Tiscali Group
Annual Financial Report
as at 31 December 2020

The Board of Directors of Tiscali S.p.A. authorized the publication of this document on 14 May 2021. This document is available online on www.tiscali.it

Tiscali Spa

Registered office in Cagliari, Sa Illetta, SS195 Km 2.3

Share capital EUR 51,655,159.37

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

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1. Consolidated Summary Data

Income statement	2020	2019
(EUR mln)		
Revenue	144.0	142.6
Adjusted Gross Operating Result (EBITDA)	29.1	25.6
Operating Result (EBIT)	(14.3)	(18.6)
Result from held for sale and discontinued operations	0.0	0.0
Net Result	(22.2)	(16.5)

Statement of financial position	31 December 2020	31 December 2019
(EUR mln)		
Total assets	151.4	181.2
Net Financial Debt	92.1	87.0
Net Financial Debt as per Consob	92.9	87.8
Shareholders' equity	(73.0)	(56.0)
Investments	35.9	43.4

Operating figures	31 December 2020	31 December 2019
(thousands)		
Total number of Clients	672.7	668.2
Broadband Fixed	376.7	381.7
of which Fiber	223.2	163.7
Broadband Wireless	39.9	41.8
of which LTE	39.9	40.2
Mobile	256.2	244.7

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 previous 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)	**2020**	**2019**
Result before taxes	**(22,127)**	**(16,359)**
+ Financial Expenses	7,964	11,847
- Financial Income	(440)	(14,452)
+ Result on Investments at equity method	285	359
Operating income	**(14,318)**	**(18,605)**
+ Restructuring costs	2,142	1,997
+ Depreciation and Amortization	41,324	42,176
Gross Operating Result (EBITDA) (*)	**29,147**	**25,568**

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 31 December 2021:

Chairman: Alberto Trondoli (#)

CEO: Renato Soru (#)

Anna Belova (*) (3)
Federica Celoria (*) (1) (2) (3)
Manilo Marocco (1)
Cristiana Procopio (2) (4)
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
(4) Co-opted on 29 September 2020 following the resignation of Director Polatti who had resigned on 29 June 2020.

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's Market Positioning

Tiscali is one of the leading alternative telecommunications operators in Italy.

Through a network based on IP technology, Tiscali offers on the market a wide range of services: Internet access in mode Ultra Broadband Fixed, Broadband and Fixed Wireless, mobile services, digital value-added services, B2B services, media activities through the portal www.tiscali.it with the sale of space through external concessionaire and e-commerce activities.

Fixed Broadband Market Evolution

The Broadband and Ultra Broadband fixed market, the main market covered by Tiscali, in September 2020 (source: Italian Communications Authority – AGCOM, last available update), reached in Italy 17.9 million units, an increase of approximately 2.1% year-on-year.

This increase is still driven by Ultra Broadband accesses (developed on FTTH, FTTC and Fixed Wireless Access technologies) which reached in September 2020 about 11.8 million units, with a growth of 18.3% year-on-year, and represent 66.3% of the total. In the same period, the traditional DLS component has significantly decreased by 1.5 million units (-19.5%). The trend of technological change from DSL offers to Ultra Broadband offers, accelerated by the COVID-19 emergency, is therefore continuing. Tiscali's market share stands at 2.4%, substantially stable on an annual basis. Market leader TIM is at 42.1% and loses 1 p.p. on an annual basis, followed by Vodafone (16.7%), Fastweb (15.1%) and Wind Tre (14.0%).
The evolution of the market by technology shows in the Ultra Broadband area a growth in FTTH access of 41.7%, FTTC of 16% and Fixed Wireless Access of 11.4%.
In the FTTH segment, which has the highest growth rate, in September 2020 Tiscali's market share stood at 5.5%, up 1.6 pp on September of the previous year, making it the second largest in the market after TIM.

The potential of the FTTH market is attracting new operators pursuing a convergence strategy. In June, SKY launched its FTTH fibre offering in 26 cities, and ILIAD and Poste Mobile announced their entry into the market in 2021.

Mobile Market

The mobile services market in September 2020 (source AGCOM) shows a decline in the total number of lines of 0.2 million units year-on-year: 104.1 million sims in September 2020 compared to 104.3 million in September 2019, of which 26.3 million units are “M2M” (Machine To Machine) sims accounting for 25.3% of the total, with growth of 2.8 million year-on-year, and 77.8 million are “human” sims that carry “voice only” and “voice+data” traffic and are down by approximately 3 million units year-on-year (and down by 0.3 million units on a quarterly basis).

With reference to overall sims, Vodafone is the market leader with a market share of 29.1%, followed by Tim with 29% and Wind Tre with 26.1%, while Iliad represents 6.6% of the market. Considering only the “human” sim segment, i.e. excluding M2Ms, Iliad reaches 8.8%, while Wind Tre, despite a share decreasing by 2.5 percentage points on an annual basis, remains the main operator with 28.2%, followed by Tim (26.5%) and Vodafone with 24.1%.
Tiscali operates in the MVNO market, which has around 9.6 million SIM cards (9.3% of the total and 12.3% of the human market).

In the mobile market, Tiscali recorded growth in its customer portfolio, which stood at around 256,000 at 31 December 2020, a 4.7% increase compared to 31 December 2019.

Total data traffic in the market, as of September 2020, continues to grow significantly: +52.4% year-on-year. There has been an increase since Q2 2020 as a result of the COVID-19 emergency. Sims with data traffic reached 73.1% of total human traffic with consumption of 9.23 GB/month (+48.1% year-on-year) driven by the consolidated use of video, streaming and on-demand applications.
Tiscali’s mobile offering is available in 7,750 Italian municipalities (TIM network), representing 99% of national coverage, the most extensive in Italy.

Online Advertising Market

The online advertising market recorded a decrease of 0.8% in 2020. In the last months of the year, the decrease in the first half of the year due to the COVID-19 emergency was partially recovered.
Looking at the details by type of access device, it can be seen that the only device that failed to grow is the Desktop with -4.5%, while Smartphone with +5.1% and Smart TV with +89.6% end the year on a positive note (Smart TV has high growth percentages but in absolute terms it is still below EUR 3 million, with annual investments of EUR 2.8 million in 2020 compared to EUR 1.5 million in 2019). The FCP (Federazione Concessionarie Pubblicitarie) Observatory had already recorded the first signs of recovery in investments in July and the end of the year shows that, even in a health emergency, the digital media sector remains crucial for advertising investors. Mobile advertising is confirmed as one of the main future drivers of market growth – in fact, if we look at the trend of investments per use, Apps grew by 12.9% in 2020.

With regard to the activities of the Tiscali portal, in 2020 the activity begun at the end of 2019 to search for potential publishing partners to activate collaborations with on the creation of thematic content to enrich the editorial offer continued.
In September 2020, Tiscali signed a commercial agreement with the proptech Vivoqui, under which a platform was activated on the tiscali.it portal that makes services provided by Vivoqui in the field of property sales and purchases available to portal users.

In the second half of 2020, Tiscali launched the new Tiscali Shopping Channel, which now has around 100 merchants and generates around 500,000 visits per month. Every day, shopping suggestions are published on the best products on the market and the aim is to develop the shopping platform even further in the future.
As of 1 March 2021, advertising sales have been entrusted to IOL Advertising. This new partnership will allow the development of industrial synergies between two companies that have innovation at heart.
In addition, they will work together to address the challenges that the market will present, including the new scenario resulting from the decision by Google and other browsers to no longer allow tracking of users through cookies from third-party providers other than the sites visited by users. This new mode will give more importance to the data held by individual publishers, registrations, browsing interests, and semantic analysis of contents. This is a real revolution for the advertising market. Tiscali will commit, in this new scenario, to maximize the internal data assets consisting of the registration data of Tiscali Mail users in compliance with the privacy policy in force.

4.2. Regulatory Framework

The following summarises the main regulatory actions taken in 2020.

The following summarises the main regulatory actions taken during the reporting period.

Market analysis of electronic communication services on fixed networks

- ✓ With reference to the markets for wholesale access services to the network from a fixed location, in implementation of the provisions of resolution No. 348/19/CONS (fourth cycle of analysis), AGCOM, by resolution No. 481/19/CONS, initiated the procedure aimed at defining: *(i)* the minimum level of takeup of Ultra Broadband access services provided over very high-capacity networks expected in 2020, which the Authority will have to use as a reference in order to grant TIM some flexibility in VULA prices for the year 2021 or not; *(ii)* the modalities for verifying the prices of VULA services that TIM may propose in contestable Municipalities in the event that flexibility with respect to the regulated values referred to in the preceding point is granted; *(iii)* TIM’s FTTH or FTTC flagship offers. This procedure was extended to September 2020 and has not yet been completed.
- ✓ With resolution No. 637/20/CONS, AGCOM initiated the preliminary procedure relating to the fifth cycle of coordinated analysis of the markets for fixed network access services and, at the same time, put out

for public consultation the project for voluntary legal separation of TIM's fixed access network notified to the Authority on 2 September 2020. The project envisages the creation of the separate company FiberCop to which the incumbent will confer the passive infrastructures of the secondary copper and fibre access network, together with its own shareholding in the company Flash Fiber (a company whose purpose is to build a fibre network in the main 29 Italian cities, excluding Milan). With this analysis, the Authority intends to acquire the initial comments of the Operators on the unbundling project, and then submit for public consultation the outline of the coordinated analysis measure on the basis of which it will decide, depending on the updated competitive context, whether to maintain, modify or remove the regulatory obligations. The procedure is scheduled to end in June 2021.

✓ With reference to the market for high-quality wholesale access services at a fixed location, with resolution No. 333/20/CONS the Authority concluded the fourth cycle of analysis by publishing the final measure in August 2020. It identifies the Municipality of Milan as a relevant market separate from the rest of Italy and a certain number of so-called *contestable* Municipalities in which the conditions of infrastructural competition allow the removal of the cost-orientation criterion; moreover, for the purposes of the creation of transmission access circuits with high-quality dedicated capacity, it encourages the market to use Ethernet technology on optical fibre through the gradual removal of access obligations for disused technologies and the migration of those little used to the new technology by 2022.

✓ With reference to the fixed network interconnection markets, the identification and analysis procedure (fourth cycle), initiated by AGCOM with resolution No. 327/19/CONS in 2019 and aimed at assessing the wholesale interconnection tariffs for telephone traffic collection and termination services, has not yet been concluded.

TIM Reference Offers

In March, the Authority launched the preliminary proceedings and public consultations concerning the approval for 2019 and 2020 of the TIM Reference Offers relating to copper Bistream and NGA (Resolution No. 193/19/CIR), ULL, SLU, colocation and WLR (Resolution No. 194/19/CIR) and Vula (Resolution No. 195/19/CIR) respectively.

The aforementioned Offers put out to consultation provided for a considerable increase in one-off activation costs for access services (Vula; ULL; Bitstream) of non-active types (LNA). In its approval resolutions, published on 1 September, the Authority, accepting the reasons also set out by Tiscali in its submissions, substantially reduced the increases envisaged by TIM and therefore averted the expected financial outlay by decreeing modest increases.

Effects of containment measures resulting from the COVID-19 pandemic

On 23 February, the Council of Ministers issued the Law Decree No. 6, which resulted in the total closure of Municipalities with active outbreaks and the suspension of demonstrations and events in the same

Municipalities; in the following days, the President of the Council of Ministers issued a series of Implementation Decrees (Decree of the President of the Council of Ministers or DPCMs) in which the restriction measures became progressively stricter and extended to the entire national territory.

With reference to traffic volumes, right from the first days of lockdown, Tiscali was able to see a considerable increase in traffic on all network segments, linked to an increase in the simultaneous use of the service, particularly with regard to video applications. It was therefore necessary, in order to guarantee the same service quality standards, to design an emergency intervention plan composed of several phases and structured according to three time frames: immediate, short-term and medium-term.

The immediate measures consisted of an acceleration of all the interventions on the network that had already been planned, and consisted in the conversion of hardware and circuits (intended for other non-critical services) for the expansion of access capacity and the IP backbone, as well as the immediate expansion of interconnections to national NAPs and IP Transit Providers. The short-term measures involved the acquisition of new HW and new Circuits, which, within a week of their activation, increased network capacity to bring bandwidth levels and machine utilisation within safety standards. The medium-term measures, instead relate to projects for major interventions on the five main nodes of the network, i.e. the Rome, Milan, Bologna, Turin and Cagliari POPs.

Article No. 82 of the so-called *Cura Italia* Law Decree established a series of measures to which Operators providing electronic communications networks and services had to comply; in particular: in order to cope with the increased demand for services and the increase in traffic on the electronic communications networks, it has been established that Operators are required to upgrade the infrastructures in order to guarantee the functioning of the networks and the operation/continuity of the services, guaranteeing uninterrupted access to emergency services. In addition, telecommunications companies are required to meet any reasonable request from users to increase network capacity and service quality, giving priority to requests coming from structures and sectors deemed as “priority” by the emergency unit of the Presidency of the Council of Ministers or by Regional Crisis Units.

Tiscali also took part in the “Telco and Consumers” round table opened by AGCOM with the aim of coordinating actions aimed at strengthening and securing telecommunications networks and services and the accessibility of digital services, sending its contribution with an indication of the initiatives undertaken in support of customers, including: discontinuation of actions to suspend customers in arrears, implementation of remote top-ups and expansion and strengthening of customer service channels.

Supervision of electronic communications services, numbering and universal service

✓ In Resolution No. 396/18/CONS, the Authority ordered Telecom Italia to set up a precise set of urgent measures aimed at preventing the improper use of wholesale assurance data by parties who unlawfully use the data of customers who have requested repairs to faults or degradations on their line. The

Authority has also set up a technical roundtable with Telecom Italia and the other fixed-network Operators with a view to modifying processes and making customer data available on TIM's wholesale portal inaccessible to the plurality of profiles authorised to access it.

Following the conclusion of the work of the technical panel set up by Resolution 396/18/CONS, the Authority has approved the technical proposal for the encryption of the telephone number communicated by retail operators to TIM in the event of failure of one of their customers 'lines. This will prevent unauthorised parties from seizing customer data and using them in the illicit market for telephone numbers, for unfair commercial practices, for example by disclosing numbers to telemarketers, in violation of sector regulation.

Following the adoption of Resolution No. 420/19/CONS, the Authority also launched a technical panel to

extend the encryption of the telephone number communicated by a retail operator to TIM when the operator requests the activation of a customer via TIM's access network.

- ✓ With regard to numbering, with resolution No. 330/20/CIR, AGCOM has launched a public consultation in order to assess changes to the current rules on donations through telephone credit on numbers with a 455 code. The purpose of the procedure is to implement the provisions of the Decree of the Ministry of Economic Development No. 73 of 5 February 2019 regarding the introduction of recurring donations on permanent numbers with code 455.
  Tiscali has submitted its contribution to the consultation in which it requests that the introduction of recurring campaigns be provided for in an exclusively optional form in view of the significant economic and technical burdens resulting from the proposed measures.

- ✓ On the subject of the Universal Service, AGCOM, by way of resolution No. 263/20/CIR, has initiated the preliminary procedure concerning the review of the analysis of the unfairness of the net cost of the universal service for the years 1999-2009.
  The central theme of the measure is the level of fixed-mobile substitutability that the Authority had used as a basis for extending the allocation of the net cost of the universal service to mobile operators, which was deemed as "fallacious" by the Council of State in ruling No. 6881 of 8 October 2019. On the basis of this ruling, with reference to the years 1999, 2000, 2002 and 2003, the Authority intends to re-examine the unfairness of the net cost and extend it to the years 2008-2009.
  At the end of the proceedings, the terms of which have been extended, the Authority, in the light of technological and scientific innovations, could come up with a new and reasonable criterion for apportioning the contribution burden, i.e. another and different taxable assumption, which could lead to the imposition of new charges on Tiscali.

Free Modem

During the first half of 2020, the Authority once again intervened on the “free modem” issue following the Lazio Regional Administrative Court ruling No. 1200/2020, which, in partial acceptance of the TIM appeal, annulled Article No. 4, paragraph 3, letter b) of resolution No. 348/18/CONS in the part which prohibits the Operator from applying the penalty for failure to return the device granted on free loan. Therefore, AGCOM, in compliance with the Administrative Judge’s ruling, has published resolution No. 34/20/CONS which amends the aforementioned resolution, imposing the obligation to provide a commercial offer that does not include the modem, even if it is granted on free loan. Tiscali is working to revise its underlying processes so that it will be possible to market connectivity services without the device it provides.

The Authority has also ordered the launch of a new information campaign aimed at the customer base that used the mandatory pay-as-you-go modem, in order to make them aware of the possibility of acquiring a device of their choice. Tiscali, at AGCOM’s explicit request, repeated the sending of communications, despite having already done so within the initial deadline set by resolution No. 348/18/CONS.

Measures for disabled consumers

In December 2020, AGCOM put out for consultation a proposal to revise the current regulation on facilitations in favour of disabled consumers. In particular, the Authority proposes updating the regulation in light of the recent evolution of mobile network offers; extending the perimeter of beneficiaries to new categories; and adopting additional measures on transparency, customer assistance and replacement services, with the aim of ensuring that disabled consumers have equivalent access to electronic communication services.

Technical tables to implement the main regulatory provisions

Technical table on the implementation of the unbundling measures provided for in Resolution No. 348/19/CONS for the VULA service:

This is a Technical Table launched in January 2020 to define the measures for implementing VULA service unbundling with regard to the provisioning and assurance processes.

The launch of the Table following the presentation by Tim, on 29 October 2019, of the first draft of the VULA C unbundling proposal, ended on 13 May 2020 with the publication of the final document.

The unbundling of VULA C is complex with inevitable ad hoc IT developments and significant process impacts, but it allows the Operator to entrust TIM or the System Company with provisioning activities (testing, appointment taking, activities at the end customer’s home) and assurance activities (impulse maintenance on secondary network and additional services such as intervention at the customer’s premises). At the same time, adherence to unbundling for VULA determines an operational advantage in terms of the quality of the service provided and an economic advantage that varies according to the volumes to be managed and the proportion of faults managed remotely compared to those that require on-site intervention and can therefore be unbundled. Subscription is based on the signing of a framework agreement with TIM, published on the AGCOM portal.

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

Following the conclusion of the public consultation, the Authority adopted Resolution No. 82/19/CIR, which governs the case of the switchover of customers of fixed-network operators using FTTH networks of wholesale operators other than TIM, ensuring that the migration of physical access and associated numbers takes place in a synchronised, technically efficient manner and in the shortest possible time. Resolution No. 82/19/CIR ordered the launch, in sequence, of two specific technical tables: the first aimed at defining the specifications for the "3-operator scenario"; the second aimed at defining the technical specifications for the implementation of the "5-operator scenario". On 12 March 2020, the technical specifications shared by the participating parties were published so that the donor operators, even if not directly involved in the transfer of FTTH access, in their capacity as wholesale network operators or retail operators, would implement the interfaces necessary for the exchange of NP notifications with the recipient.

Voucher plan for the Ultra Broadband connection

The Connectivity Voucher Plan is a measure introduced by the Ministry (Decree of 7 August 2020 – Voucher Plan for Low-Income Households) to promote and incentivise the diffusion of Ultra Broadband connectivity services in all areas of the country and, at the same time, support less well-off households in overcoming the current digital divide.

The Plan provides for the disbursement of a contribution of a maximum value of EUR 500 that includes both connectivity at least 30 Mbps and electronic devices (CPEs) and a tablet or personal computer provided by the Operator.

Resources will be allocated on a regional basis according to the availability of the Fund for Development and Cohesion (FDC) in the various areas of the country.

To access the voucher, citizens can apply directly to one of the accredited Operators which have submitted bids approved by Infratel Italia, which manages the measure on behalf of the Ministry of Economic Development (MiSE).

Tiscali was one of the first operators to make the voucher offer available on the date the measure was launched, i.e. 9 November 2020, offering a bundle of connectivity in FTTC and FTTH technology and a tablet both for new customers and for its customer base still in Broadband technology.

Ultra Broadband market development project in Italy

On 29 January 2021, TIM published its Co-Investment Offer for the construction of the secondary fibre access network, which forms part of the voluntary separation of TIM's access network known as the FiberCop project (the company into which Tim has transferred the portion of the network – copper and fibre – that goes from street cabinets to customers' homes).

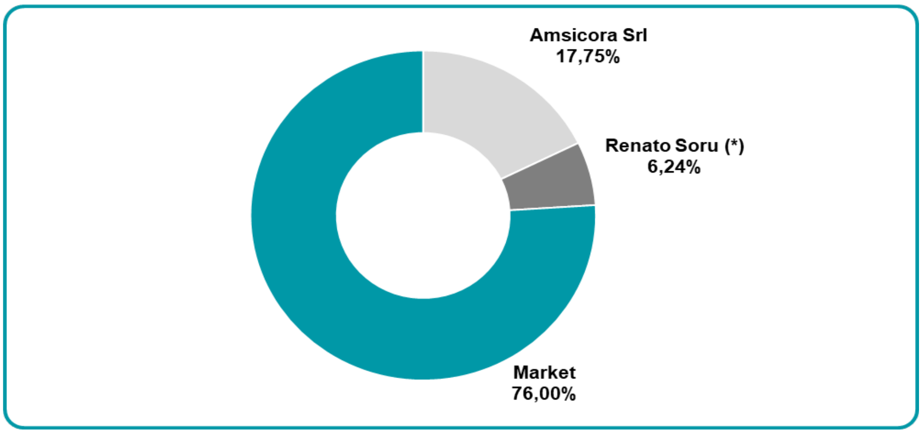
At the same time, the Offer of Co-Investment was notified to the Communications Regulator (AGCOM) so that it could assess it in accordance with the new European Electronic Communications Code and take the consequent measures.

4.3. Tiscali's Shares

Tiscali's shares have been listed on the Italian Stock Exchange (Milan: TIS) since October 1999. As at 31 December 2020, market capitalization amounted to EUR 148,293,910, calculated on the value of EUR 0. 02930 per share out of a total of 5,061,225,582 shares. At the date of approval by the Directors of this annual report as at 31 December 2020, the value per share amounted to EUR 0. 0253, with a market capitalization of EUR 128,049,007 million.

