meet its obligations while maintaining a level of past due payment substantially in line with the current one.

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

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

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

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

Accounting Standards

The 2019 Consolidated Financial Statements have been prepared according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and harmonized by the European Union, as well as to the provisions implementing Article No. 9 of the Law Decree No. 38/2005. The IFRS include also all the International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as Standing Interpretations Committee ("SIC").

The preparation of the Financial Statements requires Directors to make a few estimates and, in specific cases, to adopt assumptions in applying the accounting principles. The areas of the financial statements which, in such circumstances, presuppose the adoption of application assumptions, and those most characterized by the making of estimates are described in the following note *Critical decisions taken in the application of accounting standards and in the use of estimates*.

Financial Statements Formats

The Financial Statements are composed of accounting statements (Income Statement, Statement of Financial Position, Statement of Changes in Net Equity, and Cash Flow Statement), with explanatory notes. The Income Statement was drawn up in line with the minimum contents as fixed by IAS 1 – Presentation of Financial Statements – with costs assignment by nature; the Statement of Financial Position was drawn up by following the scheme pointing out the division of “current/non-current” assets and liabilities; the Cash Flow Statement was drawn up by following the indirect method.

Accounting Principles

General principles

The financial statements were prepared in compliance with the IAS/IFRS International Financial Reporting Standards (IFRS). The main accounting standards are detailed below. These standards were applied consistently to all periods presented.

The preparation of financial statements requires management to make certain estimates and in certain cases, the adoption of assumptions in the application of accounting standards by the Directors. The areas of the financial statements which, under the circumstances, presuppose the adoption of applicative assumptions and those more fully characterized by estimates made, are described in the subsequent note of this section.

Equity investments in subsidiaries

Equity investments in subsidiaries and affiliated companies are recognized at cost, adjusted for any permanent impairment.

In application of IAS 36, the value of equity investments recognized at cost is reduced if there is impairment or if circumstances emerge that indicate that said cost is not recoverable. If the impairment is discovered to no longer apply or is reduced, the book value is increased to the new estimated recoverable value, within the limits of the value recognized initially.

Impairment of Assets (Impairment)

The book value of Equity Investments, Other Intangible Assets and Properties, Plant and Machinery is tested for impairment whenever there is an indication that the asset may have suffered impairment. The assets in question are tested annually or more frequently if there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs. The recoverable amount if the greater amount between fair value net of sales costs and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of money time value and the specific risks of the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its book value, the latter is written down to its recoverable amount. The loss of relevant impairment is recognized in the income statement under write-downs. In the event that a write-down in previous years, no longer has reason to exist, the carrying value of the asset (or cash-generating unit) is increased to the new value resulting from the estimate of its recoverable amount, but not over the net book value that the asset would have had if no impairment had been recognized for the asset loss. An impairment reversal is booked to the income statement.

<u>Other financial assets</u>

Other financial assets are valued, consistently with IAS 39 provisions for financial assets 'available for sale', at fair value or alternatively at cost whenever fair value cannot be reliably calculated. Gains and losses from changes in fair value are directly booked to equity until the security is disposed of or is impaired, at which time the cumulative gain or loss previously booked to equity is included in the income statement for the period. The original value is reinstated in the following periods if the reasons for the write-down are considered to no longer apply.

<u>Loans and receivables</u>

Tiscali S.p.A.'s loans are stated under the *Other Non-Current Financial Assets*, *Receivables from Customers*, *Other Current Receivables and Assets* and *Other Current Financial Assets* items and are valued, if they have a fixed maturity, at amortized cost, using the effective interest rate method. When financial assets have no fixed maturity, they are valued at acquisition cost. Valuations are frequently carried out to find objective evidence of impairment of a financial asset or group of assets. If there is objective evidence, the impairment must be recorded as a cost in the income statement for the period.

<u>Cash and cash equivalents</u>

Cash and cash equivalents include cash on hand, sight and short-term deposits, in the latter case with an original maturity of no more than three months.

<u>Debts and Financial Liabilities</u>

The debts and financial liabilities of the Tiscali S.p.A. are disclosed in the *Payables to banks and other lenders*, *Other non-current liabilities*, *Payables to suppliers* items, and are recorded at nominal value. Financial liabilities are initially recognized at cost, equal to the fair value of the consideration received, net of transaction costs. Subsequently, the loans are valued at amortized cost using the effective interest method, calculated considering the issue costs and any other premium or discount applicable to the regulation.

Remuneration plans in the form of equity participation

The Group provided Directors Renato Soru and certain executives with strategic responsibilities with additional benefits through stock option plans. These plans were approved by the Shareholders' Meeting held in February 2016, concurrently delegating to the Board of Directors the power to increase the Company's share capital to service this Plan (2015-2019 Stock Option Plan).
The cost, represented by the fair value of the stock options at the grant date, is recognized for accounting purposes in accordance with IFRS 2 — Share-based payments through profit or loss with a balancing entry recognized directly in equity.

Provisions for liabilities and charges

Provisions for liabilities and charges relating to potential legal and tax liabilities, are made in respect of the predictions made by the Directors, on the basis of judgments developed by the Group legal and tax advisors, about the likely burden believed reasonable will be taken for the fulfillment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfill an obligation for a sum other than that estimated, the related effects would be reflected in the income statement.

Treasury shares

Treasury shares are recorded as a reduction of Shareholders' equity.

Recognition of income

Revenues are recognized to the extent that it is probable that financial profits will flow to Tiscali S.p.A. and their amount can be reasonably estimated; they are represented net of discounts, allowances and returns.
Revenues from services rendered are recognized in the income statement using the percentage of completion of the service and only when the result of the service can be reliably estimated.

Financial income and expense

Receivable and payable interest is recognized using the effective interest rate method.

Taxes

Current income tax expense for the year includes current and deferred tax.

Current tax is determined on the taxable income. The taxable income for tax purposes differs from the result before taxes reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years; it further excludes items that are not taxable or deductible at all. The liability for current tax is calculated using tax rates enacted at the balance sheet date.

Major decisions in applying accounting policies and in the use of estimates

In the process of applying the accounting policies described in the previous section, Tiscali's directors made some significant decisions importance for the recognition of amounts in the financial statements. The Directors' decisions are based on historical experience as well as on expectations associated with the realization of future events, considered reasonable under the circumstances.

The recoverability of the main asset is based on estimates of income and cash flows that the Group believes it will be able to generate in the future. As more fully described in the note "Assessment of the business as a going-concern", achieving the results set forth in the business and financial plan, used for the assessment, depends on whether the forecasts and assumptions contained therein are reached. Some of these variables are beyond the control of the Directors and the Group management, as described in the section "*Assessment of the business as a going-concern and future outlook*".

<u>Accounting estimates and relevant assumptions</u>

Provisions for liabilities and charges

Provisions for risks and charges relating to potential legal and tax liabilities are made in respect of the predictions made by the Directors, on the basis of judgments developed by the Group legal and tax advisors, about the likely burden that can reasonably be will argued for the fulfillment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfill an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Equity investments, Intangible and Tangible Assets

The impairment test, particularly with regard to equity investments, is carried out when indicators emerge that the assets may have suffered impairment losses as indicated above under "Impairment of assets". The ability of each unit (equity investment) to generate cash flows such as to recover the value recorded in the financial statements is determined on the basis of the prospective, economic and financial data of the investee companies themselves or any subsidiaries. The preparation of such prospective data, as well as the determination of an appropriate discount rate, requires, to a significant extent, estimates whose change is in some cases beyond the management's control. With reference to the impairment test as at 31 December 2019, it should be noted that i) since as at 31 December 2019 the investee companies Tiscali Italia, Aria and Veesible had started a process of merger by incorporation into Tiscali Italia, ii) since Tiscali Italia and Aria are part of the CGU accessed at consolidated level, and iii) since the aforementioned merger process was completed before the impairment test was carried out, the book value of the investments of the investee companies Tiscali Italia and Aria was verified jointly, using the prospective cash flows of this CGU.