Shares Structure:

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



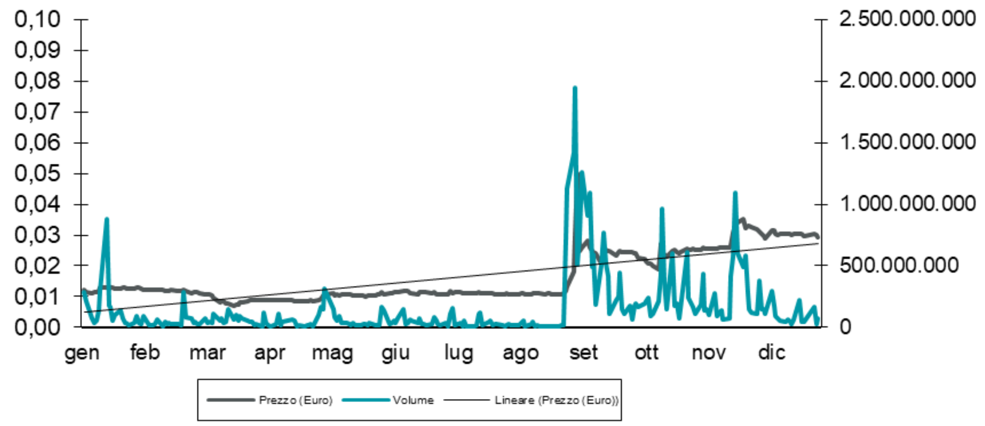
Source: Tiscali

(*) Directly for 5.24%, and indirectly through the part-owned companies Monteverdi Srl (0.35%), Cuccureddus Srl (0.65%).

Tiscali's Shares Trend

The graph illustrated below shows the trend of Tiscali shares over the course of the FY 2020, characterized by significant trading volumes, in particular in the month of January, August, September, October and November.

Fig. 2 – Shares trend during the FY 2020



Source: Bloomberg data processing

The average monthly price in the FY 2020 was EUR 0.016. The maximum price in the period was of EUR 0.0499 and it was recorded on 2 September 2020, while the minimum price of EUR 0.0071 was recorded on 16 March 2020.

Trading volumes settled on a daily average of approximately 152.3 million shares for a corresponding daily average value of EUR 2.5 million.

Average trading of Tiscali shares on the Italian Stock Exchange during the FY 2020		
	Price (EUR)	**Number of Shares**
January	0.012	139,589,070
February	0.012	47,318,609
March	0.009	63,189,275
April	0.009	61,213,363
May	0.011	52,657,313
June	0.011	45,106,206
July	0.011	41,038,387
August	0.011	171,301,030
September	0.026	530,025,417
October	0.024	266,413,117
November	0.029	294,943,016
December	0.030	115,251,489
Average	**0.016**	**152,337,191**

Tiscali's total market capitalization, which for the FY 2020 amounted to EUR 77.6 million (calculated on the average annual value per share of 0.0162 out of an average annual number of shares of 4,784,961,393), compares with net equity of the parent company of EUR 52.9 million (with a consolidated equity deficit of EUR 73 million). The difference between average stock market capitalization and the value of consolidated equity, amounting to EUR 150.7 million, is representative of the Group's future profitability prospects, incorporated in the cash flows resulting from the New 2021-2023 Business Plan.
As at 31 December 2020, the market capitalisation – based on the value of Tiscali shares at the date – amounted to EUR 148.3 million.

4.4. Main activities carried out and results achieved during the FY 2020

In terms of strategy, in 2020 Tiscali focused on developing the fibre market, where it is confirmed as the Italian telecommunications operator with access to the greatest coverage thanks to the plurality of agreements signed with the main network operators, as well as on developing 4G mobile offers with speeds of up to 100 Mbps.
Ultra Broadband offerings (Fibre FTTH up to 1 Giga and FTTC up to 200 and 100 Mbps, Fixed Wireless up to 100 Mbps) were highly appreciated by users, so much so that they grew by 36.3% year-on-year.
Tiscali was one of the first operators to choose to bring FTTH services to the homes of Italians living in the so-called *extended digital divide* areas, joining Open Fiber's offer for areas C and D of the country, with coverage that has almost tripled by 2020, reaching 866 municipalities. Thanks to the increase in FTTH coverage, Tiscali's market share at 30 September 2020 in this technology is 5.5%, with a 1.6% growth year-on-year (this is the second highest growth after TIM – source: AGCOM, report at 30 September 2020).
In this regard, Tiscali also participates in the "Connectivity Voucher Plan", the measure promoted by MiSE to promote the spread of Ultra Broadband connectivity services throughout the country with the aim of overcoming the digital divide and supporting the population with geographical and income limitations.
The Company confirms its significant presence in the Sardinian territory where, at the end of 2020, thanks to the Bitstream NGA network, it had achieved Ultra Broadband coverage of approximately 295 out of 377 Municipalities with UBB FTTC (up to 200 Mbps) or FTTH (up to 1 Gigabit) technology. More broadly, the national development plan envisages the completion of access to the NGA Bitstream network in the first half of 2021, with a potential market increase of around 1.2 million households.
Mobile customers grew by 4.7%, from 245 thousand units as at 31 December 2019 to 256 thousand units. Starting from the end of 2019, Tiscali can in fact propose 4G mobile offers with speeds of up to 100 Mbps (MVNO TIM), differentiating itself from low-cost mobile operators that offer "Basic" 4G technology with speeds of up to 30 Mbps.
The economic and financial impacts of the pandemic, which the Company recorded in 2020 and which were the subject of attention by the Directors, mainly concerned advertising revenues, voice and data traffic costs, the limitation on shop footfall, and credit risk. Despite this context, after 11 years Tiscali reversed the downward trend in revenues, recording a 1% increase compared to 2019.
During 2020, in addition to the development, marketing and sale of Ultra Broadband and Mobile services, Tiscali continued its efforts to reduce fixed costs and improve industrial margins, as well as optimising

investments by sharing the networks of other operators, in line with the new business model with low fixed investment intensity adopted from the second half of 2019.

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

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

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

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

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

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

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

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

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

Research and Development

During 2020, research and development activities were carried out, which resulted in the capitalisation of personnel costs and consulting services for EUR 2.5 million.

These activities were aimed at creating applications for the digitalisation of customer care activities and network applications.

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

4.5.1. Economic situation of the Group

Consolidated Income Statement	**2020**	**2019**
(EUR mln)		
Revenue	144.0	142.6
Other income	10.8	15.5
Purchase of external materials and services	100.5	99.3
Personnel costs	18.8	22.4
Other operating expense (income)	0.3	0.8
Write-downs accounts receivable from customers	6.2	10.1
Gross Operating Result (EBITDA)	**29.1**	**25.6**
Restructuring costs	2.1	2.0
Depreciations & amortizations	41.3	42.2
Operating result (EBIT)	**(14.3)**	**(18.6)**
Result from the investments evaluated at equity method	(0.3)	(0.4)
Financial Income	0.4	14.5
Financial Expenses	8.0	11.8
Income (loss) before tax	**(22.1)**	**(16.4)**
Taxation	0.1	0.1
Net result from operating activities (ongoing)	**(22.2)**	**(16.5)**
Result from held for sale and discontinued operations	0.0	0.0
Net result for the period	(22.2)	(16.5)
Minority interests	0.0	0.0
Group Net Result	**(22.2)**	**(16.5)**

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

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In the comments below, non-recurring items have been indicated with reference to the accounting effects of a non-ordinary nature pursuant to CONSOB Resolution No. 15519 of July 27, 2006 (the "Non-Recurring Items"). Details of these items are provided in the notes to the financial statements in the section "Non-recurring transactions".

Income trend for the period

Gross Operating Income as at 31 December 2020 includes the portion pertaining to the FY 2020 of public grants recognised for investments in capital goods (in relation to the Bonus Sud, Industria 4.0 and R&D regulations). These benefits, recorded under the item "Other income", amount to EUR 8.3 million, and are broken down into a portion relating to the FY 2020, amounting to EUR 3 million, and a portion attributable to the previous financial years (2016-2019), amounting to EUR 5.3 million.

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

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

positive EUR 6.8 million, compared to positive EUR 12 million in 2019).

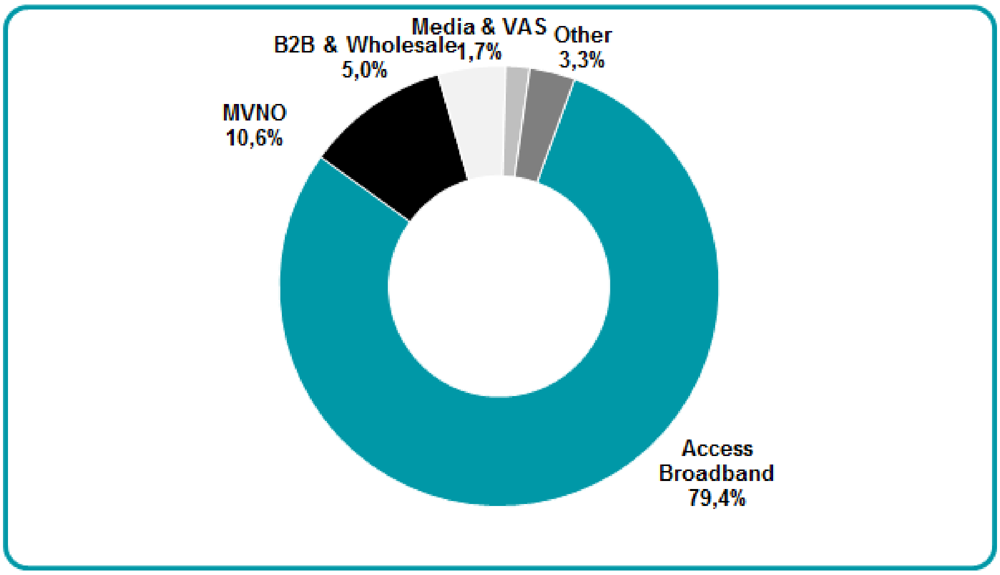
Operating profit (EBIT), net of provisions, impairments and restructuring costs, was negative EUR 14.3 million, an improvement on the 2019 figure (negative EUR 18.6 million). The change in EBIT compared to the comparison period was also influenced by a lower impact of non-recurring items of EUR 5.4 million. The increase for the period of EUR 4.3 million is in fact the result of the combined effect of:

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

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

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

Breakdown of revenues by business line and access mode



Source: Tiscali

Broadband Access

This segment generated revenue of EUR 114.4 million in 2020 (EUR 104.4 million from “Fixed Access” and EUR 10 million from “Fixed Wireless Access”), up 1.4% compared to the 2019 figure (EUR 112.8 million).

The change is attributable to the following elements:

- Fixed BroadBand increase of EUR 2.8 million (+2.7%), attributable to an increase in ARPU, against a slight decrease in the number of customers (from 382 thousand units in 2019 to 377 thousand units in 2020).

  The number of fibre customers increased significantly in 2020, from approximately 164 thousand units at 31 December 2019 to approximately 223 thousand units at 31 December 2020;

Evolution of the customer base (lines)

Active Customer Base		31/12/2020	31/12/2019
Total Broadband Fixed		376,690	381,687
	o/w Fiber	223,186	163,696
Total Broadband Wireless		39,886	41,813
	o/w LTE	39,886	40,234
Mobile (6 months in-out)		256,161	244,727
Total Customer		**672,737**	**668,227**

MVNO

Mobile revenues of EUR 15.2 million as at 31 December 2020 show a 19.2% increase compared to the 2019 figure of EUR 12.7 million.

The customer base shows an increase of 4.7% compared to 2019, from approximately 245 thousand units as at 31 December 2019 to approximately 256 thousand units as at 31 December 2020. In terms of average number/month over the period, the increase in customers is 13% (average customers in 2020 are approximately 250 thousand compared to approximately 221 thousand average customers in 2019).

Business and Wholesale Services

Revenues from business services (VPN services, housing, hosting, domains and leased lines) and from Wholesale of network infrastructure and services (IRU, resale of voice traffic) to other operators (which exclude those relating to access and/or voice products aimed at the same customer segment already included in the respective business lines) amounted to EUR 7.1 million in 2020, down by 22.4% compared to EUR 9.2 million in 2019.

Media

As at 31 December 2020, media segment revenue (mainly related to the sale of advertising space) amounted to approximately EUR 2.5 million and decreased by EUR 1.4 million compared to the 2019 figure (EUR 3.9 million) due to the decline in advertising sales on the traditional web segment. The segment was affected by the COVID-19 emergency, which led to a contraction in advertising investments.

Other Revenues

Other revenue amounted to approximately EUR 4.8 million in 2020, an increase of EUR 0.9 million compared to the equivalent figure for 2019 (EUR 3.9 million).

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

Within indirect operating costs:

- Marketing costs: these amounted to approximately EUR 2.7 million, down by EUR 2.6 million compared to the 2019 figure of EUR 5.2 million. In 2019, this item included higher investments in TV advertising;
- Personnel Costs: amounting to EUR 18.8 million (13% of revenue), down compared to 2019 (EUR 22.4 million, accounting for 15.7% of revenue), due to the reduction in headcount (from 499 FTEs at 31 December 2019 to 480 FTEs at 31 December 2020) and the recourse for certain sectors to the redundancy fund as from April 2020.
- Other Indirect Costs: these amount to approximately EUR 7.6 million and are down by EUR 3.7 million compared to 2019.

Other (income) / expenses

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

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

Other Items

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

Depreciation and amortisation for the period amounted to EUR 41.3 million, a decrease of EUR 0.9 million compared to EUR 42.2 million in 2019.

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

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

Financial income amounted to EUR 0.4 million and related to the release of the value of the put option following the conversion of the bond realised in 2020. In 2019, financial income, amounting to EUR 14.5 million, was entirely related to Non-recurring Items, mainly consisting of the discounting income of the Senior Loan following its renegotiation.

4.5.2. Equity and Financial Position of the Group

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

Assets

Non-current Assets

Non-current assets as at 31 December 2020 amounted to EUR 114 million (EUR 120.5 million as at 31 December 2019) and included tangible and intangible fixed assets, rights of use and customer acquisition costs totalling EUR 109.5 million (a EUR 6.4 million decrease compared to 31 December 2019) and financial assets (including equity-accounted investees) totalling EUR 4.5 million, a EUR 0.1 million decrease compared to the figure as at 31 December 2019.

The decrease of EUR 6.4 million in fixed assets can be broken down into the following macro factors:

- Capital expenditures of EUR 35.9 million, of which EUR 16.6 million in customer acquisition and service activation costs and EUR 19.3 million for network infrastructure and equipment;
- Depreciation and amortisation for the period of EUR 41.3 million;
- Disposals of EUR 1 million.

Current Assets

Current assets as at 31 December 2020 amounted to EUR 37.4 million (EUR 60.7 million as at 31 December 2019) and mainly include:

- Trade receivables of EUR 9.6 million, compared to EUR 15.2 million as at 31 December 2019;
- Cash and cash equivalents, amounting to EUR 4.4 million (EUR 11.6 million as at 31 December 2019);
- Other current receivables and other assets, amounting to EUR 22.9 million (EUR 33.6 million as at 31 December 2019). This item includes *(i)* tax credits allocated on investments in relation to the Bonus Sud, Industria and R&D 4.0 regulations for EUR 16.3 million. The accrued portion of these credits, recorded under "Other Income", amounted to EUR 8.3 million. The remaining portion, equal to EUR 8 million, is recognised among "Current Liabilities" (for EUR 5.9 million) and "Non-current Liabilities" (for EUR 2.1 million), and will be charged to the income statement based on the amortisation process of the same investments; *(ii)* receivables from Fastweb, equal to EUR 2.5 million at 31 December 2020, compared to EUR 24.7 million as at 31 December 2019; *(iii)* prepaid expenses related to the deferral of service costs of EUR 2.4 million, compared to EUR 6.4 million as at 31 December 2019; *(iv)* sundry receivables and advances to suppliers for the remaining amount of EUR 1.7 million, compared to (EUR 2.5 million at 31 December 2019);
- Tax receivables amounting to EUR 0.5 million (EUR 0.2 million as at 31 December 2019).

Shareholders 'Equity

Consolidated Shareholders' Equity was a negative EUR 73 million as at 31 December 2020, compared to EUR 56 million at 31 December 2019.

The change is attributable to the loss for the period of EUR 22.2 million and the positive effect of the conversion of the Tiscali 2019-2020 Bond for EUR 5.3 million.

Liabilities

Non-current Liabilities

Non-current liabilities as at 31 December 2020 amounted to EUR 38.6 million compared to EUR 101.3 million as at 31 December 2019. The decrease is attributable to:

- A decrease of EUR 68.5 million attributable to items relating to the financial position (for which reference should be made to the paragraph below on the Group's Financial Position);
- An increase of EUR 4.7 million in other non-current liabilities, of which EUR 2.1 million related to the deferral of the short-term portion of tax credits for EUR 16.3 million recognised as current assets (see the description "Current assets");
- A decrease in the provision for severance indemnities for EUR 0.1 million;
- An increase in the provision for risks and charges for EUR 1.2 million.

Current Liabilites

Current liabilities amounted to EUR 185.8 million compared to EUR 135.9 million as at 31 December 2019.

The EUR 49.9 million increase compared to 31 December 2019 was due to *i)* an increase of EUR 66.3 million attributable to the reclassification of the long-term portion of the Senior Loan (for which reference should be made to the paragraph below on the Group's Financial Position), *ii)* a decrease of EUR 2.6 million in trade payables, *iii)* a decrease of EUR 5.1 million in tax payables and iv) a decrease of EUR 8.8 million in other current liabilities.

The EUR 8.8 million decrease in "Other Current Liabilities" is due to the combined effect of: *(i)* EUR 5.9 million increase in deferred income related to the deferral of the long-term portion of tax credits for EUR 16.3 million recognised under "Current Assets" (see description under "Current assets"); *(ii)* EUR 1.2 million increase in "Other Deferred Income"; *(iii)* decrease in payables to tax authorities and social security institutions for EUR 13.9 million (mainly due to the decrease in VAT payables for EUR 13.1 million realised due to payments made during the year by the Company); and *(iv)* decrease in other short-term payables for EUR 2 million.

At 31 December 2020, net trade payables past due (net of payment plans agreed with suppliers, accounts receivable and in dispute with the same suppliers) amounted to EUR 22.1 million (EUR 14.3 million as at 31 December 2019). At the same date, overdue current financial payables (net of credit positions) amounted to EUR 0.5 million (zero as at 31 December 2019).

Overdue tax payables amounted to approximately EUR 10.5 million (EUR 27.9 million as at 31 December 2019) and overdue social security payables to employees amounted to EUR 0.1 million (EUR 0.1 million as at 31 December 2019).

As of 31 December 2020, payment reminders have been received in the ordinary course of business. As of that date, the main payment injunctions received by the Company and not paid because they are under negotiation or opposition amounted to EUR 0.9 million (EUR 1.1 million as at 31 December 2019), while the total injunctions received amounted to EUR 2.8 million (EUR 3.1 million as at 31 December 2019).

4.5.3. Financial Situation of the Group

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

With reference to the accounting classification of the Senior Loan, granted by Intesa SanPaolo and Banco BPM (hereinafter referred to as “Bank Pool”), it should be noted that, as at 31 December 2020, the Company had not fully complied with the covenants of this loan. As a result of the negotiations begun in the first months of 2021, an agreement amending the Senior Loan was requested (hereinafter referred to as the “Amendment Agreement”), providing, *inter alia*, that such non-compliance does not give rise to an event of default, that the financial covenants are not subject to review as at 30 June 2021 and that the repayment schedules are revised in accordance with the Company’s cash flow forecasts.

With reference to the breach of covenants, on 14 May 2021, each of the banks sent Tiscali a communication (hereinafter referred to as the “Communication confirming the preliminary investigation”) in order to confirm to the Group that their respective technical departments are completing their analysis of the documentation and that, subject to the absence of obstacles arising from the completion of these activities, they will send their decision-making bodies a request to suspend the activation of the contractual remedies provided for in the event of a breach of the covenants and to suspend the verification of the same as at 30 June 2021 (the “Waiver on Covenants”).

For this reason, on the basis of the provisions of the international accounting standard IAS 1, given that the same were not obtained before the end of the FY 2020, the financial liability relative to the Senior Loan was classified among the “Current Liabilities”.

It should be noted that, as of the date of publication of this report (3 June 2021), the Group has obtained the Waivers on the Covenants previously described.

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

Net Financial Position	Note	31 December 2020	31 December 2019
(EUR 000)			
A. Cash and bank deposits		4.4	11.7
B. Cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		***4.4***	***11.7***
E. Current financial receivables			
F. Non-current financial receivables		**0.8**	**0.9**
G. Current bank payables		1.5	0.1
H. Current portion of bonds issued	(1)	0.0	5.2
I. Current part of long-term loans	(2)	68.4	0.2
J. Other current financial payables	(3)	8.9	6.8
K. Current financial indebtedness (G) + (H) + (I) + (J)		***78.8***	***12.5***
L. Net current financial indebtedness *(K)-(D)-(E)-(F)*		**73.6**	**(0.1)**
M. Non-current bank loans	(4)	3.5	67.9
N. Bonds issued			
O. Other non-current financial payables	(5)	15.1	19.1
P. Non-current financial indebtedness *(M)+(N)+(O)*		**18.5**	**87.0**
Q. Net financial indebtedness *(L)+(P)*		**92.1**	**87.0**

Notes:

(1) *The item related to the Convertible Bond is nil, as the loan itself was fully converted in June 2020. The loan, whose nominal value as of 31 December 2019 amounted to EUR 5.3 million, (share entirely owned by ICT Holding Limited) was converted as follows: i) on 9 June 2020, a tranche equal to EUR 2.6 million was converted; ii) on 30 June 2020, the remaining nominal value, equal to EUR 2.7 million, was converted.*

(2) *This item includes the entire amount of the debt towards Senior Lenders restructured on 28 March 2019, equal to EUR 68.4 million for the reasons described in this paragraph;*

(3) *This includes the following items: i) the short-term portion of finance lease payables related to network infrastructure investments and capitalised leases in application of IFRS 16 for a total of EUR 7.9 million (including the short-term portion of the Sa Illetta lease in application of IFRS 16 for EUR 2.6 million), ii) debt to Sarda factoring for EUR 1 million. The notional financial debt for put options, amounting to EUR 0.4 million at 31 December 2020, was extinguished at the same time as the bond issue itself was extinguished (see Note 1).*

(5) *This item includes the long-term portion of financial lease payables related to network infrastructure investments and capitalised lease contracts in application of IFRS 16 for a total of EUR 15.1 million (including the short-term portion of the Sa Illetta lease contract in application of IFRS 16 for EUR 11.1 million).*

The above table includes security deposits under “Other Cash and Cash Equivalents” and under “Non-current Financial Receivables”. For the sake of completeness, we also provide a reconciliation of the financial position above with the financial position prepared in light of CONSOB Attention Notice No. 5/21 of 29 April 2021 and reported in the Explanatory Notes to the Financial Statements.

	31 December 2020	31 December 2019
(EUR mln)		
Consolidated net financial debt	**92.1**	**87.0**
Non-current financial receivables	0.8	0.9
Long-term trade payables and installment tax payables	8.1	5.8
Consolidated net financial debt prepared on the basis of Consob communication No. 5/21 dated 29 April 2021	**101.0**	**93.6**

It should also be noted that the amount of payables to suppliers and payables to other parties overdue by more than 12 months was EUR 7.2 million as at 31 December 2020, compared to EUR 8.3 million as at 31 December 2019.