Determination of Fair Value

Depending on the instrument or financial statements item to be estimated, the directors identify the most suitable method, doing as much as possible to objective market data. In the absence of market values, that is, quotations, valuation techniques are used with reference to those most commonly used.

Accounting standards, amendments and IFRS interpretations effective from 1 January 2019

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2019

The following amendments have been applied for the first time by the Group starting from 1 January 2019:

- On 13 January 2016, the IASB published **IFRS 16 — *Leases*** replacing IAS 17 — *Leases* and the IFRIC Interpretations 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. Please refer to Note 7.12 *Preparation Principles — Leased Assets* for further information on this application.
- On 12 October 2017, the IASB published the **Amendment to IFRS 9 — *Prepayment Features with Negative Compensation***. This document specifies that a debt instrument that provides for an early redemption option could comply with the characteristics of the contractual cash flows ("SPPI" test) and, consequently, could be measured using the amortized cost method or the fair value through other comprehensive income even if the "reasonable additional compensation" envisaged in the event of early repayment is a "negative compensation" for the lender. The adoption of this amendment had not significant effect on the Consolidated Financial Statements of the Group.

- On 7 June 2017, the IASB published the interpretation ***Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)***. The document deals with the issue of uncertainties on the tax treatment to be adopted in the field of income taxes. In particular, the Interpretation requires an entity to analyze the uncertain tax treatments (individually or as a whole, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all information relevant. In the event that the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. Furthermore, the document does not contain any new disclosure obligations but underlines that the entity will have to establish whether it will be necessary to provide information on the considerations made by management and related to the uncertainty inherent in the accounting of taxes, in accordance with IAS 1.

  The new interpretation has been applied since 1 January 2019. The adoption of this amendment had no significant effect on the Consolidated Financial Statements of the Group.

- On 12 December 2017, the IASB published the document ***Annual Improvements to IFRSs 2015-2017 Cycle*** which incorporates the amendments to certain principles as part of the annual improvement process. The adoption of this amendment had no significant effect on the Consolidated Financial Statements of the Group.

- On 7 February 2018, the IASB published the document ***Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)***. The document clarifies how an entity must recognize a change (i.e., a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the liability or net asset arising from the plan. The amendments clarify that after the occurrence of this event, an entity uses updated hypotheses to measure the current service cost and the interests for the rest of the reference period following the event. The adoption of this amendment had no significant effect on the Consolidated Financial Statements of the Group.

- On 12 October 2017, the IASB published the document ***Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)***. This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures for which the equity method is not applied. The adoption of this amendment had no significant effect on the Consolidated Financial Statements of the Group.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IFRC AND IFRIC APPROVED BY THE EUROPEAN UNION, NOT YET APPLICABLE ON A COMPULSORY BASIS AND NOT EARLY ADOPTED BY THE GROUP AS AT 31 DECEMBER 2019

At the reference date of this Consolidated Financial Report as at 31 December 2019, the competent bodies of the European Union had not yet completed the endorsement process required for the adoption of the amendments and principles described below.

- On 29 March 2018, the IASB published an amendment to the ***References to the Conceptual Framework in IFRS Standards***. The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted.

  The Conceptual Framework defines the basic concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way so as to provide useful information to investors, lenders and other creditors.

  The Conceptual Framework supports companies in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders understand and interpret the Standards.
- On 26 September 2019, the IASB published the amendment entitled ***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***, which amends the IFRS 9 — *Financial Instruments* and IAS 39 — *Financial Instruments: Recognition and Measurement*, as well as IFRS 7 — *Financial Instruments: Disclosures*. Specifically, the amendment modifies some of the requirements for the application of hedge accounting, providing for temporary exceptions to the same, in order to mitigate the impact of the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information on their hedging relationships in their financial statements that are directly affected by the uncertainties generated by the reform and to which the above waivers apply.

  The amendments apply from 1 January 2020, but early application is permitted. Directors do not expect the adoption of this amendment to affect the Consolidated Financial Statements of the group.

- On 31 October 2018, the IASB published the document ***Definition of Material (Amendments to IAS 1 and IAS 8)***. The document introduced a change in the definition of "relevant" contained in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The purpose of this amendment is to make the definition of "relevant" more specific and to introduce the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that an information is "obscured" if it has been described in such a way as to produce an effect similar to the one that would have been produced if this information had been omitted or incorrect for primary readers of a financial statement. The amendments introduced by the document apply to all operations from 1 January 2020. The Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this amendment.

ACCOUNTING PRINCIPLES, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

- On 22 October 2018, the IASB published the document ***Definition of a Business (Amendments to IFRS 3)***. The document provides some clarifications regarding the definition of business for the purpose of a correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantial process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term “ability to create an output” with “ability to contribute to the creation of an output” to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

  The amendment also introduced a test (“Concentration Test”), optional for the entity, to determine whether a set of activities/processes and assets purchased is not a business. If the test gives a positive result, the set of activities/processes and assets purchased does not constitute a business and the principle does not require further verification. If the test gives a negative outcome, the entity will have to carry out further analyses on the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added numerous illustrative examples to IFRS 3, in order to make the practical application of the new definition of business understandable in specific cases. The amendments apply to all business combinations and acquisitions of assets subsequent to 1 January 2020, but early application is permitted.

  Given that this amendment will be applied to the new acquisition transactions that will be concluded starting from 1 January 2020, any effects will be recognized in the consolidated financial statements closed after that date.

Explanatory Notes

Revenues and other income (Note 1)

Operating Revenues are represented by:

Revenues	2019	2018
(EUR 000)		
Revenues from services provided to Group companies	4.945	4.585
Revenues from services to third parties	72	67
Revenue	**5.017**	**4.652**
Other income	-	4
Other income	**-**	**4**
Total	**5.017**	**4.656**

Revenues from services provided to Group companies mainly refer to the invoicing of services provided by the Company in favor of the operating subsidiary Tiscali Italia S.p.A., including the charges for the license to use the Tiscali trademark calculated as a percentage of the sales revenue of the company using said trademark. Revenues from services to foreign third parties relate to licences for the use of domains.

Revenues by geographical area	2019	2018
(EUR 000)		
Revenues from services provided to Group companies	**0**	**0**
- *Italy*	4.945	4.585
Revenues from services to third parties	**4.945**	**4.585**
- *South Africa*	32	40
- *The Netherlands*	24	24
- *Czech Republic*	0	-2
- *Italy*	16	6
Total	**5.017**	**4.652**

Purchase of materials and outsourced services (Note 2)

	2019	2018
EUR 000		
Purchase of materials and outsourced services	3.477	2.814
Total	**3.477**	**2.814**

Costs for the purchase of materials and outsourced services, stated net of the benefits of renegotiating contracts with suppliers, include costs for external management consultancy services for EUR 0.4

million, retributions to the Board of Directors for EUR 0.7 million, other costs for external services for EUR 0.6 million.

Payroll costs (Note 3)

Payroll and related costs are stated in detail as follows:

	2019	2018
(EUR 000)		
Wages and Salaries	649	757
Other Payroll costs	449	536
Total	**1.099**	**1.293**

The reduction of payroll costs as compared to the previous FY is equal to EUR 0.2 million.

As at 31 December 2019, the number of FTE units amounted to 2. The average FTE figure in FY 2019 amounted to 2.8.

The breakdown by category and the corresponding balance as at 31 December 2019 and 2018 follow:

	2019	2018
Managers	2	4
Middle Managers		
Employees		
Total	**2**	**4**

Other operating income/ (costs) (note 4)

The table below shows a breakdown of these costs:

	2019	2018
(EUR 000)		
Other operating income (costs)	-	37
		37

Write-downs of receivables and other write-downs (Note 5)

(EUR 000)	2019	2018
Write-down of trade receivables	109	110
Restructuring costs and other write-downs	614	130
Devaluation of investments in Group companies	46.022	-
Provisions for risks and charges	600	-
	47.345	**240**

The item *Write-down of receivables* mainly refers to the alignment of the allowance for doubtful accounts to the value of the total receivable due from the affiliates.

The item *Restructuring costs and other write-downs* covers for EUR 0.6 million the personnel restructuring costs.

The item *Impairment of equity investments in Group companies* as at 31 December 2019 includes the write-down of the equity investment following the impairment test. Please refer to the note on equity investments for further comment.

The item *Provisions for liabilities and charges* as at 31 December 2019 includes provisions for legal disputes with third parties for an amount of EUR 0.6 million.

Financial income (charge) (Note 6)

(EUR 000)	2019	2018
Financial Income		
Interests on bank deposits	-	0
Income from transfer of dividends	46.022	-
Other financial income	0	0
Total Financial Income	**46.022**	0
	-	-
Financial Charges	-	-
Interests and other charges due to banks	925	2
Other financial charges	162	3
Total Financial Charges	**1.087**	5
	-	-
Net financial income (charges)	**44.935**	**(5)**

Net financial income for EUR 44.9 million includes EUR 46 million in income from the transfer of dividends from Aria S.p.a. to Tiscali S.p.a., the Group's Parent Company, net of financial expense of EUR 0.2 million in interest on late payments of taxes payable and trade payables and a notional financial expense of EUR 1 million on the Convertible Bond issued on 31 January 2019.

Income Tax (Note 7)

(EUR 000)	2019	2018
Current tax	537	129
Tax (income from tax consolidation)	0	(1)
Net tax for the FY	**537**	**127**

The balance of current taxes includes the IRAP (Regional Tax on Production Activities) for the year amounting to EUR 32 thousand, in addition to taxes for IRES (Corporate Income Tax) tax consolidation equal to EUR 0.504 million, deducted from tax credits in the context of the tax consolidation.

With reference to IRAP (Regional Tax on Production Activities) and IRES (Corporate Income Tax) for the period recorded under the item *Income Taxes*, the reconciliation between the theoretical rate and the effective rate is shown below.

IRES Reconciliation between the theoretical rate and the effective rate:

(EUR/000)		
(a)	Result before the taxes	**(1.970)**
(b)	Theoretical tax burden (24%)	-
(c)	temporary taxable differences in subsequent years	-
(d) =(a) + (c)	**Total**	**(1.970)**
	temporary differences deductible in subsequent years	-
(e)	Write-downs of fixed assets	46.022
(f)	Provisions for risk	713
(g)	Costs deductible in subsequent years	971
(h)= (d) + (e)+ (f)+ (g)	**Total**	**45.735**
(i)	Reversal of temporary differences from previous years	**(1.140)**
(j)= (h) + (i)	**Total**	**44.595**
	Differences that will not be reversed in subsequent years	-
(k)	Dividends cash in	(43.721)
(l)	Non deductable costs	1.274
(m)	Deduction for aid to economic growth	(47)
(n)= (j) + (k) + (l)+ (m)	**Total**	**2.101**
(o)	Losses from previous years	-
(p) = (n) + (o)	**Taxable income**	**2.101**
*(q)= (p)*24%*	**Current income taxes for the year**	**504**

IRAP Reconciliation between the theoretical rate and the effective rate:

(EUR/000)		
(a)	Difference between value and production costs	(886)
(b)	Margin of interest	(1.040)
(c)	Irrelevant items of the IRAP tax base	1.768
(d)= [(a) + (b) + (c)]* 5,57%	**Theoretical tax burden (5.57%)**	**(9)**
(e)	temporary taxable differences in subsequent years	-
(f)= (a) + (b) + (c)	**Total**	**(159)**
(g)	temporary differences deductible in subsequent years	611
(h) = (f) + (g)	**Total**	**452**
(i)	Reversal of temporary differences from previous years	(670)
(j)= (h) + (i)	**Total**	**(218)**
(k)	Differences that will not be reversed in subsequent years	-
(l)	Non deductible costs	1.816
(m)	Deduction of permanent staff costs	(1.283)
(n)=(j) +(l) + (m)	**Total**	**316**
(o)= (n)	**Taxable income**	**316**
*(p)= (o) * 24%*	**Current income taxes for the year**	**18**

With reference to tax losses carried forward, on which no deferred tax assets had been recorded as at 31 December 2019, it should be noted that as at 31 December 2019 their amount was equal to EUR 153.8 million.

In FY 2019, the amount of the tax benefit attributable to past tax losses present in the financial statements and not recorded under deferred tax assets but used to offset the taxable profit for the period was nil.

Result of the assets transferred and/or held for sale (Note 8)

The net result of the assets sold is nil.

Equity Investment (Note 9)

As at 31 December 2019, this item included equity investments in subsidiaries totaling EUR 130.6 million.

SUBSIDIARIES	31 december 2019			31 december 2018		
(EUR 000)	*Cost*	*Reval / (Deval)*	*Boook value*	*Cost*	*Reval / (Deval)*	*Boook value*
Tiscali Italia S.p.A.	71.123	15.478	86.602	71.123	0	71.123
World Online International N.V.	1.811.994	(1.811.994)	-	1.811.994	(1.811.994)	-
Tiscali Uk Holdings Ltd	-	0	-	1	(1)	-
Aria Italia S.p.A.	43.961	0	43.961	43.961	0	43.961
	1.927.079	**(1.796.516)**	**130.563**	**1.927.080**	**(1.811.995)**	**115.085**

The table below summarizes changes occurred in the period.

SUBSIDIARIES (EUR 000)	Balance 31 december 2018	Increases	(Disposals)	Revaluation / (Devaluation)	Other changes	Balance 31 december 2019
Tiscali Italia S.p.A.	71.123	61.500	0	(46.022)	-	86.602
World Online International N.V.	-	-	-	-	-	-
Tiscali Uk Holdings Ltd	-	-	-	0	-	-
Aria Italia S.p.A.	43.961	-	-	-	-	43.961
	115.085	**61.500**	- -	**46.022**	-	**130.563**

The increase by EUR 15.5 million as compared to the previous FY is attributable to the Tiscali Italia S.p.a. subsidiary, and is the result of the combined effect of i) the waiver of financial receivables owed by Tiscali S.p.a.,the Group's Parent Company, to Tiscali Italia S.p.a. The waiver was made for an amount equal to the total amount of receivables owed by Tiscali S.p.a. as at 31 December 2019, which amounted to EUR 61.5 million — as a result of this waiver, Tiscali S.p.a. increased the value of its investment in Tiscali Italia S.p.a. by the same amount; and ii) the writedown of the investment in Tiscali Italia S.p.a. by EUR 46 million, as described in greater detail in the *Impairment Test* section of this Report.