4.6. Events after the end of the FY

25 March 2021 – Partnership between Gaxa and Tiscali

On that date, Tiscali and Gaxa, Sardinia's leading gas-selling operator, signed a partnership agreement called "C'è più rete in Sardegna" ("There's more network in Sardinia"). The agreement stipulates that, until 30 June 2021, citizens in Municipalities in Basins 15 and 19 that have been newly converted to natural gas and those residing in Municipalities in Basin 22, which are affected by the conversion of the network from LPG to natural gas, will be able to subscribe to the joint Gaxa-Tiscali offer for the supply of natural gas and internet service up to 200 megabytes, benefiting from a EUR 50 discount on their bill. Gaxa's methane offer includes free connection to the gas network, the possibility of joining a programme for the installation of the system inside the home, and the possibility of relying on Gaxa for technical interventions and administrative fulfilments, and access to the "Superbonus" and "Ecobonus" Italian tax incentives.

18 February 2021 – Tiscali entrusts iOL Advertising with the exclusive concession for the sale of advertising space

On that date, Tiscali and the internet company Italiaonline (iOL Advertising) signed a three-year agreement whereby iOL Advertising became the exclusive concessionaire for the sale of advertising space on Tiscali.it and special projects. the concession of the sale of advertising space on the Tiscali.it website to customers, media centres and programmatic advertising platforms is entrusted to iOL Advertising. The formats that can be planned are all those offered by iOL Advertising. In particular, display formats, video, mobile and custom formats such as Login Mail and Skin will be provided. The agreement also includes special projects, including branded content.

4.7. Business Outlook

Consistent with the above, and in line with the objectives of the 2021-2023 Business Plan, in the coming months the Group's commitment will be focused on the full implementation of the plan itself, with particular attention to:

- The growth of the customer base, with particular focus on the acquisition of new Fibre, LTE and Mobile customers;
- The relaunch of the B2B Business Unit;
- The rationalisation of the network infrastructure;

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

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

Risks related to the general economic situation

Tiscali’s economic and financial situation is influenced by the various factors that make up the macroeconomic framework, such as changes in GDP (Gross Domestic Product), savers’ confidence in the economic system and interest rate trends. The progressive weakening of the economic system, combined with a contraction in household disposable income, has reduced the general level of consumption.

In this context, the COVID-19 emergency arose, immediately generating a further weakening of the economic reference framework at a national and global level. At present, it is not possible to estimate with a good degree of accuracy the impact that will be felt in 2021, despite the fact that the telecommunications sector has become one of the most important among the country’s production activities.

For further details, reference should be made to the Note “Assessment of the Business as an Ongoing Concern”.

Risks connected with the high degree of market competitiveness

Tiscali operates in the telecommunication service market, characterised by a high level of competitiveness.

Tiscali’s main competitors 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. In this regard, in June 2020 SKY launched its own fibre connectivity service, thus realising the convergence between the media and telecommunications markets, as initiated in the opposite direction by the telcos. Moreover, in July 2020 Iliad announced its entry into the fixed-line market based on its partnership with Open Fiber, which is expected to take place by summer 2021. Also in July 2020, Poste Mobile announced an agreement with Tim to offer fibre-optic services throughout Italy through the Poste Pay brand.

In order to compete with its competitors, Tiscali’s strategy is still focused on providing quality Internet access services at competitive prices, focusing the commercial effort on Ultra BroadBand solutions (Fiber and LTE) with very high capacity.

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 short and long term objectives to assess the recoverability of the assets and the value of the investments in the participations through the impairment test.

Risks related to possible system interruptions, delays or breaches in security systems

The ability of Tiscali 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 Company and prospective data. The Company has put in place all preventive measures to minimise this remote risk.

Tiscali, 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 Company 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's 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 and the systems.

In terms of service quality, managed information security and business continuity, in January 2020, the Company obtained ISO 9001-compliant service quality and ISO 27001-compliant information security certifications, for which it had carried out preparatory activities during 2019. The IASO 9001 certification was renewed on 23 February 2021.

With a view to continuously improving the services provided, the Company also obtained, in January 2020, the ISO 22301 (Business Continuity Management System) and ISO 20000-1 (Service Management System) certifications, for which it had carried out preparatory activities during 2019. Both certifications were renewed on 17 March 2021.

At the date of this Consolidated Annual Financial Report as at 31 December 2020, 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, 2019 and the first half of 2020, 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.

Within the COVID-19 emergency, the Privacy Authority has dictated provisions and clarifications regarding the processing of personal data of employees in the workplace.

In order to align itself with the requirements of the Authority, Tiscali draws up an *ad hoc* information on the processing of personal data collected during the detection of the temperature collected in real time addressed to employees and all those who have access to company premises in accordance with the provisions of the Decree of the President of the Council of Ministers dated 26 April 2020.

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 Company has 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 Company's business and on the Company's income statement, balance sheet and financial position and on the figures of the 2021-2023 Business Plan.

In addition, the COVID-19 emergency immediately required the organisation of IT systems to allow employees to carry out their work activities from home. This increased the area exposed to possible cyber attacks, to prevent which the Company had to adopt specific protections and behavioural procedures.

Risks connected with technological development

The sector in which Tiscali operates is characterized by significant and sudden technological changes, high competition and the rapid obsolescence of products and services. The Company's 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 Company.

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

As mentioned in the previous paragraph *4.2 Regulatory framework*, the telecommunication sector in which Tiscali 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 Company and on the 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 Tiscali to obtain services from other operators at competitive rates or could restrict access to systems and services necessary for the performance of the Company's activity.
Moreover, considering the dependence of Tiscali on services of other operators, the Company 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 Company and on the forecast data. Despite the situation of uncertainty indicated, at the moment the Company has reflected in its forecast data the impacts of the regulatory changes currently foreseeable.

Risks associated with the high financial indebtedness

The development of Tiscali's financial situation depends on various factors, in particular, the achievement of the objectives set out in the 2021-2023 Business Plan, general economic conditions, financial markets and sector in which the Company operates.

The Directors believe that this risk is mitigated by the fact that the non-current financial debt mainly consists of the Senior Loan, whose repayment profile was redefined with the Financial Debt Restructuring Agreements signed with the Bank Pool on March 28, 2019, which, also considering the forthcoming obtainment of the Amendment Agreement described above and the overcoming of certain covenants at 31 December 2020, is consistent with Tiscali's future financial plans, as defined in the 2021-2023 Business Plan, approved by the Board of Directors of Tiscali SpA on 14 May 2021.

In this regard, it should be noted that the 2021-2023 Business Plan assumes the implementation of an extraordinary financing plan in the medium term. For details on this, please refer to the Note *Assessment on the business as an ongoing concern*.

In this context, the COVID-19 emergency came into play in the early months of 2020. For further details on the impact of this phenomenon on the Company's business, please refer to the to the Note *Assessment on the business as an ongoing concern*.

Risks relating with fluctuations in interest and exchange rates

Tiscali 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 Company is exposed is minimal.

With regard to the exposure to the risks associated with interest rate fluctuations, due to the fact that most of the financial debt is at fixed rates, the management considers the risk of fluctuations in interest rates and exchange rates to be not significant for the Company’s assets and financial position.

Risks linked to relations with suppliers

The Tiscali’s business depends on existing contracts with its strategic suppliers, on which depends the possibility of the Company to have access to its market.

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) Tiscali does not succeed in concluding the new contracts necessary for the development of its business; or (iii) if a serious contractual breach should occur on the part of the Company or the above mentioned suppliers, these circumstances could have negative effects on the activity and the economic, equity and financial situation of the Company, 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.

Net trade payables past due (net of payment plans agreed with suppliers, accounts receivable and in dispute with the same suppliers), amounted to EUR 22.1 million as at 31 December 2020 (EUR 14.3 million as at 31 December 2019).

As at 31 December 2020, 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 2.8 million, of which EUR 0.9 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

Tiscali conducts its business on the basis of licenses and authorizations – subject to periodic renewal, amendment, 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, Tiscali 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 Company 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 – Tiscali 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, Tiscali 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 authorisation upon expiry, which to be obtained will need a new DIA (declaration on the commencement of the activities) to be submitted;
- General authorisation for “electronic communications networks and services”, expiring on 11 January 2032: in case of loss of such authorisation, Tiscali would no longer be able to realise network infrastructure and thus provide connectivity services on proprietary infrastructures.
- General authorisation for the provision of the “Enhanced Service Provider” mobile service: in case of loss of such authorisation – which is scheduled to expire on 21 December 2038 – Tiscali would no longer be able to provide services (both voice and data) of mobile type.

<u>Risks related to the business as an ongoing concern</u>

In this regard, reference should made to Paragraph No 6.9 in the *Explanatory Notes to the Financial Statements*

<u>Risk related to potential disputes and liabilities</u>

For this purpose, please refer to paragraph 4.10 *Disputes, Contingent Liabilities and Commitments.*

4.9. Analysis of the economic and financial situation of Tiscali S.p.A.

4.9.1. Introduction and statements of conformity

The tables below have been prepared on the basis of the financial statements as at 31 December 2020, to which reference should be made. The 2020 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”).

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

	2020	2019
(Thousands of Euro)		
Revenues from services and other income	3,155	5,017
Payroll and related, service and other operating costs	(2,624)	(4,576)
Other write-downs	1,023	(47,345)
Net financial (charges)	340	44,935
Income taxes	(258)	(537)
Net result for the period	**1,636**	**(2,507)**

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.

Personnel Costs amounted to EUR 0.5 million, *Professional Expenses* amounted to EUR 0.5 million, while *Retribution for the Board of Directors and Board of Auditors* amounted to EUR 0.8 million, *Surcharges for active repentance* to EUR 0.2 million, and *Other general and external services cost* amount to EUR 0.6 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 1 million.

Net financial income of EUR 340,000 related to the net income from the release of the value of the put option resulting from the conversion of the Bond loan underwritten on 31 January 2019, which took place in 2020, for EUR 380,000, net of interest for late payment of tax payables and trade payables for EUR 38,000 and other financial expenses for EUR 2,000.

4.9.3. Assets Situation of the Parent Company

Consolidated Statement of Equity and Liabilities	31 December 2020	31 December 2019
(EUR/000)		
Non-current assets	250,660	246,035
Current assets	15,541	16,286
Total Assets	**266,201**	**262,321**
Net equity	52,890	45,990
Total net equity	**52,890**	**45,990**
Non-current liabilities	203,645	185,517
Current liabilities	9,666	30,814
Total Net equity and Liabilities	**266,201**	**262,321**

Assets

Non-current Assets

Non-current Assets mainly include controlling interests in the amount of EUR 130.6 million, unchanged from the figure at 31 December 2019. This item also includes financial assets, amounting to EUR 120 million (EUR 115.5 million as at 31 December 2019), mainly represented by financial receivables from Group companies.

Current Assets

Current Assets include Trade receivables of EUR 14.9 million mainly from subsidiaries, Tax receivables of EUR 0.2 million, Other current receivables and miscellaneous assets of approximately EUR 0.2 million and cash and cash equivalents of EUR 0.2 million.

Shareholders 'Equity

The Parent Company Shareholders' Equity amounted to EUR 52.9 million as at 31 December 2020, and reflects an increase by EUR 6.9 million as compared to 31 December 2019, due to the following factors:

- Net income of EUR 1.6 million in the comprehensive Income Statement;
- Increase due to the partial conversion of the Tiscali Bond equal to EUR 5.3 million;
- Decrease in the stock option reserve by approximately EUR 44 thousand.

Liabilities

Non-current Liabilities

Non-current liabilities, amounting to EUR 203.6 million, include, in addition to the items relating to the financial position, for which reference should be made to Paragraph 4.9.4. *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 mainly include trade payables for EUR 3.4 million and other current liabilities of EUR 6.2 million. The latter include EUR 5.7 million in tax and social security payables, EUR 0.3 million in payables for Directors 'fees and EUR 0.2 million in payables to others.

4.9.4. Financial Situation of the Parent Company

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

Situazione Finanziaria	31 dicembre 2020	31 dicembre 2019
(Migliaia di Euro)		
A. Cassa e depositi bancari	185	371
B. Altre disponibilità liquide		
C. Titoli detenuti per la negoziazione		
D. Liquidità (A) + (B) + (C)	***185***	***371***
E. Crediti finanziari correnti	-	
F. Crediti Finanziari non correnti verso imprese del gruppo	**120,097**	**115,472**
G. Debiti bancari correnti	-	
H. Parte corrente obbligazioni emesse	-	5,246
I. Parte corrente dell'indebitamento non corrente		
J. Altri debiti finanziari correnti	-	434
K. Indebitamento finanziario corrente (G) + (H) + (I)+ (J)	-	**5,679**
L. Indebitamento finanziario corrente netto (K)-(D)-(E)-(F)	**(120,281)**	**(110,164)**
M. Debiti bancari non correnti	-	-
N. Obbligazioni emesse	-	-
O. Altri debiti non correnti verso imprese del gruppo	202,975	184,754
P. Altri debiti non correnti verso terzi		
Q. Indebitamento finanziario non corrente (M)+ (N) + (O) + (P)	**202,975**	**184,754**
R. Indebitamento finanziario netto (L) + (Q)	**82,694**	**74,590**

Non-current financial receivables from Group companies include financial receivables from Tiscali Italia S.p.A. for EUR 118.5 million and from Tiscali International Bv for EUR 1.6 million. *Other non-current Payables* to group companies consist of financial payables to Tiscali Italia Spa for EUR 201.4 million and to Tiscali International Bv for EUR 1.6 million.

The item related to the Convertible Bond is nil, as the loan itself was fully converted in June 2020. The loan, whose nominal value as at 31 December 2019 amounted to EUR 5.3 million, (share fully owned by ICT Holding Limited) was converted as follows: i) on 9 June 2020, a tranche of EUR 2.6 million was converted; ii) on 30 June 2020, the remaining nominal value of EUR 2.7 million was converted. The increase in financial receivables and payables to Group companies relates to transactions connected with the centralised treasury contract.

4.9.5. 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 2020	
EUR 000	**Net Result**	**Shareholders' equity**
Shareholders' equity and net profit (loss) of Tiscali S.p.A.	**1,636**	**52,890**
Net profit and Shareholders' equity of consolidated companies	(30,262)	(332,927)
Book value of consolidated equity investments and consolidation entries	6,424	207,066
Consolidation's Journals		
Shareholders' equity and net profit (loss) for the year pertaining to the Parent Company	**(22,201)**	**(72,971)**
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	**(22,201)**	**(72,971)**

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 or the current FY 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.

4.10. Disputes, Contingent Liabilities and Commitments

Please refer to the section *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 2020, the Group did not carry out any atypical and/or unusual transactions, as defined in the Communication itself.

4.13. Related-Party Transaction

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 2020 to Directors, Statutory Auditors of the Group companies are as follows:

(EUR 000)	31 december 2020	31 december 2019
Directors	742	764
Statutory Auditors	159	181
Manager with strategic responsabilities	655	772
Total Remuneration	**1,556**	**1,717**

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.
- 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, 14 May 2021

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 (hereinafter referred to as "**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 (hereinafter referred to as "**Issuers' Regulation**"), 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 (hereinafter referred to as "**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. (hereinafter referred to as "**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 (hereinafter referred to as 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 2020. 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 No. 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 2020 amounts to EUR 77,699,805 and the value of turnover for the year 2020 is EUR 144,012,300.76.

5.2. Corporate Governance's 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 behaviour, transparency and accountability to the Shareholders and the 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, formalised 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 organisational 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. Adopted Model

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.

<u>Board of Directors</u>

On 27 June 2019, the Shareholders' Meeting appointed the Board of Directors in office at the date of the Report, consisting 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). Following the resignation of Director Sara Polatti in June 2020, on 29 September 2020 the Board co-opted Cristina Procopio, who will remain in office until the next Shareholders' Meeting. Subsequently, on 18 March 2020, Director Manilo Marocco resigned. On 14 May 2020, Paolo Fundarò was co-opted.

The Board of Directors will remain in office until the approval of the financial statements as at 31 December 2021. The following table summarises the composition of the Board of Directors at the date of the Report:

Director	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 Offices (**)	Participation to BoD Meetings	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties - role (**)
Alberto Trondoli	**1958**	**Chairman**	**27.6.2019**	**Non Executive**	**approval of financial statements as at 31.12.2021**	**27.6.2019**	-	**5/5**			
Renato Soru (***)	**1957**	**CEO**	27.6.2019	**Executive**	**approval of financial statements as at 31.12.2021**	**9.6.1997**	-	**5/5**			
Patrizia Rutigliano	**1968**	**Independent Director**	27.6.2019	**Non-Executive and Independent TUF**	**approval of financial statements as at 31.12.2021**	27.6.2019	-	**4/5**	M	C	M
Federica Celoria	**1973**	**Independent Director**	27.6.2019	**Non-Executive and Independent TUF**	**approval of financial statements as at 31.12.2021**	27.6.2019	-	**5/5**	C	M	M
Anna Belova	**1961**	**Independent Director**	27.6.2019	**Non-Executive and Independent TUF**	**approval of financial statements as at 31.12.2021**	**16.2.2016**	2	**5/5**			C
Manilo Marocco	**1958**	Director	27.6.2019	Non Executive	**Resignation 18 March 2021**	27.6.2019	-	**5/5**	**M**		
Cristina Procopio	**1979**	Director	Cooptazione 29.9.2020	Non Executive	**First useful assembly after co-option**	29.9.2020	**1**	**2/2**		**M**	
Paolo Fundarò	**6.12.1973**	Director	14.5.2021	Non Executi	**Shareholders' meeting 23.6.2021**	14.5.2021	**2**	**1/1**	**M**	**-**	**-**

Director	Year of Birth	Office	Date of appointment for this term	Executive - Non Executive - Independene	Date of expiration for this term	Date of first appointment	Other Offices (**)	Participation to BoD Meetings	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties - role (**)
				ve							
Sara Polatti	**1989**	Director	27.6.2019	Non Executive	**Resignation 29 June 2020**	27.06.2019	**-**	**2/2**		**M**	

No. of meetings held during the reporting year: 5	Audit and Risk Committee: 2	**Committee for Appointments and Remunerations: 2**	**Committee for Transactions with Related Parties: 2**
Quorum required for the submission of lists by minorities for the election of one or more members: 4.5%			

(*) This column indicates the attendance of directors at committee meetings and the director's status within the committee: “C”: Chairman; “M”: Member

(**) Offices held as director or auditor in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

(***) Directors who have had periods of interruption in their term of office since first appointment.

The members of the Board of Directors in office at the date of the Report were all drawn from the single list submitted jointly by the shareholders Renato Soru and Amsicora S.r.l., which, at the date of submission of the list held, respectively, 7.94% and 22.059% of Tiscali’s share capital, with the exception of Ms. Procopio who was co-opted following the resignation of Ms. Polatti.

The members of the Board of Directors were elected with the favourable 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 is available 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 the Code, established a number of Committees and appointed their members. On 27 June 2019, the Board of Directors had appointed the following internal Committees:

- *Appointments and Remunerations Committee*, comprised of Patrizia Rutigliano (Chairman), Federica Celoria, Sara Polatti, the latter being replaced by Cristina Procopio following her resignation;
- *Audit and Risk Committee*, comprised of Federica Celoria (Chairman), Manilo Marocco and Patrizia Rutigliano;
- *Committee for Transactions with Related Parties*, composed of Anna Belova (Chairman), Federica Celoria, Patrizia Rutigliano in case of assessment of transactions of major importance. In the event of assessment of less material transactions, the Related Parties Committee coincides with the Control 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.

As of the date of the Report, Federica Capoccia is the 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 2020 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	Partecipation to the Board meetings	No. Of positions held in issuers
Barba 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	Statutory 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 office 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 the list was presented, while the shareholder ICT Holding Limited held a 23.5% stake in Tiscali's share capital.

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

Subsequent to its appointment, on 26 June 2018, 27 June 2019, 24 March 2020 and 21 March 2021, the Board of Statutory Auditors verified the independence of its members and forwarded these verifications to the Board of Directors. In formulating its assessment of the independence of its members, the Board of Statutory Auditors took into account the cases in which, according to the Code, the independence requirements are deemed to be lacking, and applied in this respect the principle of substance over form indicated in the Code.

A brief description of the personal and professional characteristics of the regular members of the Board of Statutory Auditors in office at the date of the Report is available 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, on 27 June 2019, Mr. Roberto Lai, 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 (hereinafter referred to as 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 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 27 June 2019, the Board of Directors — with the favourable opinion of the Appointments and Remunerations Committee — appointed the new Supervisory Board, composed of Maurizio Piras (Chairman) and Francesca Marino. The Supervisory Body will remain in office until the approval of the Financial Statements as at 31 December 2021.

Chief Executive Officer (CEO)

On 27 June 2019, Director Renato Soru was appointed Director in charge of the Internal Control Risk and Risk Management (hereinafter referred to as the "**Director in Charge**"). The Director in charge will remain in office until the approval of the financial statements for the year ending 31 December 2021.
It should be noted that in line with recommendation No. 34 of the Code, the position of Director in charge of the Internal Control Risk and Risk Management is no longer envisaged, but the Code specifies that the CEO is the person who must establish and maintain the Internal Control and Risk Management System.
During the FY 2020, the CEO: *(i)* oversaw the identification of 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 examination of the Board of Directors; *(ii)* implemented the guidelines defined by the Board of Directors, taking care of the design, implementation and management of the internal control and risk management system and constantly verifying its adequacy and effectiveness; *(iii)* dealt with the adaptation of this system to the dynamics of the operating conditions and the legislative and regulatory landscape; *(iv)* asked the Internal Audit function to carry out checks on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions, simultaneously notifying 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)* reported promptly to the Audit and Risk Committee (or the Board of Directors) on problems and critical issues that arose in the performance of its activities or of which it became aware, so that the Control and Risk Committee (or the Board of Directors) could take the appropriate initiatives.

5.2.4. Shareholding Structure

At the date of this report, the Share Capital fully subscribed and paid-up amounts to EUR 54,655,159.37, divided into 5,199,124,915 ordinary shares with no par value, listed at the MTA market organised and managed by Borsa Italiana S.p.A., freely transferable in accordance with law without there being any securities that confer special control rights.

Share-based incentive plans

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". The total number of options provided for in the 2016-2021 Plan amounts to 91,370,385 as at 31 December 2020.

Increases authorised 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.

At its meeting of 20 May 2021, the Board of Directors resolved, in exercise of the authority granted by the Shareholders' Meeting on 26 June 2018, to issue the first two tranches of the Bond Loan reserved for Nice & Green S.A. For further details in relation to the capital increase to service the bond reserved for Nice & Green S.A. as well as for the proposed resolution formulated at the Shareholders' Meeting called for 24 June 2021 regarding the issue of the other tranches of the said bond loan as well as the capital increase to service the same, please refer to the documentation published in the *Shareholders' Meeting 24 June 2021* section and in the *Documents/Bond Loan* section.