Impairment test on the value reductions in equity investments in subsidiary companies

SUBSIDIARIES	Registered Offices	Share Capital	Shareholders' equity	Result	% Held	Book value	Difference between book value and net equity
Tiscali Italia S.p.A.	Cagliari	18.794	18.179	(16.279)	100%	86.602	68.423
World Online International N.V.	Maarsen (NL)	115.519	0	0	100%	0	0
Aria Spa	Roma	15.583	103.983	2.055	100%	43.961	(60.021)
			122.162			**130.563**	**8.401**

Impairment Test

The impairment test was carried out on the following equity investments in Tiscali Spa:

- Tiscali Italia Spa, with a carrying value of EUR 86.6 million as at 31 December 2019;
- Aria Spa, with a carrying amount of EUR 44 million as at 31 December 2019.

As previously mentioned, it should be noted that i) as at 31 December 2019, the investee companies Tiscali Italia S.p.A. and Aria S.p.A. had started a process of merger by incorporation into Tiscali Italia, ii) Tiscali Italia and Aria being part of the CGU accessed at consolidated level, and iii) as the above-mentioned merger process was completed before the impairment test was carried out, the book value of the investments of the investee companies Tiscali Italia and Aria was verified jointly, using the prospective cash flows of this CGU.

The Equity Value, calculated considering the two companies as a whole, was compared with the book value of the investments in both companies recorded in the books of Tiscali Spa, which amounted to

EUR 132.6 euro for the investment in Tiscali Italia S.p.A. (value including capitalizations for EUR 61.5 million in 2019) and EUR 44 million for the investment in Aria.

The impairment test carried out on the investments in Tiscali Italia S.p.A. and Aria S.p.A. showed that the equity value of the two investments was lower than the book value of the investments, including increases for the period for EUR 61.5 million, resulting from the waiver of the financial receivable owed by the parent company from Tiscali Italia S.p.A.. Therefore, the Directors wrote down the higher book value by EUR 46 million.

The sensitivity analysis carried out on the WACC and the long-term growth rate (+/- 0.5% as compared to the reference parameters) does not show the need for further write-downs of investments in subsidiaries.

Other Non-current Financial Assets (Note 10)

Other Non-Current Financial Assets include financial receivables from Group companies amounting to EUR 115.5 million.

	31 December 2019	31 December 2018
(EUR 000)		
Receivables from other companies of the Group	115.472	78.241
Total	**115.472**	**78.241**

The financial receivables from Group companies are detailed as follows:

	31 December 2019	31 December 2018
(EUR 000)		
Tiscali Financial Services Sa	3.511	3.511
Tiscali International BV	516	516
Tiscali Italia S.p.A.	109.907	51.563
Aria Spa	0	21.735
Veesible S.r.l.	1.539	916
Total	**115.472**	**78.241**

It should be noted that the increase towards the subsidiary Tiscali Italia S.p.A. amounts to EUR 58.3 million, of which:

- Increase by EUR 109.3 million, due to the transfer of funds from Aria to Tiscali Italia, with triangulation on Tiscali Spa, in relation to the collection of the sale price of the Fastweb Transaction, which took place in July 2019;
- Increase by EUR 10.5 million due to the transfer of funds from Tiscali S.p.A. to Tiscali Italia for

cash and VAT settlement needs;

- Decrease by EUR 61.5 million due to the waiver of financial receivables due from the subsidiary Tiscali Italia for capitalization purposes.

It should be noted that the recoverability of these receivables is assessed taking into account the presence, towards the same parties, of debts for higher amounts, also considering the merger transactions concluded.

Trade Receivables (Note 11)

	31 December 2019	31 December 2018
(EUR 000)		
Receivables from Customers	15.840	13.708
of which:	0	0
towards Group companies	15.334	13.202
towards third parties	506	506
Allowance for doubtful accounts	(475)	(475)
Total	**15.365**	**13.233**

The allowance for doubtful accounts refers to receivables due from Best Engineering S.p.A.

Trade Receivables of Tiscali S.p.A. associated with intra-group positions are summarized in detail in the following table:

	31 December 2019	31 December 2018
(EUR 000)		
Tiscali Italia S.p.A.	15.301	11.174
Aria S.p.A.	-	1.995
Veesible S.r.l.	33	33
Total	**15.334**	**13.202**

The breakdown of Trade Receivables by maturity follows:

	31 December 2019	31 December 2018
(EUR 000)		
Within 12 months	10.396	13.167
Between 1 – 5 years	4.968	66
Beyond 5 years	-	-
Total	**15.365**	**13.233**

The book value of trade receivables, including the allowance for doubtful accounts, is approximate to their fair value.

Tax Receivables (Note 12)

(EUR 000)	31 December 2019	31 December 2018
Tax receivables	227	227
Total	**227**	**227**

This item includes the IRES receivable claimed by the Company.

Other Receivables and Other Current Assets (Note 13)

(EUR 000)	31 December 2019	31 December 2018
Other Receivables	452	463
Accrued Income	-	0
Prepaid Expenses	98	191
Total	**550**	**654**

The item *Other receivables* mainly includes receivables from the tax authorities of EUR 0.4 million and other taxes of EUR 0.41 million.

Liquid Assets (Note 14)

At the end of FY 2019, liquid assets amounted to EUR 0.4 million and include the Company's liquid resources, essentially held in bank current accounts. Reference should be made to the dedicated section of the Management Report for a detailed analysis of the financial position, in addition to what is reported in the Cash Flow Statements.

Shareholders' Equity (Note 15)

	31 December 2019	31 December 2018
(EUR 000)		
Share capital	46.355	43.065
Legal reserve	7	0
Stock option reserve	96	(13)
Other reserves	2.039	0
Result from previous fiscal years	0	0
Result for the fiscal year	(2.507)	140
Total	**45.990**	**43.192**

Changes in the shareholders' equity items are detailed in the relevant table, to which reference should be made.

The number of shares, representing the share capital of the Parent Company, is 4,508,697,203 with no par value, against 3,981,880,763 shares last year. The increase for the period is equal to 526,816,440 shares, and is attributable to the conversion of part of the Bond Loan stipulated in January 2019.

To date, the new shares already authorized by the Shareholders' Meeting to support the conversion of the remaining part of the loan and not yet issued, as the conversion of the bonds by the bond holder has not yet been requested, and not yet matured, amount to 773,183,560 shares.

Share capital decreased by EUR 2 million due to the reclassification from the item *Stock option reserve* for the same amount (this reclassification is attributable to the replenishment of the stock option reserves for EUR 2 million approved on 13 May 2019 by the Shareholders' Meeting) and an increase by EUR 5.3 million following the partial conversion of the Tiscali 2019-2020 Convertible Bond, carried out in July and September 2019 by Sova Disciplined Equity Fund for the they portion held.

The item *Other Reserves* increased by EUR 2 million due to the release of the stock option reserve for the same amount at the end of some stock option plans as compared to the previous year.

At the end of the FY, Tiscali S.p.A. recorded a loss of EUR 2.5 million.

The following table shows the composition of the Shareholders' equity with reference to availability and distributable nature:

Detailed statement of Shareholders' Equity items						Summary of uses in the last 3 accounting periods	
	Amount	Utilisation options	Available share	Distributable share with no tax effect	Distributable share with tax effect	Loss coverage	Other
Share Capital	46.355.159	B	-	-	-	148.649	7.669
Legal Reserve	6.981						
Other Reserves	2.039.135						
Stock Option Reserve	95.543						
Fiscal Year's Losses	(2.506.729)		-	-	-	-	-
	45.990.090						

Utilization options _Key:

A For share capital increases

B For loss coverage

C For distribution to shareholders

Other Non-Current Liabilities (Note 16)

	31 December 2019	31 December 2018
(EUR 000)		
Payables to Group companies	184.754	143.398
Other Payables	150	363
Total	**184.904**	**143.761**

The item *Other Debts* includes long-term fiscal liabilities.

The balance of Other Non-Current Liabilities concerning financial payables to group companies totals EUR 184.A million and is detailed in the following table:

	31 December 2019	31 December 2018
(EUR 000)		
Tiscali Financial Services SA	3.511	3.511
Tiscali Italia S.p.A.	95.727	87.547
Aria S.p.A.	78.354	46.022
Tiscali International BV	516	516
Tiscali International Network BV	25	25
Indoona Srl	-	-
Veesible S.r.l.	6.621	5.776
Total	**184.754**	**143.398**

The breakdown of Other non-current liabilities by maturity follows:

(EUR 000)	31 December 2019	31 December 2018
Within 12 months	-	-
Between 1 and 5 years	184.754	143.398
Beyond 5 years	-	-
Total	**184.754**	**143.398**

These financial payables are recorded under non-current financial liabilities and their repayment is expected to occur in the medium term through the use of dividend flows from the subsidiaries and offsetting the respective credit positions claimed against them.

Provisions for Liabilities and Charges (Note 17)

The following table shows the changes during the year:

(EUR 000)	31 December 2018	Increases	Decreases	Other changes	31 December 2019
Other Provisions for Risks and Charges	13	624	(24)	0	613
Total	**13**	**624**	**(24)**	**-**	**613**

Increases relate to provisions for legal disputes with third parties for EUR 0.6 million.

Bond Loan e Payables to banks and other lenders (note 18)

(EUR 000)	31 December 2019	31 December 2018
Convertible Bond	5.246	-
Banks overdrafts and loans	434	-
Total	**5.679**	**-**

The item *Bond Loan* includes the amortized value as at 31 December 2018 of the Convertible Bond issued on 31 January 2019 for a nominal value of EUR 10.6 million subscribed, on the same date, by ICT Holding Limited and Sova Disciplined Equity Fund SPC in equal shares.

In July, September and October 2019, Sova Disciplined Equity Fund SPC converted a total nominal amount of EUR 5.3 million, equal to the entire stake held. As at 31 December 2019, the residual nominal value of the bond loan amounted to EUR 5.3 million.

The item *Payables to banks and other lenders* includes the value of the put option relating to the convertible bond loan referred to above.

Payables to suppliers (Note 19)

	31 December 2019	31 December 2018
(EUR 000)		
Trade Payables to Third Parties	3.680	5.241
Trade Payables to Group companies for materials and services	770	364
Total	**4.451**	**5.604**

Trade payables to third party suppliers relate mainly to payables for professional consultancy services. It should be noted that Trade Payables are due within 12 months and their book value as of the date of this Report is considered as approximate to their fair value.

Trade payables due to Group companies follow:

	31 December 2019	31 December 2018
(EUR 000)		
Tiscali Italia S.p.A.	770	363
	-	-
Total	**770**	**363**

Tax Payables (Note 20)

	31 December 2019	31 December 2018
(EUR 000)		
Tax payables	1	-
Total	**1**	-

This item includes the Company's IRAP — Regional Tax on Production Activities — debt (net of actual receivables).

Other Current Liabilities (Note 21)

	31 December 2019	31 December 2018
(EUR 000)		
Deferred Income	2	60
Other Payables to the Group Companies	-	-
Other Payables	20.682	14.741
Total	**20.684**	**14.801**

The item *Other Payables* is essentially represented by VAT payables for EUR 17.9 million, tax, social security and welfare institutions payables, for EUR 1.6 million; by payables to Executives amounting to EUR 0.3 million; by payables for the provision for penalties and interest on tax payables not yet paid for EUR 0.9 million; by payables to employees amounting to EUR 19 thousand.

Guarantees Pledged and Commitments

Guarantees pledged are detailed as follows:

	31 december 2019	31 december 2018
(EUR 000)		
Guarantees (Sureties) Pledged to Third Par	87.552	157.904
Commitments	1.600	1.600
Total	**89.152**	**159.504**

Sureties Pledged include EUR 75.9 million in relation to the guarantee provided by the Parent Company for the loans granted by financial institutions as part of the restructuring of the Group's debt.

The remaining EUR 11.5 million are related to guarantees pledged by the Parent Company for credit and leasing lines to the subsidiaries Tiscali Italia S.p.A. and to Veesible S.r.l.

The entire balance of the item *Commitments* concerns the maintenance of the credit facilities granted to the subsidiary Tiscali Italia S.p.A.

Net Financial Position

In compliance with the provisions of the CONSOB Communication No. DEM/6064293 dated 28 July 2006, it is pointed out the net financial position as of 31 December 2018 is summarized in the following table, drafted on the basis of the format described by the CESR Recommendation dated 10 February 2005, *Recommendations for the consistent implementation of the European Commission's Regulation on Statements*:

Financial Situation	2019	2018
(Thousands of Euro)		
A. Cash and Bank deposits	371	158
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	***371***	***158***
E. Current loan receivables	-	-
F. Non-current financial receivables	***115.472***	***78.241***
G. Current bank payables	434	-
H. Current accounting of bonds issued	5.246	-
I. Current accounting of non-current debts	-	-
J. Other current financial debts		-
K. Current financial debt (G) + (H) + (I)+(J)	**5.679**	-
L. Net current financial debt (K)-(D)-(E)-(F)	**(110.164)**	**(78.398)**
M. Non-current bank Loans	-	-
N. Bonds issued	-	-
O. Other non-current intercompany debt	184.250	143.398
P. Other non-current intercompany debt		
Q. Non-current financial debt (M)+(N)+(O)+ (P)	**184.250**	**143.398**
R. Net Financial Debt (L)+(Q)	**74.086**	**64.999**

Financial Risk Management

Financial risk management objectives

The Group's Corporate Treasury division provides business services, co-ordinates access to the local and international financial markets, monitors and handles the financial risk associated with Group operations by means of internal risk reports which analyze the exposures by degree and magnitude of the risk. These risks include market risks (inclusive of currency risks, fair value interest rate risks and price risks), credit risks and risks in cash flow interest rates.

Market risks

The Company's activities expose it primarily to the financial risk of changes in exchange rates for foreign currency and to the interest rate.

Transactions with Related Parties

During FY 2019, Tiscali S.p.A. had a number of dealings with related parties which, mainly, refer to intergroup relationships and towards Directors.

These were transactions regulated by market conditions; the table below summarizes the balance sheet and income statement values recorded in the Parent Company's financial statements as of 31 December 2019, arising from transactions with related parties.