The table below specifies the name or denomination of the Shareholders with voting rights or holding an interest greater than 5%, who have notified the Company and CONSOB of their interest. There are no restrictions on voting rights or on the transfer of securities.

Shareholder	Percentageo n ordinary and voting capital	Shares
Amsicora S.r.l.	**17.75%**	**898,513,710**
Renato Soru	**6.24%**	**316,050,508**
of which Cuccureddus	0.65%	
of which Monteverdi	0.35%	
of which Soru, directly	5.24%	

The remaining 76% 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 Shareholders 'Agreements between Amsicora and Mr. Renato Soru was in place.

The Shareholders' Agreements between Amsicora and Mr. Renato Soru

On 16 May 2019, a Shareholders 'Agreement was signed between Amsicora S.r.l. (hereinafter referred to as "**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 (hereinafter referred to as 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 Mr. 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)* Mr. Alberto Trondoli as Chairman of the Board of Directors; *(ii)* Mr. 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.

<u>Preemptive Right</u>

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.

<u>Co-Sale Right</u>

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.

<u>Redemption Right</u>

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 (the 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.

For further details on the Shareholders' Agreements, please refer to the documentation published on the Company’s website, in the *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 organisational 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.

Pursuant to Article No. 14 (*Powers of the Administrative Body*) of the Company's Articles of Association in force, the Body has 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 27 April 2020. 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.

In compliance with Recommendation No. 11 of the Code, the Board of Directors adopted, at its meeting of 14 May 2021, its own regulations defining the operating rules of the Board of Directors and its committees, in addition to those already provided for in the Articles of Association, including the procedures for recording minutes of meetings and the procedures for managing information to directors.

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 and 14 May 2021. 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 43%.

In 2020, 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 2020 the Board of Directors met 5 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 2020 will be held on 19 March 2021;
- The annual Shareholders' Meeting will be held on 29 April 2020;
- The Board meeting to approve the Half-Yearly Report as at 30 June 2021 will be held on 24 September 2021.

The timetable was subsequently amended due to new requirements. Moreover, for the FY 2021, the Board of Directors has already met three times as of the date of the Report.

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

2020 Meetings	30/1	27/4	4/9	29/9	17/12
Directors attending	6/7	7/7	7/7	7/7	7/7
Percentage	86%	100%	100%	100%	100%
Auditors Attending	3/3	3/3	3/3	3/3	3/3
Percentage	100%	100%	100%	100%	66%

2021 Meetings	19/3	14/5	20/5
Directors attending	6/6	5/6	6/6
Percentage	100%	66%	100%
Auditors Attending	2/3	3/3	3/3
Percentage	66%	100%	100%

The average duration of the meetings of the Board in FY 2020 was approximately 80 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 Secretary, 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 summarise the most significant and relevant points of the documents placed before the Board.

Nomina degli Amministratori

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 2021, the shareholding required for the presentation of a list established by CONSOB is equal to 4.5% of the share capital (see CONSOB Resolution No. 44 dated 29 January 2021). 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 Articles of Association, 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 No. 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

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.

The Shareholders ’Meeting adopted its own Meeting Regulations, latest version dated 29 April 2011, also available on the Company’s website in the *Documents* section.

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, as 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 Shareholders' Meeting*) of the Articles of Associations in force at the date of this Report, the Shareholders from which the Company has received communication sent by the authorised 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.

It should be noted that, in relation to the COVID-19 epidemiological emergency, by virtue of the exceptional rules contained in the Law Decree No. 18 of 17 March 2020 (hereinafter referred to as the "**Decree**"), intervention in the Shareholders' Meeting of 28 May 2020, by those entitled to vote, was allowed exclusively through the representative appointed pursuant to Article No. 106, Paragraph 4, of the Decree. Consequently, the Company has appointed Computershare S.p.A. to represent the Shareholders pursuant to Article No. 135-*undecies* of the Legislative Decree No. 58/98 (TUF) and the aforementioned Decree (hereinafter referred to as the "**Appointed Representative**").

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 in force at the date of this Report provides for 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 2021, the shareholding required for submission of a list established by CONSOB is equal to 4.5% of the share capital (see CONSOB Resolution No. 44 of 29 January 2021). 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 No. 18 (*Board of Auditors*) of the Articles of Association in force at the date of this Report 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 No. 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 2020 and as at the date of the Report, the Board of Statutory Auditors met 8 times, including 4 after the issuance of the 2019 Financial Statements, at the presence of all the Statutory

Auditors in 7 out of 8 meetings, and recording an average duration of the meetings of approximately 1.5 hours.

For FY 2021, 10 meetings are planned to be held, 2 of which have already been held.

5.3.4. Internal Committees of the Board of Directors and other Governance bodies

The Board of Directors, in accordance with the recommendations of the Code, established a number of internal Committees and appointed their members. On 27 June 2019, the Board of Directors in office until 26 June 2019 had appointed the following internal Committees: *(i)* Appointments and Remuneration Committee; *(ii)* Audit and Risk Committee; *(iii)* Committee for Transaction with Related Parties, and appointed their members.

These Committees remain in office until the approval of the financial statements for the year ending 31 December 2021, together with The Officer in Charge of Preparing the Company's 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 Articles No. 4 and 5 of the Code and relevant recommendations.

The Committee in office at the date of this Report was appointed at the meeting of the Board of Directors held on 27 June 2019 and is composed of three Non-Executive Directors, two of whom Independent: Patrizia Rutigliano (Chairman), Federica Celoria and Cristiana Procopio, who took over from Sara Polatti. At least one member of the Appointments and Remuneration Committee has knowledge and experience in accounting and financial matters, and/or rin emuneration policies.

The Company has opted to set up a single Committee which carries out its functions both in terms of appointments and remuneration. Specifically, the Appointments and Remuneration Committee has the following functions:

a) It 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;

b) It proposes to the Board of Directors candidates for the office of Director in cases of cooptation, when it is necessary to replace independent directors;

c) It 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) It assists the Board in drawing up the remuneration policy, submitting proposals or expressing opinions 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;

e) It monitors the application of the decisions adopted by the Board itself, verifying, in particular, the actual achievement of performance objectives; it also periodically assesses the adequacy and overall consistency of the policy for the remuneration of Directors and top management.

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 2020 and as at the date of this Report, the Appointments and Remuneration Committee met twice: 24 April and 29 September 2020. All Committee members attended the meetings.

With reference to FY 2021, as at the date of the Report, the Appointments and Remuneration Committee met on 13 May 2021.

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 2020 Report on Remuneration Policy and Remuneration Paid, were discussed and approved and submitted to the Board of Directors. Directors abstain from participating in the meetings of the Appointments 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 comprised 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 major significance as per the Procedure described below.

Otherwise, in case of evaluation of transactions of less material 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 (hereinafter referred to as 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)* it gives its non-binding opinion on the interest of the Company's fulfilment of less material 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 2020, the Committee for Transactions with Related Parties met twice: 24 April and 16 November 2020. All members of the Committee for Transactions with Related Parties attended the meetings.

During FY 2021 and as at the date of the Report, the Committee for Transactions with Related Parties met on 13 May 2021.

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 formalised the organisational structure of Internal Audit back in October 2001.

In particular, on 25 March 2004, following the amendments to the Code of Listed Companies and the suggestions of Borsa Italiana S.p.A., the Board of Directors updated the organisational structure of the Company's Internal Audit system; subsequently, the structure was also updated to take into account the amendments to the Code.

The current Internal Audit structure is in line with the provisions of 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 the Company's 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 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 assesses the aforementioned information and evaluates the governance system jointly with the Internal Audit plans. With reference to FY 2020, during the meetings held on 27 April and 29 September, relating to the approval of the draft Financial Statements as at 31 December 2019 and the Half-year Report as at 30 June 2020 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, after consulting the Board of Auditors and the director in charge of the internal control system.

The Board assessed the adequacy of the organisational, administrative and accounting structure of

Tiscali S.p.A. and of Tiscali Italia S.p.A., 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, and this also in relation to the characteristics of the company and the risk profile assumed. 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 CEO, in compliance with the provisions of the new Corporate Governance Code, implements the Board of Directors' indications on internal audit, identifying and managing the main corporate risks and submitting them to the Board of Directors for assessment. He proposes to the Board of Directors the appointment of the Head of the Internal Audit department, whose support he uses to carry out his 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 2020, the office of the *Chief Internal Auditor* was held by Ms. Francesca Marino, appointed on 27 June 2019 by the Board of Directors, subject to the opinion of the Control and Risk Committee and the Board of Statutory Auditors.

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 Tiscali Group's governance and the activity conducted by each auditing bodies;
- Preparation of Six-month Reports for the Board of Directors on governance activities;
- Assessment of the activity of the Supervisory Body and updating, dissemination and application of the *Organisation, Management and Control Model* of the Group pursuant to Law Decree No. 231/2001;
- Implementation of the 2020 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 2021 Audit Plan;
- Assessment of the adequacy of the administrative and accounting procedures for the preparation of the 2019 Half-year Report and the Financial Statements in order to assess their effectiveness. This activity is also aimed at issuing the certification pursuant to Article No. 154-*bis* of the TUF;
- Updating the *Organisation, Management and Control Model* pursuant to Legislative Decree No. 231/2001, as well as the administrative and accounting procedures, in order to ensure full compliance with legal requirements. For this activity, the Company made use of an external specialised company and, as of the date of this report, the updating of the model has been completed.

<u>Audit and Risk Committee</u>

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

The Audit and Risk Committee was appointed on 27 June 2019 and is comprised of three Non-Executive Directors, two of them are Independent: Francesca Celoria (Chairman), Manilo Marocco and Patrizia Rutigliano. Following the resignation of Director Marocco on 18 March 2021, the Board of Directors in its meeting of 14 May 2021 resolved to co-opt Director Paolo Fundarò, who will take over in the Audit and Risk Committee. 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 Article No. 6 of the Code, the Audit and Risk Committee assists the Board of Directors by:

a) Assessing, together with Officer in Charge of Preparing the Company's Accounting Documents 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) Assessing the suitability of periodic financial and non-financial information to correctly represent the Company’s business model, strategies, the impact of its activities and the performance achieved, in coordination with the Committee, if any, envisaged in Recommendation No. 1, letter a) of the Code;

c) Expressing opinions on specific aspects related to the identification of the main business risks and supporting the Board’s assessments and decisions relating to the management of risks arising from prejudicial events of which it has become aware;

d) 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;

e) Monitoring the autonomy, adequacy, effectiveness and efficiency of the internal audit department, to which it may entrust the carrying out of audits on specific operational areas, at the same time notifying the chairman of the supervisory body.

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 summarised in written form. Meetings of the Audit and Risk Committee are reported to the first available Board of Directors.

During FY 2020, the Audit and Risk Committee met two times: 24 April and 29 September; during FY 2021 to the date of this Report, the Audit and Risk Committee met on 13 May 2021.

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 Board of Statutory Auditors.

In agreement with the topics on the agenda, the meetings were attended by the Supervisory Body, the Chief Internal Auditor and the Officer in Charge of Preparing the Company's Accounting Documents, as well as 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 90 minutes.

5.4. Internal Auditing System on Accounting and Financial Reporting

5.4.1. Introduction

The Internal Auditing System on Corporate Reporting must be understood as a process that, by involving several corporate 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 analysing 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. Description of the main characteristics of the Internal Auditing System on Accounting and Financial Reporting

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)* the identification of 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 “assertions” 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 and/or overestimation of items, inaccuracy of information, etc.) should be analysed 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 assertions, 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; organisational 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 summarise 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 Officer in Charge 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 Officer in Charge has the power to set out the organisational 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 organisational units.

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

The Officer in Charge 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 (hereinafter referred to as the "**Administrative Advisors**"), arranging to collect, test, assemble, monitor the information received by the latter.

The Consolidated Accounts Department cooperates with the Officer in Charge with regard to the documentation of accounting processes and their related updating over time. The Administrative Advisors of the Tiscali 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 Officer in Charge, 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. Organisation, management and control model as per Law Decree No. 231/2001

The company has adopted an organisation, 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 (hereinafter referred to as the "**Organisational 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 Organisational 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

Organisational Model and ensuring that it is updated.

On 27 July 2019, the Board of Directors appointed the new Supervisory Body in office at the date of this Report, composed of Maurizio Piras (Chairman) and Francesca Marino. The Supervisory Body 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 characterise 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 Organisation Model pursuant to Law Decree No. 231/2001 and the Code of Ethics, as updated time to time, are available on the Company's website, in the *Documents/Organisational 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 Organisational Model); *(ii)* report to the Board of Directors any violations of the Organisational 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 Organisational Model by the Recipients.

The Supervisory Body 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 Organisation, 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 Body 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, organisational 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 2020, and up to the date of this Report, the Committee on Transactions with Related Parties assessed on two occasions, on 24 April and 16 November, related party transactions pursuant to the RPT Procedure, minor transactions concerning contracts of a commercial nature between the subsidiary Tiscali Italia S.p.A. and *i)* Istella S.p.A., of which CEO Renato Soru is a partner and *ii)* a contract for assistance and support services between the Company and CC&Soci srl, which has Amsicora srl at the top of its chain of control.

5.7. Confidential information and market disclosure: Investor Relations

1. An *Investor Relations* department operates in the Company, which is entrusted with the task of establishing a dialogue with Shareholders and institutional investors.
2. The I*nvestor 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 specialised 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 Investor Relations department, 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 (hereinafter referred to as the “**MAR**”), which have not been included in press releases or documents already disclosed to the public, or expressly authorised 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, updated at the Board of Directors’ Meeting on 24 April 2020. The procedures are available on the Company's website, www.tiscali.com, *Documents* section.

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 (hereinafter referred to as 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 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.

The Appointments and Remuneration Committee also takes into account the indications contained in this Policy 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 2020

6. Consolidated Financial Statements and Explanatory Notes

6.1. Income Statement

Consolidated income Statement	Notes	2020	2019
(Thousands of Euros)			
Revenues	*1*	144,012	142,622
Other incomes	*2*	10,837	15,451
Purchase of materials and external services	*3*	100,467	99,260
Personnel cost	*4*	18,780	22,392
Other operating charges (incomes)	*3*	297	751
Write-downs of receivables from customers	*5*	6,158	10,103
Restructuring costs	*6*	2,142	1,997
Depreciations & amortizations	*7-12-13-14-15*	41,324	42,176
Operating result		**(14,318)**	**(18,605)**
Result from the investments evaluated at equity method		(285)	(359)
Financial Income	*8*	440	14,452
Financial Expenses	*8*	7,964	11,847
Income (loss) before tax		**(22,127)**	**(16,359)**
Taxation	*9*	75	109
Net result	*10*	**(22,201)**	**(16,468)**
To be attributed to:			
- Result pertaining the Parent Company		**(22,201)**	**(16,468)**
- Result pertaining Third Parties		-	-
Profit (loss) per share			
Profit per share from current and transferred activities:			**0**
- Base		(0.005)	**(0.004)**
- Diluted		(0.005)	**(0.004)**
Profit per share from current activities:			
- Base		(0.005)	**(0.004)**
- Diluted		(0.005)	**(0.004)**

6.2. Comprehensive Income Statement

Comprehensive Income Statement	2020	2019
(Thousands of Euros)		
Result for the period	**(22,201)**	**(16,468)**
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	(29)	(157)
(Loss)/profit from revaluation on plans with defined benefits	(29)	(157)
Total of other elements for the comprehensive Income Statement:	**(29)**	**(157)**
Total result of the comprehensive Income Statement	**(22,230)**	**(16,625)**
To be attributed to:		
Shareholders of the Parent Company	**(22,230)**	**(16,625)**
Minority Shareholders	-	-
Total	**(22,230)**	**(16,625)**

6.3. Balance Sheet

Statement of Assets and Liabilities	Notes	31 December 2020	31 December 2019
(Thousands of Euros)			
Non-current assets			
Intangible assets	12	51,431	53,149
Leased contracts rights of use	13	17,971	20,484
Customer acquisition costs	14	10,186	9,777
Property, plants and machinery	15	29,898	32,486
Investments evaluated at equity method	16	3,719	3,719
Other financial assets	17	807	908
		114,011	**120,523**
Current assets			
Trade receivables	18	9,584	15,222
Tax receivables	19	466	227
Other receivables and other current assets	20	22,908	33,607
Cash and cash equivalents	21	4,434	11,653
		37,393	**60,709**
Total assets		**151,403**	**181,232**
Capital and reserves			
Share Capital		51,655	46,355
Stock option reserve		51	96
Results from previous fiscal years and other reserves		(102,476)	(85,988)
Results for the fiscal year pertaining to the Group		(22,201)	(16,468)
Shareholders' equity_ Group	22	**(72,971)**	**(56,005)**
Shareholders' equity_ third parties		**0**	**0**
Shareholders' equity_ third parties	23	**0**	**0**
Total Shareholders' equity		**(72,971)**	**(56,005)**
Non-current liabilities			
Bank loans and other fin. Inst.	24	3,483	67,932
Obligation under finance leases	24	15,059	19,092
Other non-current liabilities	25	11,902	7,187
Employee severance indemnities	26	2,708	2,830
Provisions for liabilities and charges	27	5,448	4,257
		38,599	**101,298**
Current Liabilities			
Convertible bond	24	0	5,246
Banks overdrafts and loans	24	70,853	845
Obligation under finance leases	24	7,950	6,379
Trade payables	28	58,034	60,650
Tax payables	29	56	5,143
Other current liabilities	30	48,882	57,675
		185,775	**135,939**
Total Shareholders' equity and Liabilities		**151,403**	**181,232**

6.4. Cash Flow Statement

(Thousands of Euro)	Notes	2020	2019
OPERATING ACTIVITIES		(22,201)	(16,468)
Adjustments for:			
Amortization	12-13-14-15	41,324	42,176
Income from tax receivables ex Bonus Sud & Industria 4.0	2	(8,325)	0
Provision for write-downs accounts receivables from customers	5	6,158	10,103
Gain on disposal of non-current assets	2	0	(527)
Gain on Sa Illetta sale	2	0	(10,573)
Stock Option figurative cost	22	11	5
Income taxes	9	75	109
Changes in provision for risks	6	2,400	863
Payables/ receivables and other credits write-offs	28	(4,779)	(10,624)
Other changes	4-6	1,386	1,593
IFRS 16 implementation impact	3	(1,046)	(3,760)
Senior Loan and Bond ancillary charges	8	0	(321)
Fastweb Voucher utilization	3	17,723	16,946
Financial charges / income	8	7,608	(2,605)
Cash flows from operating activities before changes in working capital		***40,332***	***26,918***
Changes in receivables	18	(520)	9,294
Changes in payables to suppliers	28	(9,393)	(76,784)
Change in payables to long-term suppliers	25	(2,926)	(1,608)
Net change in provisions for risks and charges	27	(704)	(3,470)
Net change in provisions for TFR	26	(172)	(640)
Changes in other liabilities	30	(18,073)	(110)
Changes in other assets	20	4,162	92,520
Changes in working capital		**(27,627)**	**19,203**
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		**12,704**	**46,121**
INVESTMENT ACTIVITY			
Change in other financial assets	17	101	(374)
Acquisitions of Fixed Tangible Assets	15	(7,726)	(12,168)
Acquisitions of Customers acquisition costs	14	(6,885)	(8,173)
Acquisitions of Intangible assets	12	(18,204)	(23,055)
o/w due to voucher utilization (no cash effect)	12 -15	4,545	10,820
Change in payables related to acquisitions of Assets	25	14,571	16,081
ACTIVITIES		**(13,598)**	**(16,869)**
FINANCIAL ASSETS			
Changes in payables to banks	24	244	(29,011)
of which:			
Repayment of share capital and interest Senior debt		(901)	(20,483)
Increase/Decrease in current accounts overdrafts		1,145	(8,528)
Changes in bond	24	0	10,070
Repayment/acceptance of financial leasing	24	(6,566)	(17,575)
Exchange rate effect	7	(3)	(61)
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		**(6,325)**	**(36,576)**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**(7,219)**	**(7,324)**
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE	0	0	0
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**11,653**	**18,977**
CASH AND CASH EQUIVALENTS AT YEAR-END		**4,434**	**11,653**

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

6.5. 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, 2020	**46,355**	**1,929**	**-**	**96**	**(1,635)**	**(102,750)**	**(56,005)**	**-**	**(56,005)**
Bond conversion	5,300						**5,300**		**5,300**
Bond conversion set up fees						(47)	**(47)**		**(47)**
Reclass Stock Option Reserve to Other Reserve				(56)		56			
Stock option charges				11			**11**		**11**
Total result of the comprehensive Income Statement					(29)	(22,201)	**(22,230)**		**(22,230)**
Balance as of December 31st, 2020	**51,655**	**1,929**		**51**	**(1,664)**	**(124,942)**	**(72,971)**		**(72,971)**

(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, 2019	**43,065**	**1,253**		**(13)**	**(1,478)**	**(87,542)**	**(44,715)**	**-**	**(44,715)**
Legal Reserve Reclass		**676**				**(676)**			
Stock option Reserve Restoration	**(2,010)**			**2,010**					
Bond conversion	**5,300**						**5,300**		**5,300**
Reclass Stock Option Reserve to Other Reserve				**(1,906)**		**1,906**			
Stock option charges					**(29)**	**29**			
Total result of the comprehensive Income Statement				**5**	**(127)**	**(16,468)**	**(16,590)**		**(16,590)**
Balance as of December 31st, 2019	**46,355**	**1,929**		**96**	**(1,635)**	**(102,750)**	**(56,005)**		**(56,005)**

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

Consolidated income Statement	Notes	2020	of which related parties	2019	of which related parties
(Thousands of Euros)					
Revenues	*1*	144,012		142,622	248
Other incomes	*2*	10,837		15,451	
Purchase of materials and external services	*3*	100,467	851	99,260	900
Personnel cost	*4*	18,780	666	22,392	665
Other operating charges (incomes)	*3*	297		751	
Write-downs of receivables from customers	*5*	6,158		10,103	
Restructuring costs	*6*	2,142		1,997	
Depreciations & amortizations	*7-12-13-14-15*	41,324		42,176	
Operating result		**(14,318)**	**(1,517)**	**(18,605)**	**(1,316)**
Result from the investments evaluated at equity method		(285)		(359)	
Financial Income	*8*	440		14,452	
Financial Expenses	*8*	7,964		11,847	516
Income (loss) before tax		**(22,127)**	**(1,517)**	**(16,359)**	**(1,832)**
Taxation	*9*	75		109	
Net result	*10*	**(22,201)**	**(1,517)**	**(16,468)**	**(1,832)**
To be attributed to:					
- Result pertaining the Parent Company		**(22,201)**		**(16,468)**	
- Result pertaining Third Parties		-		-	
Profit (loss) per share					
Profit per share from current and transferred activities:				**0**	
- Base		(0.005)		**(0.004)**	
- Diluted		(0.005)		**(0.004)**	
Profit per share from current activities:					
- Base		(0.005)		**(0.004)**	
- Diluted		(0.005)		**(0.004)**	

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

Statement of Assets and Liabilities	Notes	31 December 2020	of which related parties	31 December 2019	of which related parties
(Thousands of Euros)					
Non-current assets					
Intangible assets	12	51,431		53,149	
Leased contracts rights of use	13	17,971		20,484	
Customer acquisition costs	14	10,186		9,777	
Property, plants and machinery	15	29,898		32,486	
Investments evaluated at equity method	16	3,719		3,719	
Other financial assets	17	807		908	
		114,011		**120,523**	
Current assets					
Trade receivables	18	9,584	637	15,222	381
Tax receivables	19	466		227	
Other receivables and other current assets	20	22,908	61	33,607	61
Cash and cash equivalents	21	4,434		11,653	
		37,393	**698**	**60,709**	**442**
Total assets		**151,403**	**698**	**181,232**	**442**
Capital and reserves					
Share Capital		51,655		46,355	
Stock option reserve		51	51	96	5
Results from previous fiscal years and other reserves		(102,476)		(85,988)	
Results for the fiscal year pertaining to the Group		(22,201)		(16,468)	
Shareholders' equity_ Group	22	**(72,971)**	**51**	**(56,005)**	**5**
Shareholders' equity_ third parties		**0**		**0**	
Shareholders' equity_ third parties	23	**0**		**0**	
Total Shareholders' equity		**(72,971)**		**(56,005)**	
Non-current liabilities					
Bank loans and other fin. Inst.	24	3,483		67,932	
Obligation under finance leases	24	15,059		19,092	
Other non-current liabilities	25	11,902		7,187	
Employee severance indemnities	26	2,708		2,830	
Provisions for liabilities and charges	27	5,448		4,257	
		38,599		**101,298**	
Current Liabilities					
Convertible bond	24	0		5,246	
Banks overdrafts and loans	24	70,853		845	
Obligation under finance leases	24	7,950		6,379	
Trade payables	28	58,034	388	60,650	363
Tax payables	29	56		5,143	
Other current liabilities	30	48,882		57,675	
		185,775	**388**	**135,939**	**363**
Total Shareholders' equity and Liabilities		**151,403**	**(259)**	**181,232**	**(74)**

6.8. Explanatory Notes

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, as more fully explained in section 6.9 below, therefore the financial statements has been drafted using the principles and criteria applicable to companies in operation.