The effects on the income statement follow:

Income Statement	Notes	2019	of which related parties	%	2018	of which related parties	%
(Thousands of Euros)							
Revenues	1	5.017	4.945	99%	4.652	4.585	99%
Other incomes	1	0			4		
Purchase of materials and external services	2	(3.477)	(1.186)	34%	(2.814)	(1.789)	64%
Personnel cost	3	(1.099)	(360)	33%	(1.293)	(751)	58%
Other operating (charges)/incomes	4	0			(37)		
Write-downs of receivables from customers	5	(109)			(110)		
Restructuring costs	5	(47.236)			(130)		
Operating result		**(46.905)**	**3.399**		**272**	**2.045**	
Financial Income	6	46.022	0		0	0	
Financial Expenses	6	(1.087)	0		(5)	0	
Income (loss) before tax		**(1.970)**	**3.399**		**267**	**2.045**	
Taxation	7	(537)	0		(127)	0	
Net result from operating activities (ongoing)		**(2.507)**	**3.399**		**140**	**2.045**	
Result from held for sale and discontinued operations	8	0			0		
Net result		**(2.507)**	**3.399**		**140**	**2.045**	

The effects on the balance sheet follow:

Statement of Equity and Liabilities	31 December 2019	o/w related parties	%	31 December 2018	o/w related parties	%
(EUR/000)						
Non-current assets	246.035	115.533	46,96%	193.326	78.241	40,47%
Current assets	16.286	15.334	94,15%	14.045	13.202	94,00%
Total Assets	**262.321**	**130.867**		**207.370**	**91.443**	
Net equity	45.990	0	0,0%	43.192	(13)	0,0%
Total net equity	**45.990**	**0**		**43.192**	**(13)**	
Non-current liabilities	185.517	184.754	99,59%	143.774	143.398	99,74%
Current liabilities	30.814	1.069	3,47%	20.405	1.096	5,37%
Total Net equity and Liabilities	**262.321**	**185.824**		**207.370**	**144.480**	

The most significant balances, as at 31 December 2019, summarized by service supplier, follow:

INCOME STATEMENT VALUES		31 december 2019				31 december 2018			
migliaia €		Cost	Devaluation	Interest income (expense)	Revenues	Cost	Devaluation	Interest income (expense)	Revenues
Tiscali Italia S.p.A.	1	(330)			4.945	(169)			4.585
Veesible S.r.l.	1								
Aria S.p.A.	1								1.995
Total Group companies		**(330)**	**0**	**0**	**4.945**	**(169)**	**0**	**0**	**6.580**
Other Related Parties									
Board of Directors' Remuneration		(744)				(1.375)			
Strategic Executives' Remuneration		(467)				(1.008)			
Stock Option		(5)				13			
Other Related Parties		**(1.216)**	**0**	**0**	**0**	**(2.370)**	**0**	**0**	**0**
Total Group Companies and other Related Parties		**(1.546)**	**0**	**0**	**4.945**	**(2.539)**	**0**	**0**	**6.580**

(1) Company of the Group

BALANCE SHEET VALUES	Note	31 December 2019							
EUR 000		Trade Receivables	Financial receivables	Trade payables	Financial payables (within 12 months)	Financial payables (beyond 12 months)	Payables to personnel	Other Current Liabilities	Stock Option Reserve
Tiscali Financial Services Sa	1	-	3.511	-	-	3.511	-	-	-
Tiscali International BV	1	-	516	-	-	516	-	-	-
Tiscali International Network BV	1	-	-	-	-	25	-	-	-
Tiscali Italia S.p.A.	1	15.301	109.907	770	-	95.223	-	-	-
Indoona S.r.l.	1	-	-	-	-	-	-	-	-
Veesible S.r.l.	1	33	1.539	0	-	6.621	-	-	-
Aria S.p.A.	1	-	0	-	-	78.354	-	-	-
Total Group Companies		**15.334**	**115.472**	**770**	-	**184.250**	-	-	-
Other Related Parties									
Receivables deriving from the Istella sale		-	61	-	-	-	-	-	-
Board of Directors' Remuneration		-	-	-	-	-	-	272	-
Strategic Executives' Remuneration		-	-	-	-	-	27	-	-
Stock Option		-	-	-	-	-	-	-	5
Other Related Parties		-	**61**	-	-	-	**27**	**272**	**5**
Total Group Companies and other Related		**15.334**	**115.533**	**770**	-	**184.250**	**27**	**272**	**5**

(1) Company of the Group

Disputes, contingent liabilities and commitments

The following is a summary of the main proceedings in which Tiscali S.p.A. is involved.

Proceedings of a Criminal Nature

In September 2013, Tiscali S.p.A. received, pursuant to Law Decree No. 231/2001, a notice of conclusion of preliminary investigations into alleged conduct of false corporate communications related to the financial statements from 2008 to 2012. The subsidiary Tiscali Italia received the same notice in January 2014. The offense against the Company and some Directors refers to alleged incorrect accounting entries in respect of provisions for doubtful debts, as per Article No. 2622 of the Civil Code. In June 2016, at the end of the preliminary hearing, the two companies were sent to trial, as well as the Directors accused. The trial phase began in October 2016.

In April 2019, the Second Criminal Section of the Court of Cagliari issued its judgment, which fully acquitted the Group companies and their managers from the accusation of false corporate communications, also for the crimes for which the statute of limitations had meanwhile expired, thus acknowledging the full correctness of their actions. The hearing made it possible to ascertain that the financial statements were drawn up in full compliance with the regulations in place to ensure the transparency of corporate information for the protection of all parties concerned.

Remuneration of Directors, Statutory Auditors and Executives with Strategic Responsibility

Pursuant to Article No. 78 of the implementing regulation of the Law Decree No. 58/1998, issued by CONSOB under Resolution No. 11971/99, the fees paid to Directors and Statutory Auditors follow:

Board of directors in office from 1 January 2019 to 27 June 2019

Name and Surname	Position	Term of Office	Remuneration for the Position	Remuneration for the committees	Non-monetary benefits	Other forms of Remuneration	Total EUR
Board of Directors							
Okun Alexander	Chairman	In office from 26 Jun 2018 to the approval of the financial statements as of 31 Dec 2018	42.603	-	-	5.094	47.697
Alex Kossuta	CEO	In office from 26 Jun 2018 to the approval of the financial statements as of 31 Dec 2018	178.771	-	-	4.081	182.852
Paola De Martini	Director	In office from 26 Jun 2018 to the approval of the financial statements as of 31 Dec 2018	24.384	-	-	9.110	33.493
Anna Belova	Director	In office from 26 Jun 2018 to the approval of the financial statements as of 31 Dec 2018	24.384	-	-	963	25.347
Alina Sychova	Director	In office from 26 Jun 2018 to the approval of the financial statements as of 31 Dec 2018	24.384	-	-	-	24.384
Oleg Anikin	Director	In office from 26 Jun 2018 to the approval of the financial statements as of 31 Dec 2018	24.384	-	-	-	24.384
Renato Soru	Director	In office from 26 Jun 2018 to the approval of the financial statements as of 31 Dec 2018	24.583	-	-	318	24.901
Totale							**363.057**

Board of directors in office from 27 June 2019 to 31 December 2019

Name and Surname	Position	Term of Office	Remuneration for the Position	Remuneration for the committees	Non-monetary benefits	Other forms of Remuneration	Total EUR
Board of Directors							
Alberto Trondoli	Chairman	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	61.333	-	-	-	61.333
Renato Soru	CEO	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	177.917	-	4.282	50.000	232.198
Manilo Marocco	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	12.778	2.556	-	-	15.333
Anna Belova	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	12.708	2.542	-	570	15.820
Sara Polatti	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	12.778	2.556	-	-	15.333
Federica Celoria	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	12.778	7.667	-	-	20.444
Patrizia Rutigliano	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	12.778	7.667	-	-	20.444
Totale							**380.907**

Board of Auditors:

Nome e Cognome	Carica	Durata della Carica	Emolumenti per la carica	Benefici non monetari	Altre forme di remunerazione	Totale €
Collegio Sindacale						
Barbara Tadolini	Presidente	in carica dal 27.06.2019 all'approvazione bilancio 31.12.2021	46.800		417	47.217
Emilio Abruzzese	Sindaco Effettivo	in carica dal 27.06.2019 all'approvazione bilancio 31.12.2021	36.400			36.400
Valeria Calabi	Sindaco Effettivo	in carica dal 27.06.2019 all'approvazione bilancio 31.12.2021	36.400			36.400
Totale						**120.017**

It should also be noted that the total value of the cost incurred in 2019 for the remuneration of executives with strategic responsibilities amounts to approximately EUR 0.5 million.