6.9. Assessment on the business as an ongoing concern and business outlook

Uncertainties connected to the COVID-19 pandemic

As part of the risk management operations carried out by the Directors, they carried out a careful assessment of the situation and, despite the uncertainty inherent in the case, they highlighted, in the current scenario, the possible repercussions related to the spread of the COVID-19 and the measures taken by governments to slow down its spread.

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

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

The Directors point out that, although they believe that these events have had a negative impact on the Group's margins, it is not possible to reliably measure the magnitude of this negative impact.

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

Group performance in 2020

The Directors point out that in 2020 the Group:

- Presented a negative consolidated result for the year of EUR 22.2 million (compared to a loss of EUR 16.5 million in 2019);
- Had a consolidated net financial position as at 31 December 2020 of EUR 92.1 million, of which EUR 78.8 million in current debt and EUR 18.5 million due beyond 12 months, in addition to cash and cash equivalents of EUR 4.4 million and non-current financial receivables of EUR 0.8 million. This figure shows a worsening of EUR 5.2 million compared to the figure recognised at 31 December 2019. With reference to short-term debt, it should be noted that it mainly includes the senior financial debt to the Bank Pool reclassified among current liabilities following the breach of certain financial parameters (hereinafter referred to as the “Covenants”) as at 31 December 2020;
- Generated a flow from operations of EUR 13.3 million, compared to a flow of EUR 46.1 million in the previous year, where this flow was affected by the positive effects of an extraordinary transaction concluded in 2019;
- Had a consolidated equity deficit of EUR 73 million, a deterioration of EUR 17 million compared to 31 December 2019, due to the combined effect of the result for the period of negative EUR 22.2 million and the conversion of the remaining portion of the bond for EUR 5.3 million;
- Recorded a slight decrease in the Fixed Broadband customer base, (approximately 377 thousand users as at 31 December 2020, compared to 382 thousand users as at 31 December 2019).

In the situation described above, the Directors reiterate that the achievement of a balanced medium and long-term equity, economic and financial situation of the Group is always dependent on i) the achievement of the results envisaged in the 2021-2023 Business Plan, which envisages achieving economic equilibrium in 2023 and ii) the realisation of the forecasts and assumptions contained therein in a market context characterised by strong competitive pressure, a difficult macroeconomic context linked to the recent events linked to the dissemination of the COVID-19 in Italy, iii) the positive finalisation of the granting of the moratoria by the Lending Institutions, deeming it reasonable, on the basis of current evidence, to sign the Amendment Agreement.

In view of these uncertainties, the Directors nevertheless point out that there are many positive signs linked to both the performance for the period and the forecasts for future performance, highlighting that:

1. The consolidated result for the year, net of *Non-recurring Items* (for which reference is made to the Note *Non-recurring Transactions*), equal to EUR 4.6 million as at 31 December 2020 and EUR 24.5 million as at 31 December 2019, improved by EUR 14.2 million compared to the result of the

previous year;

2. The Group reported a consolidated EBITDA of EUR 29.1 million, an improvement of EUR 3.5 million compared to the EUR 25.6 million reported in 2019. In addition, consolidated EBITDA, net of *Non-Recurring Items* (amounting to EUR 6.8 million as of 31 December 2020 and EUR 12 million as of 31 December 2019), improved by EUR 8.8 million compared to the previous year; Tthat current liabilities at consolidated level are higher than current (non-financial) assets of EUR 74 million, compared to the EUR 74.4 million as at 31 December 2019;
3. To have generated a cash flow from operating activities before changes in working capital of EUR 41.2 million, a clear improvement compared to the flow recorded in the previous year which was EUR 26.9 million;
4. The Group obtained new financing of EUR 2.5 million;
5. The Group has received from each of the financial institutions in the Bank Pool a communication confirming the status of the preliminary investigation with reference to the claims made by the Group following the Covenants not met at 31 December 2020;
6. The Group has net overdue trade payables (net of payment plans agreed with suppliers, as well as accounts receivable and in dispute with the same suppliers) of EUR 22.1 million (EUR 14.3 million as at 31 December 2019), overdue financial payables (net of credit positions) of EUR 0.5 million (nil as at 31 December 2019), overdue tax and social security payables of EUR 10.6 million (an improvement compared to EUR 28 million as at 31 December 2019). In total, therefore, the overdue amounts concerned amounted to EUR 33.2 million, compared to total overdue amounts of EUR 42.3 million in the previous year, an improvement of EUR 9.1 million;
7. The Company showed an improvement in the customer base mix with significant growth in the number of Fibre customers, which increased by 36.3% from 164 thousand users as at 31 December 2019 to 223 thousand users as at 31 December 2020. This objective was also achieved thanks to the significant increase in network coverage in FTTH mode, with coverage tripling compared to 2019, reaching 886 municipalities at the end of 2020 compared to 321 municipalities reached at the end of 2019. Moreover, thanks to the Bitstream NGA network, Tiscali further expanded its UltraBroadband coverage in Sardinia, reaching approximately 295 out of 377 municipalities at the end of 2020 with UBB FTTC (up to 200 Mbps) or FTTH (up to 1 Gigabit) technology;
8. On 14 May 2021, an Agreement was signed with a leading international investment fund (hereinafter referred to as the “**Investor**”) for the issue of a Convertible Bond (hereinafter referred to as the “**Bond**”) for a maximum amount of EUR 21 million, with an option for the company to extend it by a further EUR 21 million, which can be issued in several tranches at the Group’s discretion and for which the Investor has undertaken to subscribe in full.

Financial resources for the 2021-2023 Plan

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

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

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

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

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

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

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

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

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

Furthermore, in the context of the Investment Agreement, Amsicora S.r.l., owner of a 17.75% stake in the share capital of Tiscali and the Investor have entered into a separate share loan agreement, through which Amsicora S.r.l. has undertaken to lend to the Investor — free of charge, without any purpose of sale — a sufficient number of Tiscali shares that the Investor may borrow to anticipate the issue and/or the admission to listing of the new Tiscali shares in order to convert at least 120% of the amount of each tranche equal to EUR 3,000,000. Although Tiscali is not a party to the Share Loan, the

Share Loan represents a condition to the subscription of the Investment Agreement without which the Investor would not have agreed to subscribe to the Investment Agreement nor would it have committed to subscribe to the Bonds. Therefore, the Company, in consideration of the principle of predominance of substance over form, has deemed it appropriate to subject the Share Loan, on a prudential basis, to the rules for Transactions of Major Importance pursuant to Article 10 of the Regulation approved by CONSOB resolution no. 17221/2010, as subsequently amended and supplemented, and Article 7 of the *Procedure for regulating transactions with related parties* of Tiscali, on the outcome of which the Committee for transactions with related parties has issued a favourable opinion to the Board of Directors.

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

Assessment on the business as an ongoing concern

In the circumstances described above, the Directors, after analysing the uncertainties and results of the period, as well as after receiving from each of the Senior Lenders a Communication confirming the status of the Investigation in relation to the approval process of the request for suspension of the remedies foreseen in favour of the Senior Lenders in the event of breach of the Covenants, have prepared a cash plan for a period of 12 months from the date of approval of this Report. On the basis of this cash plan, the Directors believe that the Group, assuming compliance with the 2021-2023 Business Plan and considering the injection of liquidity deriving from the Bond and the effects of the Senior Loan Amendment Agreement, can meet its obligations at a level of maturity substantially in line with the current one. It should also be noted that in the period between the date of approval of the draft Consolidated Financial Statements by the Board of Directors and the date of publication of this Report, the Senior Lenders communicated to the Group their acceptance of the suspension of the remedies foreseen following the breach of the Covenants at 31 December 2020.

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.

6.10. Business Outlook

Please refer to paragraph 4.7.

6.11. Other events after the FY end

Please refer to paragraph 4.6.

6.12. Accounting Standards

The 2020 Consolidated Financial Statements have been prepared according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and harmonised 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 characterised 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 Consolidated Annual Financial Statements 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.

On 14 May 2021, the Company also approved the consolidated non-financial statement (2020 Sustainability Report), which is subject to a limited review by Deloitte & Touche S.p.A.

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 2020, 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.

Until 31 December 2019 , the Company had identified the following operating segments:

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

The "*Media & Advertising* segment was identified with the legal entity Veesible, controlled by Tiscali Italia, which was configured as a separate segment since it constituted a specific line of business (advertising), had its own specific book value (the financial statements of the stand-alone company), and had cash flows that were largely independent of the cash flows of the Company's other activities.

As at 31 December 2020, however, the Directors consider that Veesible is no longer identifiable as an independent segment due to the following events that occurred during the year:

- The legal entity Veesible was merged into Tiscali Italia Spa on 31 January 2020;
- The business model adopted in 2020 is different from the model in place until December 2019. Tiscali's portal, in fact, has evolved into a "transactional portal" model, i.e., it acts as a commercial vehicle for the Company's products, it creates traffic thanks to its content, its activity is highly integrated with the Company's other activities, but there is no correlation with advertising sales. Advertising sales are entirely entrusted to a concessionaire, which transfers a portion of its revenues back to Tiscali.

These factors led to a close integration of the portal business with the "core" activities carried out by the Company, and in fact, the impossibility of considering this business as a stand-alone operating segment, since it does not have independent cash flows and would not be able to survive on its own. For the above reasons, the directors decided to include the media & advertising business in the "Access" operating segment.

The Company's operating segments at 31 December 2020 are therefore as follows:

- Access (connectivity BTC and BTB);
- Corporate.

Seasonality of Revenues

Tiscali's business 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 realised on infragroup 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 recognised 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-realised 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 Scope

The consolidation scope 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 Scope*.

The Group's scope of consolidation did not change in 2020, with the scope of activities consolidated in 2020 and 2019 coinciding. However, there were some extraordinary transactions between Group companies that formally changed the scope of consolidation:

- Merger of the subsidiary Veesible S.r.l. into Tiscali Italia S.p.A. on 31 January 2021;
- Merger of the subsidiary Aria S.p.A. into Tiscali Italia S.p.A. on 31 January 2021;
- Merger of the subsidiary Tiscali International Network BV into Tiscali International BV on 31 January 2021.

The consolidation scope as at 31 December 2020 follows:

Name	Registered office	Shareholding owned by	Values as of December 31, 2020 (EUR/000)			Percentage of direct shareholding	Percentage of Group shareholding (**)
			Share Capital	Net Equity	Net Result		
Tiscali S.p.A.	Italy	Parent Company	51,655	52,890	1,636	n.a.	n.a.
Tiscali Italia S.p.A.	Italy	Tiscali S.p.A.	18,794	98,359	(22,804)	100,0%	100,0%
Media PA	Italy	Tiscali S.p.A.	49	343	4	100,0%	100,0%
Tint Holding Nv (**) (#)	Netherlands	Tiscali S.p.A.	115,519			99,5%	99,5%
Tiscali International Bv (*)	Netherlands	World Online International NV	115,469	(3,409)	(3,291)	100,0%	99,5%
Tiscali Financial Services SA (*)	LUX	BV	31	(428,219)	(4,320)	100,0%	99.5%

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 – Development costs

Software licenses purchased are capitalised and recorded as intangible assets at the cost incurred for the acquisition and amortised 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 recognised in assets if:

- The following general conditions indicated by IAS 38 for the capitalisation 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 amortisation or accumulated impairment losses. Amortisation of the asset begins when development is completed and the asset is available for use. The cost is amortised 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 amortised 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 2020 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

IRUs 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 amortised on a straight-line basis, in the shorter of the duration of the concession defined by contract and the estimated utilisation of the right.

Property, plants and equipment

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 recognised in the income statement on an estimated basis.

The minimum and maximum rates of depreciation applied in FY 2020 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 relevant 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 amortisation, 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 amortising 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 5,000.00 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-lease 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 recognised in the balance sheet at the balance sheet date.

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 analysed 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%.

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 recognised for the asset loss. The reversal is recognised in the income statement.

The Company has identified 2 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 inter-company 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 amortised 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 recognised 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.

Payables and Financial Liabilities

Payables 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 recognised at cost, equal to the fair value of the consideration received, net of transaction costs. Subsequently, the loans are valued at amortised cost using the effective interest method, calculated considering the issue costs and any other premium or discount applicable to the regulation.

Passività per prestazioni pensionistiche e trattamento di fine rapporto

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 formalised, 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 recognised 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 recognised 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 fulfilment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfil an obligation for a sum other than that estimated, the related effects are reflected in the income statement.

Recognition of income

Revenues are recognised in accordance with the requirements of IFRS 15 and to the extent that it is probable that the economic benefits will flow to the Group and their amount can be measured reliably; they are reported net of discounts, allowances and returns.

Revenues from services rendered are recognised 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 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 are recognised 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.

Government grants

The Group accounts for government grants related to investments in capital assets by recording the benefits as assets. These benefits are recognised in the income statement in periods consistent with the useful life of the contributed assets and, therefore, with the depreciation of these assets. The portion not recognised in profit or loss is accrued in a liability item.

Financial income and charges

The interest income and charges, including interest on bond issues, is recognised 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 recognised 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.

6.13. Major decisions in applying accounting policies and use of estimates

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2020

The following amendments have been applied for the first time by the Group starting from 1 January 2020:

- On 31 October 2018, the IASB published the document ***Definition of Material (Amendments to IAS 1 and IAS 8)***. The document introduced an amendment to the definition of *'material'* 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 *'material'* more specific and to introduce the concept of '*obscured information'* alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is *'obscured'* if it has been described in such a way as to produce a similar effect on the primary readers of financial statements as if the information had been omitted or misstated.

  The adoption of this amendment had no impact on the Group's Consolidated Financial Statements.

- On 29 March 2018, the IASB published an amendment to ***References to the Conceptual Framework in IFRS Standards***. The amendment is effective for periods beginning on or after 1 January 2020, but earlier application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in developing the IFRS standards. The document helps 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.

The adoption of this amendment had no impact on the Group's Consolidated Financial Statements.

- On 26 September 2019, the IASB published the amendment entitled ***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***. It amends IFRS 9 — *Financial Instruments* and IAS 39 — *Financial Instruments: Recognition and Measurement* as well as IFRS 7 — *Financial Instruments: Disclosures*. In particular, the amendment changes some of the requirements for the application of hedge accounting, providing temporary exceptions to them, in order to mitigate the impact of the uncertainty of the IBOR reform on future cash flows in the period before its completion. The amendment also requires companies to provide additional disclosures in the financial statements regarding their hedging relationships that are directly affected by the uncertainties generated by the reform and to which they apply the above-mentioned exemptions.

  The adoption of this amendment had no impact on the Group's Consolidated Financial Statements.

- 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 a business for the purposes of the 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 an output. To this end, the IASB has replaced the phrase *"ability to create outputs"* with *"ability to contribute to the creation of outputs"* 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 an optional test (called *"concentration test"*) which allows a business to be excluded if the price paid is substantially attributable to a single asset or group of assets. The amendments apply to all business combinations and asset acquisitions after 1 January 2020, but earlier application is permitted.

The adoption of this amendment had no impact on the Group's Consolidated Financial Statements.

- On 28 May 2020, the IASB published the amendment ***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***. The document provides lessees with the option to account for COVID-19 related rent reductions without having to assess, through contract analysis, whether the definition of lease modification in IFRS 16 is met. Therefore, lessees that apply this option will be able to account for the effects of rent reductions directly in the income statement at the effective date of the reduction. This amendment applies to financial statements beginning on or after 1 June 2020 but the Company has taken advantage of the option to apply this amendment earlier than 1 January 2020. The introduction of the new amendment had an impact on the Group's Consolidated Financial Statements.

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 2020

- On 28 May 2020, the IASB published the amendment entitled ***Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)***. The amendments allow the extension of the temporary exemption from applying IFRS 9 until 1 January 2023 for insurance. These amendments will become effective on 1 January 2021. The Directors do not expect a material effect on the Group's Consolidated Financial Statements from the adoption of this amendment.

- On 27 August 2020, the IASB published, in light of the reform on interbank interest rates such as IBOR, the document ***Interest Rate Benchmark Reform — Phase 2***, which contains amendments to the following standards:
  - IFRS 9 — *Financial Instruments*;
  - IAS 39 — *Financial Instruments: Recognition and Measurement*;

- IFRS 7 — *Financial Instruments: Disclosures*;
- IFRS 4 — *Insurance Contracts*; and
- IFRS 16 — *Leases*.

All amendments will become effective on 1 January 2021. The Directors do not expect a material effect on the Group's Consolidated Financial Statements from the adoption of this amendment.

ACCOUNTING PRINCIPLES, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

At the date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and principles described below:

- On 18 May 2017, the IASB published ***IFRS 17 — Insurance Contracts*** which is intended to replace *IFRS 4 — Insurance Contracts*.

  The objective of the new standard is to ensure that an entity provides relevant information that fairly represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts, that an insurer holds.

  The new standard also includes presentation and disclosure requirements to improve comparability among entities in this industry.

  The new standard measures an insurance contract on the basis of a *General Model* or a simplified version of it, called the *Premium Allocation Approach* (or "PAA").

  The main features of the *General Model* follow:
  - Estimates and assumptions of future cash flows are always current;
  - The measurement reflects the time value of money;
  - Estimates include extensive use of observable market information;
  - There is a current and explicit measurement of risk;
  - The expected profit is deferred and aggregated into groups of insurance contracts at initial recognition; and

- The expected profit is recognised over the period of contractual cover taking into account adjustments for changes in cash flow assumptions for each group of contracts.

The PAA approach provides for the measurement of the liability for the residual coverage of a group of insurance contracts provided that, at initial recognition, the entity expects that the liability is a reasonable approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the application of the PAA approach do not apply to the measurement of liabilities for outstanding claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year from the date the claim arose.

An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a *Discretionary Participation Feature* (or "DPF").

The standard applies from 1 January 2023 but early application is permitted, only for entities that apply IFRS 9 — *Financial Instruments* and IFRS 15 — *Revenue from Contracts with Customers*.
The Directors do not expect a material effect on the Group's Consolidated Financial Statements from the adoption of this standard.

- On 23 January 2020, the IASB published the document Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. The document aims to clarify how to classify payables and other short-term or long-term liabilities. The amendments are effective as of 1 January 2023; however, earlier application is permitted. The Directors do not expect a material effect on the Group's Consolidated Financial Statements from the adoption of this standard.

- On 14 May 2020, the IASB published the following amendments, entitled:
  - ***Amendments to IFRS 3 Business Combinations***: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this resulting in any changes to the provisions of IFRS 3.
  - ***Amendments to IAS 16 Property, Plant and Equipment***: the amendments are intended to disallow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset.

These sales revenues and related costs will therefore be recognised in the profit or loss statement.

- ***Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets***: the amendment clarifies that in estimating whether a contract is onerous, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (e.g., the cost of direct material used in the work), but also all costs that the enterprise cannot avoid because it has entered into the contract (e.g., the portion of personnel costs and depreciation of machinery used to perform the contract).
- ***Annual Improvements 2018-2020***: Amendments were made to IFRS 1 — *First-time Adoption of International Financial Reporting Standards*, IFRS 9 — *Financial Instruments*, IAS 41 — *Agriculture* and the *Illustrative Examples* of IFRS 16 — *Leases*.

All amendments will become effective on 1 January 2022.

The Directors do not expect a material effect on the Group's Consolidated Financial Statements from the adoption of these amendments.

- On 30 January 2014, the IASB published ***IFRS 14 — Regulatory Deferral Accounts***, which allows only first-time adopters of IFRS to continue to recognise amounts relating to rate-regulated activities under their previous accounting policies. As the Company/Group is not a first-time adopter, this standard is not applicable.

SIGNIFICANT JUDGMENTS AND USE OF ESTIMATES

Significant Judgments

The Consolidated Financial Statements as at 31 December 2020 include EUR 16.3 million of Tax Credits and EUR 8.3 million of Other Income related to the recognition of the effect of certain tax incentives related to the Group's investments. These tax incentives are mainly related to three types of incentives: *i)* An incentive linked to investments made in specific territories in southern Italy (the so-called "Bonus Sud"), *ii)* An incentive linked to so-called "Industry 4.0" investments and *iii)* An incentive linked to research and development ("R&D") activities. With reference to the Bonus Sud and Industry 4.0 incentives, the tax rules also allow the incentive for assets acquired through financial leasing. In identifying which assets could benefit from these tax incentives, the Group interpreted the tax definition of "Finance Lease" in accordance with the definition of finance lease in IFRS 16. This approach is a *Significant Judgment* taken by the Directors.