Annex - Information pursuant to Article No. 149-*duodecies* of the CONSOB Issuers' Regulations.

The following table, drawn up in accordance with Article No. 149-duodecies of the CONSOB Issuers' Regulations, indicates the fees for FY 2018 for auditing services and those for other services provided by the independent auditing firm:

Type of Service	Party providing the Service	Beneficiary	Fees
(EUR 000)			
Financial Audit	Deloitte&Touche SPA	Parent Company – Tiscali S.p.A.	242
	Deloitte&Touche SPA	Subsidiaries	-
Other professional Services required by law	Deloitte&Touche SPA	Parent Company – Tiscali S.p.A.	50
	Deloitte&Touche SPA	Subsidiaries	
Other services	Deloitte&Touche SPA	Parent Company – Tiscali S.p.A.	-
Total			292

Proposed allocation of the result for the year

Dear Shareholders,

The financial statements at 31 December 2019 which we submit for your approval closed with a loss of EUR 2,506,728.78.

We propose that you approve the Financial Statements, consisting of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders’ Equity, Statement of Cash Flows and these explanatory notes as prepared and cover the loss for the year with the reserves available in shareholders' equity.

Cagliari, 27 April 2020

2019 Consolidated Financial Statements certification in compliance with Article No. 81-*ter* of the CONSOB Regulation No. 11971 dated May 14, 1999 and subsequent amendments and additions

The undersigned, Renato Soru in his capacity of Chief Executive Officer, and Roberto Lai, in his capacity of the Officer in charge of Preparing the Company's Accounting Documents of Tiscali S.p.A., hereby certify, with account also being taken of the provisions of Article No. 154-*bis*, Paragraphs 3 and 4, of Italian Law Decree No. 58 dated 24 February 1998:

- the adequacy in relation to the Company's characteristics;
- the effective application of the administrative and accounting procedures for the formation of the financial statements in FY 2019.

Tiscali S.p.A. has adopted as a reference framework for the definition and evaluation of its internal control system, with particular reference to internal controls for the preparation of the financial statements, the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents a body of general principles of reference for the internal control system generally accepted at international level.

It is also hereby certified that the financial statements as at 31 December 2019:

- have been drafted were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union, as well as with the legislative and regulatory provisions in force in Italy;
- are consistent with the results of accounting books and entries;
- are suitable for providing a true and fair view of the equity, economic and financial situation of the issuer and all the companies included in the consolidation area.

Lastly, it is hereby certified that the Management Report includes a reliable analysis of the references to important events which have taken place during the year and of their effect on the consolidated financial statements, together with a description of the main risks and uncertainties

Cagliari, 27 April 2020

The Chief Executive Officer

The Officer in charge of Preparing the Company's Accounting Documents

Renato Soru

Roberto Lai

Shared access

Technique of unbundled access to a local network, in which the former monopoly operator rents part of the frequency spectrum to other operators: the operator can supply broadband services in this section of the spectrum, while the former monopoly operator continues to supply telephony services on the unused portion of spectrum.

ADSL

Acronym for Asymmetric Digital Subscriber Line, an asymmetric (the receiving bandwidth is greater than the bandwidth available for transmission) DSL technology which allows high-speed internet access.

ADSL2+

ADSL technology, which extends the capacity of the ADLS base by doubling the flow of bits in download. The bandwidth can reach up to 24 Mbps for downloads and 1.5 Mbps for uploads, depending on the distance between the SDLAM and the user's home.

Areas not covered

Also called "indirect access areas", they identify geographical areas that are not directly served by the Tiscali network (see also Bitstream and Wholesale).

ARPU

Average revenue from fixed and mobile telephony services by user calculated over a determined period for an average number clients of the Tiscali Group or active clients (for other operators) in the same period.

Bitstream

Bitstream (or numerical flow) service: a service consisting of the supply on the part of the access operator of the fixed telephone line of the transmission capacity between the location of the final user and the point of presence of an operator or ISP offering wide bandwidth to the final user.

Broadband	System of data transmission in which multiple data is sent simultaneously to increase the effective speed of transmission with a data flow equivalent or superior to 1.5 Mbps.
Broadcast	Simultaneous transmission of information to all nodes of a network.
Unique browsers	The number of different browsers that, in a determined period of time, access a site one or more times.
Access fee	It is the amount debited by national operators for each minute of use of their network by managers of other networks. It is also called “interconnection fee”.
Capex	Acronym for Capital Expenditure. Identifies outgoing cash flows generated by investments in the operating structure.
Carrier	Company that makes the telecommunication network physically available.
Co-location	Dedicated spaces in the machine rooms of an incumbent operator for the installation by Tiscali of its own network devices.
CPS	Acronym for Carrier Pre Selection, a system for preselecting an operator: this enables an operator/supplier of local services to automatically route calls on the network of the carrier selected by a client who no longer has to enter special selection codes.
CS	Acronym for Carrier Selection, a system for selecting an operator: enables a client to select, by entering a special code, a long distance national or international operator other than that with whom he/she has a network access subscription.
Business customers	SoHos, small medium and large businesses.

Consumer customers	Customers who subscribe to an offer intended for households.
Dial Up	Narrowband internet connection by means of a normal telephone call, usually charged on a time basis.
Digital	This is the way of representing a physical variable in a language that uses only the figures 0 and 1. The figures are transmitted in binary code as a series of impulses. Digital networks, which are rapidly replacing the old analogue networks, allow greater capacities and greater flexibility by using computerized technologies for the transmission and handling of calls. Digital systems offer less noise interference and can include encryption as protection from outside interference.
Double Play	Combined offer of access to the Internet and fixed telephony.
DSL Network	Acronym for Digital Subscriber Line Network, which is a network built from existing telephone lines using DSL technology instruments that, by using sophisticated modulation mechanisms, enable data packets to be sent along copper wires and thus the linking of a telephone handset to a modem at a home or in an office.
DSLAM	Acronym for Digital Subscriber Line Access Multiplexer, a device used in DLS technologies, to multiply the transmission of data at high capacities on telephone wires, where a multiplexer means a device that enables the transmission of information (voice, data, videos) in flows by means of direct and continuous connections between two different points on a network.

Fiber Optic	Thin fibers of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fiber optic cable contains various individual fibers, each capable of carrying a signal (light impulses) over a virtually limitless band length. They are usually used for long distance transmissions, for the transmission of "heavy data" so that the signal arrives protected from interference, which it might encounter along its own path. A fiber optic cable's carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.
GigaEthernet	Term used to describe the various technologies that implement the nominal speed of an Ethernet network (the standard protocol for cards and cables for high-speed connections between a computer and a local network) of up to 1 gigabit per second.
Home Network	Local network made up from various kinds of terminals, devices, systems and user networks, with related applications and services including all the apparatus installed at user premises.
Hosting	Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.
Incumbent	Former monopoly operator active in the telecommunications field.
IP	Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol), created for interconnecting ungrouped networks by technology, services and handling.
IPTV	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet

connections.

IRU	Acronym for Indefeasible Right of Use, long-term agreements that guarantee the beneficiary the option of using the grantor’s fiber optic network for a long period.
ISDN	Acronym for Integrated Service Digital Network, a telecommunications protocol in Narrowband able to carry in an integrated form various kinds of information (voice, data, texts, and images) coded in digital form on the same transmission line.
Internet Service Provider or ISP	Company that provides Internet access to single users or organizations.
Leased lines	Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.
LTE-TDD	Long Term Evolution Time Division Duplex is a data transmission mobile technology which follows the LTE international standards and which was developed for 4G networks. It is a network technology, which uses one frequency only for transmitting in time-sharing, in other words alternatively between data upload and download with a dynamic adaptation ratio based on the amount of exchanged data.
MAN	Acronym for Metropolitan Area Network, a fiber optic network that extends across a metropolitan area and links a Core Network to an Access Network.
Mbps	Acronym for megabit per second, a unit of measurement that states the capacity (and thus the speed) of data transmission along a computer network.