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 2020 which were 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 recognised 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 IFRS 16 standard;
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 2020 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.

6.14. Explanatory Notes

Revenues (Note 1)

Revenues	2020	2019
(EUR 000)		
Revenues	144,012	142,622
Total	**144,012**	**142,622**

Revenues in 2020 increased by EUR 1.4 million as compared to those in 2019. 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 1.4 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	2020	2019
(EUR 000)		
Other Income	10,837	15,451
Total	**10,837**	**15,451**

Other income, amounting to EUR 10.8 million, primarily includes:

- The accrued portion of tax credits for investments under the Bonus Sud, Industry 4.0 and R&D regulations for a total amount of EUR 8.3 million;
- Income from transactions on debit positions with suppliers for an amount of EUR 2.5 million.

The amount recognised at 31 December 2019 mainly included the proceeds from the realisation of the sale of the Sa Illetta property amounting to EUR 11.1 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)	2020	2019
(EUR 000)		
Line/traffic rental and interconnection costs	73,170	63,659
Costs for use of third party assets	4,835	7,409
Portal services costs	427	751
Marketing costs	2,690	5,248
Other services	19,345	22,194
Other operating costs (income)	297	751
Totale	**100,764**	**100,011**

The item *Line rental costs/traffic and interconnection* mainly includes voice traffic costs and fees for fixed and fixed wireless Broadband and Ultra Broadband services, and Mobile services. The increase compared to 2019, equal to EUR 9.5 million, is mainly related to the increase in the average cost per line as well as the increase in average traffic volumes in the period attributable to the higher network use by customers during the COVID-19 emergency.

The item *Costs for use of third party assets* includes the cost of leases and rentals of capital goods. The decrease compared to 2019 amounts to EUR 2.6 million and is mainly attributable to the absence of rental costs of certain technical sites for EUR 2.2 million, in particular related to Wi Max antennas, following the completion of the migration from Wi Max technology to LTE technology (the swap of the last tranche of Wi Max antennas was carried out during 2020), as well as the reduction in the costs of site utilities for EUR 0.4 million.

The item *Costs for Portal service* decreased by approximately by EUR 0.3 million in the period. This reduction is consistent with the decrease in Media revenues, a segment that was affected by the COVID-19 emergency, which led to a drop in advertising investments.

The item *Marketing costs* decreased by EUR 2.5 million, mainly as a result of lower advertising investments. In 2019, this item included costs related to television advertising campaigns.

The item *Other services* includes costs for the maintenance and operation of industrial sites, administrative offices, rents, consultancy and professional fees, billing costs, postal expenses, travel expenses, and other general costs. The EUR 2.8 million decrease compared to 2019 is mainly attributable to the following factors:

- Reduction in costs for outsourced IT services, net of capitalisations of EUR 0.7 million;
- Increase in maintenance and utilities of industrial sites by about EUR 0.6 million;
- Reduction in professional fees of about EUR 0.5 million;
- Decrease in costs for fines and penalties from the tax authorities and public administration for EUR 1.3 million;
- Reduction in customer care outsourcing costs of EUR 0.5 million;
- Decrease in travel expenses and other general services of EUR 0.4 million, attributable to limited staff travel and reduced operational activity at the Sa Illetta site due to the lockdown period in March-December 2020 as a result of the COVID-19 emergency.

Staffing Cost (Note 4)

Staffing cost	**2020**	**2019**
(EUR 000)		
Wages and salaries	12,750	14,582
Other staffing costs	6,030	7,809
Total	**18,780**	**22,392**

As anticipated in the Management Report, the decrease in personnel costs is mainly attributable to the effects of the use of social security cushions in the management of the COVID-19 pandemic, as well as to the actions aimed at the reorganisation and reduction of the workforce undertaken in 2019 and finished in the first half of 2020. The number of FTEs (Full Time Equivalents) decreased by 18.5 compared to 31 December 2019, as shown in the table below:

Number of Units (FTE)

	31 December 2020	31 December 2019
Managers	12	13
Middle Managers	34	35
Employee	434	450
Workers	1	1
External	0	0
Totale	**480**	**499**

Write-down of receivables from Customers (Note 5)

Write-downs of receivables from customers	**2020**	**2019**
(EUR 000)		
Provisions for bad debts	6,158	10,103
Total	**6,158**	**10,103**

The item *Provisions for bad debts* amounts to EUR 6.1 million (4.3% of revenues), a decrease as compared to EUR 10.1 million in FY 2019 (7.1% of revenues).

Restructuring Costs (Note 6)

Restructuring costs	**2020**	**2019**
(EUR 000)		
Restructuring costs	2,142	1,997
Total	**2,142**	**1,997**

The item Restructuring costs at 31 December 2020 includes the following items:

- Provisions for charges related to the rationalisation of the network infrastructure for EUR 1.9 million;
- Provisions for corporate restructuring costs of EUR 0.4 million, in relation to the workforce reduction plan through redundancy incentives prepared by the Company and included in the 2021-2023 Business Plan;
- Release of previous provisions for employee litigation costs in relation to the settlement of some cases for EUR 133,000.00.

Depreciation and Amortisation (Note 7)

Depreciation	2020	2019
(EUR 000)		
Depreciation	41,324	42,176
Total	**41,324**	**42,176**

Depreciation and amortisation amounted to EUR 41.3 million, a decrease of EUR 0.8 million compared to EUR 42.2 million in the previous year.

For further details on depreciation of assets, see also Notes 12-13-14-15.

Net financial income (charges) (Note 8)

A breakdown of Net financial income (charges) for the FY is provided below, with a negative balance of EUR 7.5 million.

Net financial income (charges)	2020	2019
(Thousands of EUR)		
Financial income		
Interest on bank deposits	0	0
Income from Senior Loan restructuring	0	0
Other financial income	440	14,451
Total	**440**	**14,452**
Financial charges		
Interest and other charges due to banks	4,695	6,198
Other financial charges	3,269	5,649
Total	**7,964**	**11,847**
Net financial income (charges)	**(7,524)**	**2,605**

Net financial income (charges)	2020	2019
(Thousands of EUR)		
Other financial income	440	14,451
Total	**440**	**14,452**
Financial charges		
Interest and other charges due to banks	4,695	6,198
Other financial charges	3,269	5,649
Total	**7,964**	**11,847**
Net financial income (charges)	**(7,524)**	**2,605**

The item Financial Income includes a gain of EUR 0.4 million attributable to the release of the notional financial debt arising in connection with the put option related to the convertible bond issued on 31 January 2019 and converted on 30 June 2020.

This item included, at 31 December 2019, a gain of EUR 12.8 million arising from the recording at amortised value of the new financial debt following the signing of the Senior Debt Restructuring Agreements signed on 28 March 2019, as well as a gain of EUR 1.5 million attributable to the release of the past charges for discounting the Fastweb Voucher, following the restatement of the same voucher at 31 December 2019, made on the basis of the actual utilisations at that date and of the forecasts of utilisation until exhaustion.

The item Financial expenses of EUR 7.9 million includes the following items:

- Interest expenses, related to the financing towards Senior Lenders amounting to EUR 4.6 million (EUR 4.9 million in 2019);
- Interest on late payments of EUR 0.5 million (EUR 2.6 million in 2019);
- Interest expenses on finance leases and IRUs of approximately EUR 1.6 million (EUR 1.5 million in 2019);
- Bank charges of EUR 1.1 million (EUR 1.4 million in 2019);
- Imputed interest on the convertible bond of EUR 54 thousand (EUR 0.9 million in 2019);
- Interest expense on bank accounts of EUR 40 thousand (EUR 0.4 million in 2019).

Income Taxes (Note 9)

Income taxes	**2020**	**2019**
EUR 000		
Current taxes	75	109
Deferred taxes	0	0
Total	**75**	**109**

The balance of current taxes includes the IRAP cost due for the FY.

With regard to the Group's tax losses carried forward, for which no deferred tax assets had been recognised as at 31 December 2020, it should be noted that as at 31 December 2020 deferred tax assets amounted to EUR 366.7 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 during the FY.

Earning (Loss) per Share (Note 10)

The earnings per share of “operating assets” is negative and amounted to EUR 0.005 and was calculated by dividing the net loss for the FY 2020 attributable to the ordinary shareholders of the Parent Company, amounting to EUR 22.2 million, by the weighted average number of ordinary shares in circulation during the year, totalling 4,779,911.40.

The diluted earnings per share of “operating assets” is negative and amounted to EUR 0.005 and was calculated by dividing the net loss for the period attributable to the ordinary shareholders of the Parent Company, equal to Euro 22.2 million, by the weighted average number of potential shares in circulation during the year, equal to 4,810,023,270.

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)**

On 14 May 2021, the Company’s Board of Directors approved the 2021-2023 Business Plan (hereinafter referred to as the “**Plan**”).

The Plan is an update of the previous 2020-2022 Plan approved by the Board of Directors of Tiscali Spa on 27 April 2020. The 2021-2023 Plan takes into account the consolidated results at 31 December 2020 and the events that occurred during 2020 and the first months of 2021. In accordance with the provisions included in IAS 36, the Directors verified whether there were any indicators of impairment at 31 December 2020, based on the 2021-2023 Plan.

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 2020, 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. 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 inter-company 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 2021 to 2023 resulting from the 2021-2023 Business Plan of the Tiscali Group (as defined in the Note *Assessment of the business as an ongoing concern*) approved by the Board of Directors on 14 May 2021.

The terminal value for the purposes of the impairment test was calculated using a 3-year time span.

- 3-year explicit forecast period (01 January 2021 – 31 December 2023);
- 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 average of years 2022-2023, properly normalised;
- 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 1.34%.

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 1.30 fv%;
- 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 0.46.
    - 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 1.16 (53.8% of debt – 46.2% of Shareholders' Equity);
        - Tiscali's tax structure.

    Including the aforementioned factors, a beta relevered rate of 0.87 was defined.
- Market Risk Premium. The risk premium attributed by the market amounts to 5.2%;
- 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 3.2%;
- Company Specific Risk Premium. The corporate risk premium was set at 2.5%.

Based on these parameters, the WACC used for the verifications is 8.37% (9.58% in FY 2019).

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 2020, 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% (9.37%) 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 1.34% 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 capitalisation of the Tiscali Group does not reveal any elements that differ from the result of the impairment procedure. In particular, as previously indicated, the average market capitalisation in FY 2020 amounted to about EUR 77.6 million.

Intangible Assets (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 2020	**4,641**	**140,286**	**96,533**	**34,543**	**1,282**	**277,284**
Increases		4,912	9,713	1,694	284	**16,604**
Disposal		(75,649)	(72,144)	(25,838)		**(173,631)**
Reclassifications		474	78	(147)	(1,101)	**(697)**
31 December 2020	**4,641**	**70,023**	**34,180**	**10,252**	**465**	**119,560**
ACCUMULATED AMORTIZATION						
1 January 2020	**4,641**	**107,715**	**83,587**	**28,193**		**224,135**
Increases in amortization		7,566	8,087	1,982		**17,635**
Disposal		(75,649)	(72,144)	(25,838)		**(173,631)**
Reclassifications		(10)				**(10)**
31 December 2020	**4,641**	**39,622**	**19,529**	**4,337**		**68,129**
NET BOOK VALUE						
1 January 2020	-	**32,571**	**12,946**	**6,350**	**1,282**	**53,149**
31 December 2020	-	**30,401**	**14,651**	**5,915**	**465**	**51,431**

The movements of intangible assets during FY 2020 follow:

The item *Development Costs* includes the development costs for personalised application software for the exclusive use of the Group. They have been fully amortised.

The balance of the item *Concessions and Similar Rights* equals to EUR 30.4 million, and mainly includes:

- EUR 10.2 million for licenses and software, including costs related to 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);
- EUR 18.6 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 1,6 million for patent and industrial property rights.

The increase in FY 2020, amounting to EUR 4.9 million, is attributable to software licenses for EUR 3.9 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 0.5 million and to patent purchase for EUR 0.4

million. Depreciation for the period, calculated according to the criteria highlighted in the annual financial report, amounted to EUR 7.5 million.

Moreover, this item includes the elimination of the historical cost of EUR 75.6 million (against a depreciation provision of the same amount). These are assets that have completed their depreciation cycle, and for which the historical cost and related accumulated depreciation have been eliminated.

Finally, the item *Concessions and similar rights* includes reclassifications of EUR 0.5 million. These are reclassifications of intangible assets from the category *Intangible assets in progress and advances*, relating to investments that were amortised in the period.

The item *Broadband Service Activation Costs* amounts to EUR 14.6 million. The increase in FY 2020 of EUR 9.7 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 8.1 million.

In addition, this item includes the derecognition of assets that have completed their depreciation cycle for a historical value of EUR 72.1 million (against a depreciation provision of the same amount). Finally, this item includes reclassifications for EUR 0.1 million. These are reclassifications of intangible assets from the category *Intangible assets in progress and advances*, relating to investments that were amortised in the period.

The item *Other Intangible Fixed Assets* amount to EUR 5.9 million. The increase in FY 2020 amounts to EUR 1.7 million. Depreciation for the period, calculated according to the criteria highlighted in the annual financial report, amounted to EUR 2 million.

In addition, this item includes the derecognition of assets that have completed their depreciation cycle for EUR 25.8 million.

Finally, this item includes reclassifications for a negative amount of EUR 147 thousand. These are tangible assets that have been transferred from the category *Other Intangible Assets* to the category *Plant and Equipment* for better accounting purposes.

The item *Intangible Assets in progress and Advances* amount to EUR 0.5 million.

In FY 2020, EUR 1.1 million of intangible assets were reclassified from *Intangible Assets in progress and Advances* to the following categories: to *Concessions and similar rights* for EUR 0.5 million; to *Broadband Service Activation Costs* for EUR 0.1 million; and to *Property, Plant and Equipment* for EUR 0.5 million, in relation to investments amortised 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 2020	**18,566**	**132,813**	**151,379**
Increases	727	2,353	**3,080**
Disposal	(1,242)	(1,831)	**(3,073)**
Reclassifications		(6,929)	**(6,929)**
31 December 2020	**18,051**	**126,406**	**144,457**
ACCUMULATED AMORTIZATION			
1 January 2020	**2,045**	**128,850**	**130,895**
Increases	2,416	2,934	**5,351**
Disposal	(409)	(1,682)	**(2,091)**
Reclassifications		(7,668)	**(7,668)**
31 December 2020	**4,052**	***122,434***	**126,486**
NET BOOK VALUE			
1 January 2020	**16,521**	**3,963**	**20,484**
31 December 2020	**13,999**	**3,972**	**17,971**

The item *Property rights of use* includes the capitalization of the lease agreement for the Sa Illetta headquarters (effective from March 28, 2019) and other lease agreements for industrial sites.

This item includes increases in the period of EUR 0.7 million. Disposals in the period amounted to EUR 1.2 million of historical value (against an amortization fund of EUR 0.4 million) and are mainly related to the closure of some lease contracts of Tiscali stores and other industrial sites.

Depreciation for the period amounted to EUR 2.4 million.

The item *Network Equipment right of use*, which includes operating leases capitalised as from 1 January 2019, amounts to EUR 4 million.

This item includes increases in the FY of EUR 2.3 million and disposals for EUR 1.8 million in historical value (against a depreciation provision of EUR 1.7 million). Depreciation for the period amounted to EUR 3 million.

In addition, this item includes net reclassifications of assets for EUR 6.9 million of historical value. These are assets whose lease agreement has expired, but which have a residual net book value still to be depreciated. As the lease agreement has expired, these assets have been reclassified from this category to *Plant and Equipment*, under Tangible Assets.

Customer acquisition costs (Note 14)

Other Non Current Assets *(EUR 000)*	Customers Acquisition costs
HISTORICAL COST	
1 January 2020	**58,518**
Increases	6,885
Increases_ IFRS 16	
Disposal	(36,083)
Reclassifications	
31 December 2020	**29,320**
ACCUMULATED AMORTIZATION	
1 January 2020	**48,742**
Increases in amortization	6,475
Disposal	(36,083)
Reclassifications	
31 December 2020	**19,134**
NET BOOK VALUE	
1 January 2020	**9,777**
31 December 2020	**10,186**

This item includes costs relating to fees paid to dealers and commercial intermediaries for the acquisition of customers.

Increases for the period amounted to EUR 6.9 million.

In addition, the item was derecognised in the period for a historical value of EUR 36.1 million, against an amortisation provision of the same amount. Depreciation for the period amounted to EUR 6.4 million.

Property, Plant and Equipment (Note 15)

The following table shows the changes occurred in FY 2020:

Tangible assets (EUR 000)	Property	Plant & machinery	Other tangible assets	Tangible assets under construction	Total
HISTORICAL COST					
1 January 2020	**1,966**	**193,968**	**5,590**	**4,104**	**205,628**
Increases		8,112	31	1,183	**9,327**
Disposal		(56,886)			**(56,886)**
Other Changes					
Reclassifications		11,297	4	(3,675)	**7,626**
31 December 2020	**1,966**	***156,491***	**5,626**	**1,612**	**165,695**
ACCUMULATED DEPRECIATION					
1 January 2020	**1,966**	**166,532**	**4,644**		**173,142**
Depreciation network equipment in leasing		11,794	69		**11,863**
Disposal		(56,886)			**(56,886)**
Reclassifications		7,679			**7,679**
31 December 2020	**1,966**	***129,118***	**4,713**		**135,797**
NET BOOK VALUE					
1 January 2020	**()**	***27,436***	***946***	**4,104**	**32,486**
31 December 2020	**()**	***27,373***	***912***	**1,612**	**29,898**

The item *Plant and Equipment* includes specific network equipment such as routers, DSLAMs, servers and transmission equipment installed at ULL sites for EUR 27.4 million.

The item *Investments for the period* include investments of EUR 8.1 million.

This item includes the effects of the derecognition of assets that have completed their amortisation cycle for a historical value of EUR 56.9 million (against a depreciation provision of the same amount).

In addition, there are reclassifications for an historical value of EUR 11.3 million (and a depreciation provision of EUR 7.7 million), of which *(i)* EUR 3.7 million are attributable to assets transferred from the category *Tangible assets in progress* for assets that began their depreciation cycle in the period; *(ii)* EUR 6.9 million related to assets transferred from the *Network Equipment Use Rights* category, being assets related to lease agreements terminated in the period, but with a residual book value to be depreciated; *(iii)* EUR 0.7 million of assets transferred from *Intangible assets in progress and Advances* to the *Plant and Equipment* category in relation to investments which entered into depreciation in the period.

Depreciation for the period amounted to EUR 11.8 million.

The item *Other Tangible Assets*, whose balance amounted to EUR 0.9 million, include furniture and fittings, electronic and electromechanical office equipment and motor vehicles. Investments in the period amounted to EUR 31 thousand.

Depreciation for the period amounted to EUR 69 thousand.

The item *Property, Plant and Equipment in progress and Advances*, whose balance amounted to EUR 1.6 million, mainly includes investments in network infrastructure.

This item includes reclassifications for a negative EUR 3.7 million attributable to assets transferred from *Property, plant and equipment in progress* to *Plant and Equipment* for assets that began their depreciation cycle in the period.

Equity Investments valued using the Equity Method (Note 16)

Investments evaluated at equity method	31 December 2020	31 December 2019
(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 2019 (as per the latest approved Financial Statements):

Name	Registered office	Shareholding owned by	Values as of December 31, 2020 (EUR/000)			Percentage of direct shareholding	Investment Book Value as at Dec 31st, 2020	Investment Book Value as at Dec 31sr, 2019
			Share Capital	Net Equity	Net Result			
Janna S.C.p.a.	Italia	Tiscali Italia S.p.A.	13,717	8,462	-1,187	17%	3,719	3,719

The operational headquarters of the consortium company Janna is in Sa Illetta, km 2.300, in Cagliari.

No dividends were received from this subsidiary during the period.

Under the Shareholders' Agreements, Tiscali Italia S.p.A. is obliged to provide the funds necessary for the subsidiary's operations in proportion to its shareholding.

Other non-current financial assets (Note 17)

Other non-current financial assets	31 December 2020	31 December 2019
(EUR 000)		
Guarantee deposits	799	900
Other receivables	8	8
Total	**807**	**908**

Security Deposits are represented by deposits paid in the context of carrying out activities on multi-year contracts.

Trade Receivables (Note 18)

Trade receivables	31 December 2020	31 December 2019
(EUR 000)		
Trade receivables	22,456	35,720
Write-down provision	(12,872)	(20,498)
Total	**9,584**	**15,222**

Trade Receivables as at 31 December 2020, amounting to EUR 9.6 million, net of write-downs totalling EUR 12.9 million, originate from sales of Fixed Broadband and Fixed Wireless and Mobile 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.

As described in the section *Assessment of the Business as on Ongoing Concern*, the COVID-19 emergency resulted in a contraction of the domestic economy and the spending power of customers. The estimate of the allowance for doubtful accounts reflects the additional considerations made to reflect this risk.

The changes in the provision for doubtful debts during the respective years follow:

Bad debt allowance variations	31 December 2020	31 December 2019
(EUR 000)		
Bad debt allowance BoP	**(20,498)**	**(22,844)**
Provision	(6,158)	(10,103)
Utilizations	13,784	12,449
Bad debt allowance Eop	**(12,872)**	**(20,498)**

The item *Provision for the Year* amounts to EUR 6.2 million.

The item *Utilisations* includes the write-off of credit positions no longer recoverable.

The breakdown by maturity (gross of the allowance for doubtful accounts) as at 31 December 2020 and 31 December 2019, respectively, follows:

Aging Receivables_ gross of Bad debt	31 December 2020	31 December 2019
(EUR 000)		
not overdue	5,732	6,359
1 - 180 days	6,021	6,827
181 - 360 days	3,470	5,149
oltre 360 days	7,234	17,385
Total Receivables	**22,456**	**35,720**
Bad debt	(12,872)	(20,498)
Total Receivables net of bad debt	**9,584**	**15,222**

The breakdown by maturity (gross of the allowance for doubtful accounts) as at 31 December 2020 follows:

	31 December 2020	31 December 2019
(EUR 000)		
Not overdue	5,651	6,035
1-180	3,205	4,489
181-360 days	606	1,651
over 360 days	122	3,047
Total	**9,584**	**15,222**

Tax Receivables (Note 19)

Tax receivables	31 December 2020	31 December 2019
(EUR 000)		
Tax receivables	466	227
Total	**466**	**227**

This item includes receivables for IRES (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 2020	31 December 2019
EUR 000		
Other receivables	20,505	27,172
Prepaid expenses	2,403	6,435
Total	**22,908**	**33,607**

The item *Other Receivables* also includes the following items:

- Tax credits allocated on investments in relation to the Bonus Sud, Industria 4.0 and Research and Development regulations for EUR 16.3 million. The accrued portion of these credits, recorded under *Other Income*, amounted to EUR 8.3 million. The remaining portion, amounting to EUR 8 million, is recognised among *Current Liabilities* (for EUR 5.9 million) and *Non-current Liabilities* (for EUR 2.1 million), and will be charged to the income statement based on the amortisation process of the same investments;
- The Fastweb service voucher, whose balance amounts to EUR 2.5 million, compared to the balance of EUR 24.7 million at 31 December 2019. The Fastweb voucher was fully utilised in the first months of the 2021 financial year.
- Receivables from tax authorities and other social security institutions of EUR 0.6 million;
- Advances to suppliers and other receivables of EUR 1.1 million.