Modem	Modulator/demodulator: it is a device that modulates digital data in order to permit its transmission along analogue circuits, usually made up of telephone lines.
MNO	Acronym for Mobile Network Operator, an operator of proprietary telecommunications on a mobile network that offers its own services wholesale to all MVNOs (Mobile Virtual Network Operator).
MPF	Acronym for Metallic Path Facility, the pair of copper wires (unscreened twisted pair) that comes from an exchange (MDF-Main Distribution Frame) in an operator's telephone room and arrives at the user's premises (individual or corporate). Connections can be Full or Shared. A Full type connection enables the use of the data service (broadband) in addition to voice traffic. A Shared kind of connection only enables the use of the data service (broadband). In a "shared access" service, the LLU operator (in ungrouped access) provides the ADSL services to the end user, whilst the incumbent operator provides the analogue telephone service using the same access line.
MSAN	Acronym for Multi-Service Access Node, a platform able to carry a combination of traditional services on an IP network and that supports a variety of access technologies such as for example a traditional telephone line (POTS), and ADSL2+ line, a symmetric SHDSL line, VDSL and VDSL2 over a copper or fiber-optic network.

MVNO Acronym for Mobile Virtual Network Operators: a party that offers mobile telecommunications services to the public, using its own mobile network interconnection structures, its own HLR, its own mobile phone network code MNC, Mobile Network Code), its own customer handling (marketing, invoicing and support) and issuing its own SIM cards, but does not have assigned frequencies and takes advantage, for access, of agreements negotiated or regulated via one or more licensed mobile network operators.

Narrowband System for connecting to data networks, for example the Internet, by means of a telephone call. In this kind of connection all, the bandwidth used for the means of transmission is used as a single channel: one single signal occupies all the available bandwidth. The bandwidth of a communications channel identifies the maximum quantity of data that can be carried by means of transmission of the unit over time. The capacity of a communication channel is limited by the frequency interval that the equipment can sustain and by the distance to be travelled. An example of a Narrowband connection is the common modem narrowband connection at 56 kbps.

OLO Acronym for Other Licensed Operators, operators other than the dominant one that operate in a national telecommunications services market**.**

Opex Acronym for Operating Expenses, which are direct and indirect costs that are recoded in the income statement.

Pay-Per-View System by which a spectator pays to view a single programme (such as a sporting event or a film or concert) at the time it is transmitted or broadcast.

Pay TV Pay TV channels. To receive Pay TV or Pay-Per-view, you have to connect a decoder and have an access system subject to conditions.

Platform	It is the total of the inputs, including hardware, software and equipment for running and the procedures for production (production platform) or for the management (management platform) or for a special service (service platform).
POP	Acronym for Point of Presence, a site at which telecommunications apparatus is installed and that forms a node on the network.
Portal	Website that forms a point of departure or an entry point for a major group of Internet resources or an Intranet.
Router	Hardware or in some cases software instrument that identifies the next point on the network to which a data packet is to be sent, and routes that data packet towards the end destination.
Service Provider	Party that provides end users and content providers with a range of service, including that of an owned, leased or third party service center.
Server	Computer component that provides services to other components (typically client calls) via a network.
Set-top-box o STB	Device able to handle and route data, voice and television connections, installed at the end user's premises.
Syndication	The sale of radio and TV transmissions wholesale by a media company that owns the rights and usually the delivery platform also.
SoHo	Acronym for Small Office Home office, for small offices, mostly professional offices or small firms.

SHDSL Acronym for Single-pair High-speed Digital Subscriber Line. SHDSL is a technology for telecommunications of the xDSL family and is made by using direct LLU interconnections and enables high-speed connections to be made in a balanced way in both directions (transmission and reception).

Single Play Service including only broadband data access, not combined with other multi play components such as voice and IPTV services. Broadband access may be provided through LLU platforms, Wholesale or Bitstream.

Single Play voice Service including only voice access, not combined with other multi play components such as broadband and IPTV access. Voice service can also be provided by VoIP and CPS procedures.

SMPF Acronym for Shared Metallic Path Facilities, which is synonymous with Shared Access (ungrouped access).

Triple Play A combined offering of fixed and/or mobile telephony, Internet and/or TV made by a single operator.

Local loop unbundling or LLU Unbundled access to a local network, in other words, the possibility that telephone operators have had, since the telecommunications market was deregulated, to use existing physical infrastructures built by another operator to offer its own services to customers, paying a rental to the operator that is the actual owner of the infrastructure.

VAS	Acronym for Value-Added Services; services with added value provide a greater level of functionality compared with the basic transmission services offered on a telecommunications network for the transfer of information between terminals. These include switched analogue voice communications via cable or wireless, a direct digital point to point network "unrestricted" at 9,600 bits/s; packet switching (called virtual) service; analogue and direct broadband transmission of TV signals and extra services, such as closed user groups; call waiting; reverse charging; call forwarding and identification of the number called**.** The value-added services provided over a network, from terminals or specialist centers include message handling systems (MHS) ((which can also be used for commercial documents in accordance with a predetermined format); electronic user directories, network and terminal addresses; e-mail; fax, teletext, videotext and videophone. Value added services may also include voice telephony value added services such as free numbers or paid telephone services.
VISP	Acronym for Virtual Internet Service provision (sometimes also called Wholesale ISP). This is selling of Internet services purchased wholesale from an Internet Service Provider (ISP) that owns the network infrastructure.
VoD	**Acronym for Video On Demand. It is the supply of television programs on request by a user for payment of a subscription or of a sum for each programme (a film, or a football match) purchased. Broadcast in a special way by satellite TV and for cable TV**.

VoIP	Acronym for Voice over internet Protocol, a digital technology that enables the transmission of voice packets through Internet, Intranet, Extranet and VPN networks. The packets are carried according to H.323 specifications, which are the ITU (International Telecommunications Union) standard that forms the basis for data, audio, video and communications on IP networks.
VPN	Acronym for Virtual Private Network, which can be realized on Internet or Intranet. Data between workstations and the server of the private network is sent along common public Internet networks, but using protection technologies against any interception by unauthorized persons.
Virtual local loop unbundling or VLLU	Procedure for accessing a local analogue network by which, even in the absence of physical infrastructures, the conditions and terms of access under LLU terms are replicated. This is a temporary access system that is usually replaced by LLU.
xDSL	Acronym for Digital Subscriber Lines, a technology that, by means of a modem, uses the normal telephone twisted pair and transforms the traditional telephone line into a high-speed digital connection for the transfer of data. ADSL, ADSL 2, and SHDSL etc. belong to this family of technologies.
WI-FI	Service for connection to the internet at high speed wirelessly.

Wi-Max Acronym for Worldwide Interoperability for Microwave Access: it is a technology that enables wireless access to broadband telecommunications networks. It has been defined by the WiMax forum, a worldwide consortium made up of the largest companies in the fixed and mobile telecommunications field that has the purpose of developing, promoting and testing the interoperability of systems based on IEEE standard 802.16-2004 for fixed access and IEEE.802.16e-2005 for fixed and mobile access.

Wholesale Services that consist of the sale of access services to third parties.

WLR Acronym for Wholesale Line Rental, resale by an operator of the telecommunications service for lines affiliated with an Incumbent.

9. Reports