The item *Prepaid Expenses*, whose balance is EUR 2.4 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 2020, liquid assets amounted to EUR 4.4 million and include the Tiscali Group’s liquid resources, essentially held in bank current accounts. There is no secured deposit.

Shareholders’ Equity (Note 22)

Shareholders' equity	31 December 2020	31 December 2019
EUR 000		
Share capital	51,655	46,355
Legal Reserve	1,929	1,929
Stock Options Reserve	51	96
Reserve for employees benefits	(1,664)	(1,635)
Accumulated losses and other reserves	(102,741)	(86,282)
Profit/(loss) for the year	(22,201)	(16,468)
Total Shareholders' equity	**(72,971)**	**(56,005)**

Changes in the *Shareholders' Equity* items are shown in the relevant table.

As at 31 December 2020, *Share Capital* amounted to EUR 51.6 million, corresponding to 5,061,225,582 shares with no par value.

The increase in Share Capital compared to 31 December 2019, equal to EUR 5.3 million, is due to the conversion of the Tiscali 2019-2020 Bond Loan by ICT Holding Ltd — which took place in two tranches — of which the first tranche, equal to EUR 2.6 million, was converted on 9 June 2020 and the second tranche, equal to EUR 2.7 million, was converted on 30 June 2020.

Minority Interest (Note 23)

As at 31 December 2020, the balance of *Minority interests* is nil (nil also as at 31 December 2019).

Current and Non-Current Financial Liabilities (Note 24)

Regarding the accounting of leases under IFRS 16, the EU Regulation (EU) 2020/31434 of 9 October 2020 approved the document *Concessions on Lease payments related to COVID-19 (Amendment to IFRS 16)*. The Company, therefore, used the application of the practical expedient (see IFRS 16.2) for the lease of the Sa Illetta premises, which resulted in the recognition of a gain of EUR 0.5 million.

<u>Introduction</u>

With reference to the accounting classification of the Senior Loan, granted by Intesa SanPaolo and Banco BPM (hereinafter referred to as "Bank Pool"), it should be noted that, as at 31 December 2020, the non-current amount of this loan was recognised as a current liability following the breach of certain Covenants in the agreement. It should be noted that the Group is negotiating the Amendment of the Agreement and has requested, pending this amendment, exemption from the calculation of the covenants at 30 June 2021, as well as the waiver of the request for a default condition following the breach of the covenants described above. With reference to these requests linked to the Covenants, it should be noted that each of the Senior Lenders has received a Communication confirming the status of the preliminary investigation. The Directors believe — also on the basis of the discussions underway — that it is substantially certain that the waivers will be obtained on 31 December 2020 and 30 June 2021.

Current Financial Liabilities

Current financial liabilities	31 December 2020	31 December 2019
(EUR 000)		
Convertible bond		5,246
Payables to banks and other financing parties	70,853	845
Payables for finance leases (short term)	7,950	6,379
Total	**78,803**	**12,470**

Bond Loan

This item is nil at 31 December 2020, as the Convertible Bond issued on 31 January 2019 by ICT and Sova Disciplined Equity Fund for an original nominal amount of EUR 10.6 million, amounting to EUR 5.2 million at 31 December 2019, was fully converted. The conversion took place in two tranches, on 9 June 2020 for EUR 2.6 million and on 30 June 2020 for EUR 2.7 million, respectively,

Payables to banks and other lenders – current portion

The item *Payables to Banks*, amounting to approximately EUR 70.9 million, mainly includes the following:

- The entire amount of the Senior Loan for EUR 68.4 million; the long-term component of the debt, equal to EUR 68.1 million, was reclassified as short-term for the reasons explained above. As of 31 December 2019, this item included only the short-term component of the Senior Loan, amounting to EUR 0.2 million;
- Bank payables for EUR 1.4 million, attributable to the credit line granted by Banco di Sardegna in December 2020. As of 31 December 2019, short-term bank debts amounted to EUR 149 thousand;
- A loan with Sarda factoring for EUR 0.9 million.

In addition, at 31 December 2019, payables related to the valuation of the put option related to the convertible bond in the amount of EUR 0.4 million reversed following the conversion of the Convertible Bond.

Payables for Financial Leases – current portion

This item amounts to EUR 7.9 million and includes the following items:

- Short-term portion of financial lease payables for EUR 0.8 million;
- Short-term portion of payables for operating leases for EUR 7.1 million. In particular, this amount includes the short-term portion of the capitalisation of the lease of the Sa Illetta

headquarters for EUR 2.6 million and the short-term portion of the capitalisation of operating leases for network equipment for EUR 4.5 million.

Non-current Financial Liabilities

Non Current financial liabilities	31 December 2020	31 December 2019
(EUR 000)		
Payables to banks and other financing parties	3,483	67,932
Payables for finance leases (long term)	15,059	19,092
Total	**18,542**	**87,024**

Payables to banks and other lenders

This item includes the long-term component of the Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria) loan restructured on 28 March 2019 for EUR 3.5 million.

Payables for Financial Leases – long-term portion

This item includes the long-term portion of payables for operating leases for EUR 15.1 million. In particular, this amount includes the long-term portion representing the right of use of the Sa Illetta headquarters for EUR 11.1 million and the long-term portion representing the right of use of certain network equipment for EUR 4 million.

Net Financial Position

The Group's net financial position is shown in the following table:

Net Financial Position	31 December 2020	31 December 2019
(EUR 000)		
A. Cash and bank deposits	4,434	11,653
B. Cash equivalents		
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	***4,434***	***11,653***
E. Current financial debt	***10,417***	***12,235***
F. Current portion of non-current financial debt	***68,386***	235
G. Current financial indebtedness (E + F)	***78,803***	***12,470***
H. Net current financial indebtedness *(G - D)*	**74,369**	**818**
I. Non-current financial debt	18,542	***87,024***
J. Debt instruments		
K. Trade and other non-current payables	8,103	5,798
L. Non-current financial indebtedness *(I +J +K)*	**26,644**	**92,822**
M. Net financial indebtedness *(H + L)*	**101,014**	**93,639**

The above prospectus is prepared in accordance with CONSOB Attention Notice No. 5/21 of 29 April 2021.

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 2020	31 December 2019
(EUR mln)		
Consolidated net financial debt	**92.1**	**87.0**
Non-current financial receivables	0.8	0.9
Long-term trade payables and installment tax payables	8.1	5.8
Consolidated net financial debt prepared on the basis of Consob communication No. 5/21 dated 29 April 2021	**101.0**	**93.6**

It should be noted that the provision for severance indemnities amounts to EUR 2,708 million.

The gross financial debt (current and non-current), amounting to EUR 105.4 million, is mainly made up of items shown in the following table:

Breakdown of current and non current debt	31 December 2020	Current portion	Non-current portion
(EUR 000)			
Senior debt	68,374	68,374	
Bonds issued			
Bank payables	4,972	1,489	3,483
Total Senior debts and other bank payables	**73,346**	**69,863**	**3,483**
Payables to leasing companies	**23,008**	**7,950**	**15,059**
Other financial payables (incl factoring)	**990**	**990**	
Trade payables and other non-current payables	**8,103**		**8,103**
Total payables to leasing companies and other financial payables	**32,101**	**8,940**	**23,162**
Total indebtedness	**105,447**	**78,803**	**26,644**

The main items shown in the above table are as follows:

- Senior Debt under the refinancing agreement signed on 28 March 2019 with Intesa San Paolo and Banco BPM for EUR 68.4 million;
- Loan from Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria) restructured on 28 March 2019, for EUR 3.5 million.
- Credit line granted by Banco di Sardegna for EUR 1.5 million;
- Payables for financial leasing contracts for EUR 0.8 million;
- Payables for operating leases for EUR 22.2 million. This amount includes the operating lease agreement for the Sa Illetta headquarters expired on 28 March 2019, for EUR 13.7 million. The remaining amount relates to operating leases for network equipment;
- Other financial payables (Sarda Factoring) for EUR 1 million;
- The long-term component of trade payables and tax payables in instalments.

The table below shows the monetary and non-monetary variations of the financial liabilities recorded in FY 2020:

Cash and no cash variations of Financial liabilities	31 December 2019	Cash movements (repayments/ new debt)	Accrued Interests	No Cash movements _Bond Put Option release	Bond Conversion to Capital Increase	31 December 2020
(EUR 000)						
Senior debt	64,675	(901)	4,600	-	-	68,374
Bonds issued	5,246		54	-	(5,300)	
Bank payables	3,641	1,319	12	-	-	4,972
Leasing	25,471	(4,088)	1,625	-	-	23,008
Other finance liabilities_ ministerial loans	27	(27)	-	-	-	
Other finance liabilities_ Sarda Factoring	-	990	-	-	-	990
Other finance liabilities_Put Option Bond	434		-	(434)	-	
Trade payables and other non-current payables	5,798	2,305	-	-	-	8,103
Financial liabilities	**105,292**	**(403)**	**6,292**	**(434)**	**(5,300)**	**105,447**

Event of default.

As is customary in structured finance contracts, the financial documents concerning the Senior Loan 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 summarises the main elements of the loan as at 31 December 2020 (nominal values as at 31 December 2020):

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

Loan	Amount	Due date	Senior Lenders	Contractor	Guarantors
Second facility - Tranche A	10.0	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

Leases

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 2020	31 December 2019	31 December 2020	31 December 2019
Not longer than 1 year	9,210	7,915	7,950	6,354
Longer than 1 year and not longer than 5 years	14,995	17,880	12,481	14,466
Longer than 5 years	2,688	4,996	2,577	4,651
Total	**26,893**	**30,791**	23,008	25,471
Less future finance charges (-)	3,884	5,320	0	0
Present value of minimum lease payments	**23,008**	**25,471**	**23,008**	**25,471**
Included in the financial statements as:				
Current borrowings			7,950	6,354
Non-current borrowings			15,059	19,117
	0	**0**	**23,008**	**25,471**

Other Non-Current Liabilities (Note 25)

Other non-current liabilities	31 December 2020	31 December 2019
(EUR 000)		
Trade payables	2,779	3,530
Other payables	9,123	3,658
Total	**11,902**	**7,187**

The item *Trade Payables* refers to the long-term component of payables to suppliers.These payables are recorded at amortised cost.

The item *Other Payables*, of EUR 9.1 million, basically includes:

- The long-term component of the deferral of tax credits amounted to EUR 2.1 million (compared to EUR 16.3 million recorded under *Current Assets*);
- EUR 5.3 million for tax payables for files to be settled in the long term (of which EUR 4.7 million for IRAP instalments);
- EUR 1 million of payables to Engineering relating to the severance indemnity of employees, deriving from the rental of the business branch to the same Engineering;
- EUR 0.3 million for guarantee deposits to customers;
- EUR 0.4 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 staff severance indemnities (Note 26)

The table below shows the changes during the period:

(EUR/000)	31 December 2019	Accruals	Utilization	Payments to Funds (*)	Reclass from OCI Reserve to Other reserve	31 December 2020
	2,830	1,101	(172)	(1,080)	29	2,708
Totale	**2,830**	**1,101**	**(172)**	**(1,080)**	**29**	**2,708**

(*) These are payments made to the treasury funds and other supplementary pension funds

The *Staff Severance Provision*, which comprises indemnities accrued in favour of employees refers to the Parent company, as well as subsidiaries operating in Italy, and it amounts to EUR 2.7 million as at 31 December 2020.

Further to IAS 19, for estimating staff severance indemnities as at 31 December 2020 (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 favour 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:	0.80%
Discount Rate:	0,34%

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 summarised below:

	percentage change with respect to the book value of the severance indemnity fund
Turnover rate + 1%	-1.20%
Turnover rate - 1%	1.30%
Inflation rate + 0.5%	1.80%
Inflation rate - 0.5%	-1.70%
discount rate + 0.5%	-2.80%
discount rate - 0.5%	2.90%

Since this is the only defined benefit plan relating to the severance indemnity accrued by employees as at 31 December 2020, 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)

(EUR 000)	31 December 2019	Increases in provision	Utilisations - Cash out	Utilisations - Release to PL	Other variations (Reclass)	31 December 2020
Tax Fund	150	8			(88)	69
Provision for restructuring charges	930	405	(476)			859
Provision for network infrastructure restructuring charges		1,873				1,873
Customers Supplementary Indemnity Fund	467	217	(31)			652
Employee disputes risk fund	1,506	233	(170)	(378)	(1)	1,190
Other provisions for risks and charges	1,204	55	(27)	(12)	(416)	804
Total	**4,256**	**2,790**	**(704)**	**(390)**	**(505)**	**5,448**

As at 31 December 2020, the provision for risks and charges amounted to EUR 5.4 million, and mainly includes:

- EUR 1.9 million for provisions against charges to be incurred for the rationalisation of the network infrastructure;
- EUR 1.2 million in provisions for legal disputes,
- EUR 0.8 million in provisions for restructuring charges concerning the redundancy incentive plan;
- EUR 0.8 million in other provisions for risks and charges;
- EUR 0.7 million in provisions for additional customer indemnities.

Provisions made in the period, amounting to EUR 2.8 million, can be broken down as follows:

- Provisions for risks for the network infrastructure rationalisation project of EUR 1.9 million;
- Provisions for corporate restructuring charges of EUR 0.4 million, in relation to the redundancy incentive plan prepared by the Company and included in the 2021-2023 Business Plan;
- Provisions for legal disputes for EUR 0.2 million;
- Provisions for additional customer indemnities of EUR 0.2 million;
- Provisions for other risks of EUR 55 thousand.

Utilisations during the period, amounting to EUR 0.7 million, are mainly attributable to the liquidation of redundancy incentives as part of the personnel restructuring plan implemented in 2019 and finished in 2020.

In addition, EUR 390 thousand was released to the income statement, of which EUR 378 thousand is attributable to reversals of provisions for legal disputes closed in 2020 and EUR 12 thousand to reversals of provisions for injunctions in 2018 and 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 2020	31 December 2019
(EUR 000)		
Trade payables	58,034	60,650
Total	**58,034**	**60,650**

The item *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 at 31 December 2020, *Net Trade Payables* due (net of payment plans agreed with suppliers, accounts receivable and in dispute with the same suppliers) amounted to EUR 22.1 million (EUR 14.3 million as at 31 December 2019).

Tax Payables (Note 29)

Tax payables	31 December 2020	31 December 2019
EUR 000		
Tax payables	56	5,143
Total	**56**	**5,143**

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 2020	31 December 2019
(EUR 000)		
Accrued expenses	646	639
Deferred income	22,094	15,025
Other payables	26,142	42,010
Total	**48,882**	**57,675**

Accrued Expenses mainly relate to personnel costs.

Deferred Income of EUR 22.1 million mainly relate to:

- The short-term portion of the deferral of tax credits for EUR 5.9 million (compared to EUR 16.3 million recognised under *Current Assets*);
- The deferral of revenues for the activation of Fixed and Fixed Wireless Broadband and Voice services, for the portion not accruing for approximately EUR 10.6 million (EUR 11.6 million as at 31 December 2018);
- The deferral of revenues from the sale of transmission capacity (IRU), pertaining to future years, for approximately EUR 5.6 million (EUR 3.4 million as at 31 December 2019).

The item *Other Payables* amounts to EUR 26.1 million and mainly includes:

- VAT payables for EUR 4.9 million (EUR 18.1 million as at 31 December 2019);
- Tax payables and amounts due to social security institutions for approximately EUR 10 million (EUR 10.7 million as at 31 December 2019);
- Payables to personnel for EUR 1.3 million (EUR 1.2 million as at 31 December 2019);
- Other payables for EUR 9.9 million (EUR 11.9 million as at 31 December 2019) mainly composed of payables to other public institutions.

6.15. 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 2020	Balance Sheet values	Cash out	lower then 1 year	from 1 year to 5 years	higher the 5 years
(Thousands of Euro)					
Guaranteed bank loan_Senior Loan	68,374	79,145	899	78,246	-
Lease debts	23,008	23,008	7,950	10,562	4,497
Trade payables (short and long term)	60,813	60,813	58,034	2,779	-
Other debts (#)	33,166	33,166	26,143	7,024	-
Bank debts	4,972	4,972	4,972	-	-

(#) excluding accrued expenses and deferred income

31 december 2019	Balance Sheet values	Cash out	lower then 1 year	from 1 year to 5 years	higher the 5 years
(Thousands of Euro)					
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 was converted into capital in 2020.
(#) excluding accrued expenses and deferred income

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 2020 and as at 31 December 2019 of financial instruments existing as of the balance sheet date:

	31 december 2020	
	Balance	Fair Value
(Thousands of Euro)		
Guaranteed bank loan_Senior Loan	68,374	68,800
Bank debts	4,972	4,972
Lease debts	23,008	23,008
	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

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 2020, the stock option reserve recognised in equity amounted to EUR 50.8 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 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.

On 28 August 2020, the Council of State rejected the precautionary petition filed by AGCIM, MiSE and MEF requesting the suspension of the ruling, stating that, as things currently stand, the fees have not yet been redetermined and the operators are not obliged to pay.

The Council of State, following the hearing held on 11 March 2021, partially reformed the contested sentence and rejected the appeal at first instance. At the outcome of the judgment of first instance (Lazio Regional Administrative Court, Section III, Sentence No. 13558/2019), the Judge partially upheld the appeal by annulling the measure issued by the MiSE of 12 November 2018, Protocol No. 68711, of the MiSE Note of 13 July 2018, Protocol No. 46167 relating to the "Reserve price of the procedure for the assignment of rights to use the band" and also annulling AGCOM Resolution No. 183/18/CONS, with which the Authority formulated its opinion on the extension of the frequencies, considering that the administrations would have granted the assignment of valuable portions of spectrum at prices significantly lower than the market value, represented by the award price that emerged at the end of the public selection procedure concluded on 2 October 2018.

The Appellate Court, after stating that the judicial review of technical discretion is aimed at verifying whether the Authority has violated the principle of technical reasonableness, but that it is not possible to go so far as to replace the assessments of the administration with the judicial ones, held that the extension "Is adopted at the end of a process consistent both to the legislation in force and to the rules predetermined at the time of the granting of the original concession, accompanied by a thorough justification, as also emerges from the examination of the elements underlying the phase of public consultation, first, and the resolution challenged in the main, then." Therefore, once the conditions for proceeding with the extension have been established, the determination of the amount falls within the sphere of discretion of the public authority and it has assessed whether the limits have been complied with.

Italian Revenue Agency — Provincial Directorate of Cagliari

In December 2019 and in February 2020, 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 and the second (February 2020) to the VAT form for FY 2011. The folders refer exclusively to penalties, interest and collection charges for a total of EUR 4,259 thousand.

The Company filed an appeal against these files 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 2020, the management, considering this risk not probable, did not allocate a provision for risks on this position.

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 2020, there were no assets/liabilities recognised 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);
- Corporate.

The Corporate Segment includes the holding company Tiscali Spa, minor Italian companies, foreign "dormants" and consolidation adjustments and eliminations.

The income statement and balance sheet structure by business segment for the years 2020 and 2019, respectively, are shown below.

31 December 2020 *(Thousands of EUR)*	**Access (BTC connectivity and BTB)**	**Corporate**	**Total**
Revenue			
From third parties	143,986	27	144,012
Intra-group	451	(451)	-
Total revenues	**144,437**	**(424)**	**144,012**
Operating profit	**(11,916)**	**(2,402)**	**(14,318)**
Result on Investments at equity method			(285)
Financial Income			440
Financial Expenses			7,964
Pre-tax result			**(22,127)**
Income taxes			75
Net result from operating activities (on-going)			**(22,201)**
Income from held for sale and discontinued operations			-
Net operating income			**(22,201)**

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)**
Portion of results of equity inv. carried at equity				(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 2020 *(Euro 000)*	Access(BTC connectivity and BTB)	Corporate adjustme nts	Totale
Assets			
Segment assets	147,323	362	147,685
Equity investments carried at equity	-	-	-
Equity investments in other companies	3,719	-	3,719
Goodwill	-	-	-
Assets held for sale	-	-	-
Total consolidated assets	**151,041**	**362**	**151,403**
Liabilities			
Segments liabilities	209,304	15,071	224,375
Liabilities held for sale	-	-	-
Total consolidated liabilities	**209,304**	**15,071**	**224,375**

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**

Commitments and other Guarantees

A breakdown of guarantees given in FY 2020 is shown in the table below:

(Euro 000)	31 december 2020	31 december 2019
Guarantees given to third parties (sureties)	78,607	77,251
Commitments	-	-
Totale	**78,607**	**77,251**

Sureties given mainly refer to the guarantee given for the loans granted by financial institutions to the Tiscali Group for a total of EUR 75.9 million, wholly concerning the Senior Loan.

The same item includes EUR 2.7 million in other guarantees, which refer for about EUR 1.4 million to guarantees provided by Tiscali Italia S.p.A. in favour 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 7.1 million and EUR 11.3 million, respectively, in FY 2020 and FY 2019.

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. These amounts both include a guarantee of EUR 750 thousand provided by Tiscali Spa to Veesible, a company that was merged into Tiscali Italia on 31 January 2020.

The parent company also had commitments for an amount of EUR 1.6 million in FY 2020 and FY 2019 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 2020, non-recurring transactions were recorded with a total positive effect on the Group's income statement equal to EUR 4.6 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 27 July 2006.

In particular, during FY 2020 non-recurring income and costs were recorded, mainly identifiable as follows:

- The portion of income deriving from tax credits on investments provided for by the “Bonus Sud” and R&D legislation not pertaining to investments made in the years 2016 -2019, for a total amount of EUR 5.3 million;
- Income deriving from the present value of the discount granted on the rents from March to December 2020 of the Sa Illetta property for EUR 0.5 million. This reduction, obtained by the company in October 2020, is motivated by the *supervening onerousness* of the rents (case provided for by Article No. 1467 of the Italian Civil code), which occurred due to the reduced operations of the headquarters, following the lockdown period due to the COVID-19 emergency;
- Income from the write-off of debt positions towards suppliers of fixed assets and suppliers of services for a total of EUR 1.1 million;
- Provisions for charges relating to the rationalisation of the network infrastructure of EUR 1.9 million;
- Provisions for corporate restructuring charges of EUR 0.4 million, in relation to the workforce reduction plan through early redundancy incentives prepared by the Company and included in the 2021-2023 Business Plan.

The following table shows the exposure in the consolidated income statement of the amounts related to non-recurring transactions:

Non-recurring transactions	2020	2019	variation
Revenue	-	-	-
Other income	6.8	13.0	(6.2)
Purchase of external materials and services	-	(0.7)	0.7
Personnel costs	-	-	-
Other operating expense (income)	-	(0.3)	0.3
Write-downs accounts receivable from customers	-	-	-
Gross Operating Result (EBITDA)	**6.8**	**12.0**	**(5.2)**
Amortization & depreciation, restructuring costs, provision for risks and other devaluation	**(2.3)**	**(2.0)**	**(0.3)**
Operating profit (EBIT)	**4.6**	**10.0**	**(5.5)**
Financial income	-	14.4	(14.4)
Financial expenses	-	-	-
Pre-tax profit	**4.6**	**24.5**	**(19.9)**
Income taxes	-	-	-
Net result from operating activities (ongoing)	**4.6**	**24.5**	**(19.9)**
Other charges related to held for sale	-	-	-
Net result for the period	**4.6**	**24.5**	**(19.9)**

Atypical and/or Unusual Transactions

Pursuant to the CONSOB Communication dated July 28, 2006, it is hereby specified that during FY 2020 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 summarises the balance sheet and income statement values recorded in the Tiscali Group's consolidated financial statements as at 31 December 2020 and 31 December 2019, as arising from transactions with related parties:

Income Statement Values	Notes	2020	2019
(Euro 000)			
Monteverdi S.r.l.	1	(29)	(24)
Istella	2	(55)	248
Directors		(1,397)	(1,535)
Convertible Bond	3		(516)
CC&Soci	4	(25)	
Stock option	5	(11)	(5)
Total Suppliers of Materials and Services		**(1,517)**	(1,832)
Total Expenses & Income		**(1,517)**	**(1,832)**

Asset Values	Notes	31 December 2020	31 December 2019
(Euro 000)			
Monteverdi S.r.l.	1	(46)	(41)
Istella	2	637	381
Directors		(317)	(322)
Convertible Bond	3		
CC&Soci	4	(25)	
Receivables from Istella sale	6	61	61
Total Suppliers of Materials and Services		**310**	**79**
Stock Option Reserve	5	(51)	(5)
Net assets pertaining to the Group		**(51)**	**(5)**
Total		**259**	**74**

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 partially 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. In addition, as of December 2019, Istella provides Tiscali with consulting services for software development and support for customer care automation;*
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. The bond was converted on 9 June 2020 by ICT Holding Ltd for an amount of EUR 2.6 million. On 30 June, the last tranche of bonds was converted by ICT Holding Ltd for an amount of EUR 2.7 million. In the table above, the amount of EUR 0.5 million included in the 2019 Economic Values refers to imputed charges calculated up to 31 December 2019;*
4. *CC&Soci: the company CC&Soci Srl, controlled by CC Holding Srl, which holds a stake of approximately 11.8% in Amsicora S.r.l. (a shareholder of the company with a 17.75% stake), has stipulated a contract with Tiscali Spa for the provision of financial advisory services;*
5. *Stock Options: the company has a number of management incentive plans in the form of stock options (see the section "Stock Options" for further details);*
6. *Receivables arising from the sale of Istella. These are receivables due from the purchaser of Istella (Renato Soru) in relation to the sale of the company itself carried out 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 2020 follows:

(EUR 000)	31 december 2020	31 december 2019
Directors	742	764
Statutory Auditors	159	181
Manager with strategic responsabilities	655	772
Total Remuneration	**1,556**	**1,716**

List of subsidiaries included in the consolidation area

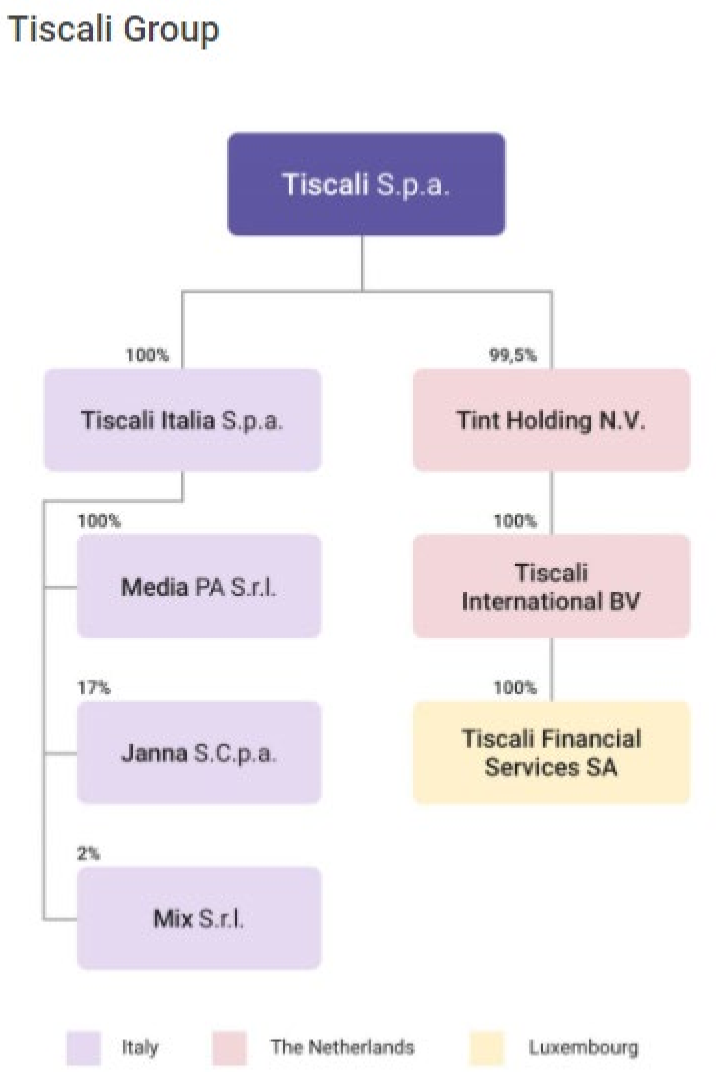
A list of the companies included in the consolidation area follows:

Name	Location	% of shares owned
Tiscali S.p.A.	Italy	
Tiscali Italia S.p.A.	Italy	100.00%
Media PA S.r.l.	Italy	100.00%
Tint Holding Nv	Netherlands	99.50%
Tiscali International BV	Netherlands	99.50%
Tiscali Financial Services SA	Luxembourg	99.50%

List of equity investments in other companies recognised under other non-current financial assets.

Mix S.r.l.	Italia
Janna S.c.p.a.	Italia

The Tiscali Group as at 31 December 2020:



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 2020 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.	273
	Deloitte&Touche SPA	Subsidiaries	78
Other professional Services required by law	Deloitte&Touche SPA	Parent Company – Tiscali S.p.A.	43
	Deloitte&Touche SPA	Subsidiaries	-
Other services	Deloitte&Touche SPA	Parent Company – Tiscali S.p.A.	-
	Deloitte&Touche SPA	Subsidiaries	-
Total			394

Cagliari, 14 May 2021

The Chief Executive Officer **The Officer in charge of Preparing the Company's Accounting Documents**

Renato Soru **Roberto Lai**

2020 Consolidated Financial Statements certification in compliance with Article No. 81-*ter* of the CONSOB Regulation No. 11971 dated 14 May 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 2020.

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 Organisations 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 2020:

- 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, 14 May 2021

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

Tiscali S.p.A.
Financial Statements
as at 31 December 2020

7. Tiscali S.p.A. – Financial Statements and Explanatory Notes

7.1. Income Statement

	Notes	2020	2019
(EUR)			
Revenue	*1*	3,154,718	5,016,720
Purchase of external materials and services	*2*	(2,119,565)	(3,477,386)
Personnel costs	*3*	(504,129)	(1,098,960)
Other operating expense (income)	*4*	0	0
Write-downs accounts receivable from customers	*5*	1,023,174	(109,100)
Restructuring costs	*5*	0	(47,235,893)
Operating result (EBIT)		**1,554,198**	**(46,904,618)**
Financial Income	*6*	433,636	46,021,826
Financial Expenses	*6*	(93,757)	(1,087,305)
Income (loss) before tax		**1,894,077**	**(1,970,097)**
Taxation	*7*	(257,932)	(536,632)
Net result from operating activities (ongoing)		**1,636,145**	**(2,506,729)**
Result from held for sale and discontinued operations	*8*	0	0
Net result for the period		**1,636,145**	**(2,506,729)**

7.2. Comprehensive Income Statement

Comprehensive Income Statement	Notes	2020	2019
(Euros)			
Result for the period		**1,636,145**	**(2,506,729)**
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**	*0*
Total of other elements for the comprehensive Income Statement:		**0**	**0**
Total result of the comprehensive Income Statement		**1,636,145**	**(2,506,729)**
To be attributed to:			
Shareholders of the Parent Company		**1,636,145**	**(2,506,729)**
Minority Shareholders		-	-
Total		**1,636,145**	**(2,506,729)**

7.3. Statement of Assets and Liabilities

(EUR)	Notes	31 dicembre 2020	31 dicembre 2019
Non-current assets			
Investments	9	130,562,909	130,562,909
Other financial assets	10	120,096,788	115,472,473
		250,659,697	**246,035,381**
Current assets		0	0
Trade receivables	11	14,888,151	15,364,594
Other receivables and other current assets	13	240,897	322,895
Cash and cash equivalents	14	184,684	371,376
		15,540,950	**16,286,084**
		0	**0**
Total assets		**266,200,647**	**262,321,465**
		0	0
Capital and reserves		0	0
Share Capital		51,655,159	46,355,159
Results from previous fiscal years and other reserves		(401,218)	2,141,658
Results for the fiscal year pertaining to the Group		1,636,145	(2,506,729)
Total Shareholders' equity	15	**52,890,086**	**45,990,089**
		0	0
Non-current liabilities		0	0
Other non-current liabilities	16	203,032,387	184,903,866
Provisions for liabilities and charges	17	612,586	613,429
		203,644,973	**185,517,295**
Current Liabilities		0	0
Convertible bond	18	0	5,245,773
Banks overdrafts and loans	18	0	433,636
Trade payables	19	3,412,140	4,450,801
Other current liabilities	21	6,200,417	20,682,824
		9,665,588	**30,814,081**
Total Shareholders' equity and Liabilities		**266,200,647**	**262,321,465**

7.4. Statement of Changes in the Shareholders' 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 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			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**
Bond Conversion	5,300,000							**5,300,000**
Other movements			8,510	(44,658)				**(36,148)**
Net result							1,636,145	**1,636,145**
Balance as of 31 dec 2020	**51,655,159**	**6,981**	**2,047,645**	**50,885**	**-**	**-**	**(870,583)**	**52,890,086**

7.5. Cash Flow Statement

(Thousands of Euro)	Note	31 December 2020	31 December 2019
OPERATING ACTIVITIES			
Result from Operating activities		**1,636,145**	**(2,506,729)**
Adjustments for:			
Provision for write-downs accounts receivables from customers	-	0	109,100
Release of excess Intercompany bad debt provision	5	(1,023,174)	0
Provision for risks accrual	5	0	600,000
Stock Option figurative cost	3	10,852	5,309
Bond emission ancillary charges	18	0	(12,358)
Devaluation of Investments in Group companies	5	0	46,021,823
Financial income (transfer of dividends from a group entity)	6	0	(46,021,823)
Release Put option Bond	6	(433,636)	0
Financial Expenses	6	93,757	1,087,305
Other changes	3-7	257,932	457,591
Cash flows from operating activities before changes in working capital		**541,876**	**(259,781)**
Changes in receivables	11	(1,000)	1
Changes in payables to suppliers	19	(403,551)	(1,856,465)
Net change in provisions for risks and charges	17	(843)	0
Changes in other liabilities	21	(14,688,354)	5,346,710
Changes in other assets	13	34,997	104,194
Changes in working capital		**(15,058,751)**	***3,594,440***
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		**(14,516,875)**	**3,334,659**
INVESTMENT ACTIVITIES			
Acquisitions of Fixed Tangible Assets	-	0	(0)
Acquisitions of Intangible assets	-	0	0
Variation in Investments in Group companies	9	0	(0)
ACTIVITIES		**0**	**(0)**
FINANCIAL ACTIVITY			
Changes in intercompany financial assets/liabilities intercompany	10-16	14,331,921	(13,187,152)
Changes in other financial liabilities	18	(1,738)	(3,678)
Changes in bond	18	0	10,070,000
Changes in Net Equity	15	1	(0)
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		**14,330,183**	**(3,120,830)**
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE		**0**	**0**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**(186,692)**	**213,829**
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**371,376**	**157,547**
CASH AND CASH EQUIVALENTS AT YEAR-END		**184,684**	**371,376**

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 Declarations of Assurance

The following tables have been prepared on the basis of the financial statements as at 31 December 2020, to which reference should be made. The 2020 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

Performance patrimoniale-finanziaria ed economica del periodo

Tiscali S.p.A. closed FY 2020 with a net equity of EUR 52.9 million (EUR 46 million as at 31 December 2019) and with a profit of EUR 1.6 million (as compared to a loss of EUR 2.5 million as at 31 December 2019). As at 31 December 2020, the net financial position is negative and amounts to EUR 82.7 million and is mainly composed of financial payables to Group companies (net of credit positions) for EUR 82.9 million (as compared to a net financial position as at 31 December 2019 negative for EUR 74.6 million, of which EUR 69.3 million for non-current financial payables to Group companies, net of credit positions).
These financial payables are recorded under non-current financial liabilities. Company assets mainly consist of investments in the subsidiary Tiscali Italia S.p.A. and inter-company 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.

Uncertainties connected to the COVID-19 pandemic

As part of the risk management operations carried out by the Directors, they carried out a careful assessment of the situation and, despite the uncertainty inherent in the case, they highlighted, in the current scenario, the possible repercussions related to the spread of the COVID-19 and the measures taken by governments to slow down its spread.

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

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

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

Main Events for the Group during FY 2020

The Directors point out that in 2020 the Group:

- Presented a negative consolidated result for the year of EUR 22.2 million (compared to a loss of EUR 16.5 million in 2019);
- Had a consolidated net financial position as at 31 December 2020 of EUR 92.1 million, of which EUR 78.8 million in current debt and EUR 18.5 million due beyond 12 months, in addition to cash and cash equivalents of EUR 4.4 million and non-current financial receivables of EUR 0.8 million. This figure shows a worsening of EUR 5.2 million compared to the figure recognised at 31

December 2019. With reference to short-term debt, it should be noted that it mainly includes the senior financial debt to the Bank Pool reclassified among current liabilities following the breach of certain financial parameters (hereinafter referred to as the "Covenants") as at 31 December 2020;

- Generated a flow from operations of EUR 13.3 million, against a flow of EUR 46.1 million in the previous year, where this flow was affected by the positive effects of an extraordinary transaction concluded in 2019;
- Had a consolidated equity deficit of EUR 73 million, a deterioration of EUR 17 million compared to 31 December 2019, due to the combined effect of the result for the period of negative EUR 22.2 million and the conversion of the remaining portion of the bond for EUR 5.3 million;
- Recorded a slight decrease in the Fixed Broadband customer base, (approximately 377 thousand users as at 31 December 2020, compared to 382 thousand users as at 31 December 2019).

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

In view of these uncertainties, the Directors nevertheless point out the existence of many positive signs linked to both the performance for the period and the forecasts for future performance, highlighting that:

1. The consolidated result for the year, net of non-recurring effects (for which reference should be made to the Note *Non-Recurring Transactions*), equal to EUR 4.6 million as at 31 December 2020 and EUR 24.5 million as at 31 December 2019), improved by EUR 14.2 million compared to the result of the previous year;
2. The Group reported a consolidated EBITDA of EUR 29.1 million, an improvement of EUR 3.5 million on the EUR 25.6 million reported in 2019). Furthermore, the consolidated EBITDA, net of non-recurring effects (equal to EUR 6.8 million as at 31 December 2020 and EUR 12 million as at 31 December 2019), improved by EUR 8.8 million compared to the previous year;
3. Current liabilities at consolidated level exceeded current (non-financial) assets by EUR 74 million, compared to a reported amount of EUR 74.4 million as at 31 December 2019;
4. The Group generated a cash flow from operations before changes in working capital of EUR 41.2 million, a marked improvement on the flow recorded in the previous year, which was EUR 26.9

million;

5. The Group obtained new financing of EUR 2.5 million;
6. The Group received from each of the financial institutions in the Bank Pool a communication confirming the status of the preliminary investigation with reference to the requests made by the Group following the breach of the Covenants at 31 December 2020;
7. The Group has net overdue trade payables (net of payment plans agreed with suppliers, as well as accounts receivable and in dispute with the same suppliers) of EUR 22.1 million (EUR 14.3 million as at 31 December 2019), overdue financial payables (net of credit positions) of EUR 0.5 million (nil as at 31 December 2019), overdue tax and social security payables of EUR 10.6 million (an improvement compared to EUR 28 million as at 31 December 2019). In total, therefore, the overdue amounts concerned amounted to EUR 33.2 million, compared to total overdue amounts of EUR 42.3 million in the previous year, an improvement of EUR 9.1 million;
8. The Company showed an improvement in the customer base mix with significant growth in the number of Fibre customers, which increased by 36.3% from 164 thousand users as at 31 December 2019 to 223 thousand users as at 31 December 2020. This objective was also achieved thanks to the significant increase in network coverage in FTTH mode, with coverage tripling compared to 2019, reaching 886 municipalities at the end of 2020 compared to 321 municipalities reached at the end of 2019. Moreover, thanks to the Bitstream NGA network, Tiscali further expanded its UltraBroadband coverage in Sardinia, reaching approximately 295 out of 377 municipalities at the end of 2020 with UBB FTTC (up to 200 Mbps) or FTTH (up to 1 Gigabit) technology;
9. On 14 May 2021, an agreement was signed with an International Investment Fund (referred to as the "Investor") for the issue of a convertible bond (referred to as the "Bond") for a maximum amount of EUR 21 million, with an option for the Company to extend it for a further EUR 21 million, with the possibility to issue it in several tranches at the Group's discretion and for which the Investor has undertaken to subscribe in full.

Financial Resources for the 2021-2023 Plan

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

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

21,000,000.00 (with an option for the Company to extend the bonds for a further maximum amount of EUR 21,000,000.00) reserved for the Investor (hereinafter referred to as the "**POC**").

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

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

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

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

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

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

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

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

Tiscali, on the outcome of which the Committee for transactions with related parties has issued a favourable opinion to the Board of Directors.

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

Assessment on the business as an ongoing concern

In the circumstances described above, the Directors, after analysing the uncertainties and results of the period, as well as after receiving from each of the Senior Lenders a Communication confirming the status of the Investigation in relation to the approval process of the request for suspension of the remedies foreseen in favour of the Senior Lenders in the event of breach of the Covenants, have prepared a cash plan for a period of 12 months from the date of approval of this Report. On the basis of this cash plan, the Directors believe that the Group, assuming compliance with the 2021-2023 Business Plan and considering the injection of liquidity deriving from the Bond and the effects of the Senior Loan Amendment Agreement, can meet its obligations at a level of maturity substantially in line with the current one. It should also be noted that in the period between the date of approval of the draft Consolidated Financial Statements by the Board of Directors and the date of publication of this Report, the Senior Lenders communicated to the Group their acceptance of the suspension of the remedies foreseen following the breach of the Covenants at 31 December 2020.
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 2020 Consolidated Financial Statements have been prepared according to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and harmonised 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 characterised 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 Statement 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 Standards

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 characterised by estimates made, are described in the subsequent note of this section.

Equity investments in subsidiaries

Equity investments in subsidiaries and affiliated companies are recognised at cost, adjusted for any permanent impairment.
In application of IAS 36, the value of equity investments recognised 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 recognised 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 recognised 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 recognised for the asset loss. An impairment reversal is booked to the income statement.

Other financial assets

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.

Loans and receivables

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 amortised 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.

Cash and cash equivalents

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.

Debts and Financial Liabilities

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 recognised at cost, equal to the fair value of the consideration received, net of transaction costs. Subsequently, the loans are valued at amortised 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 recognised for accounting purposes in accordance with IFRS 2 — Share-based payments through profit or loss with a balancing entry recognised 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 fulfilment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfil 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 recognised 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 recognised 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 realisation 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*.

Accounting estimates and relevant assumptions

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 fulfilment of the obligation.

In the event that the Group is called, in relation to the final result of such judgments, to fulfil 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 2020, since the investments in Aria and Veesible were merged into Tiscali Italia Spa on 31 January 2020, the impairment test was performed only on the investment in Tiscali Italia S.p.A.

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 2020

The following amendments have been applied for the first time by the Group starting from 1 January 2020:

- On 31 October 2018, the IASB published the document ***Definition of Material (Amendments to IAS 1 and IAS 8)***. The document introduced an amendment to the definition of *‘material’* 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 *‘material’* more specific and to introduce the concept of ‘*obscured information’* alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is *‘obscured’* if it has been described in such a way as to produce a similar effect on the primary readers of financial statements as if the information had been omitted or misstated.

The adoption of this amendment had no impact on the Group's Consolidated Financial Statements.

- On 29 March 2018, the IASB published an amendment to ***References to the Conceptual Framework in IFRS Standards***. The amendment is effective for periods beginning on or after 1 January 2020, but earlier application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in developing the IFRS standards. The document helps 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.

  The adoption of this amendment had no impact on the Group's Consolidated Financial Statements.

- On 26 September 2019, the IASB published the amendment entitled ***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***. It amends IFRS 9 — *Financial Instruments* and IAS 39 — *Financial Instruments: Recognition and Measurement* as well as IFRS 7 — *Financial Instruments: Disclosures*. In particular, the amendment changes some of the requirements for the application of hedge accounting, providing temporary exceptions to them, in order to mitigate the impact of the uncertainty of the IBOR reform on future cash flows in the period before its completion. The amendment also requires companies to provide additional disclosures in the financial statements regarding their hedging relationships that are directly affected by the uncertainties generated by the reform and to which they apply the above-mentioned exemptions.

  The adoption of this amendment had no impact on the Group's Consolidated Financial Statements.

- 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 a business for the purposes of the 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 an output. To this end, the IASB has replaced the phrase *"ability to create outputs"* with *"ability to contribute to the creation of outputs"* 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 an optional test (called *"concentration test"*) which allows a business to be excluded if the price paid is substantially attributable to a single asset or group of assets. The amendments apply to all business combinations and asset acquisitions after 1 January 2020, but earlier application is permitted.

The adoption of this amendment had no impact on the Group's Consolidated Financial Statements.

- On 28 May 2020, the IASB published the amendment ***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***. The document provides lessees with the option to account for COVID-19 related rent reductions without having to assess, through contract analysis, whether the definition of lease modification in IFRS 16 is met. Therefore, lessees that apply this option will be able to account for the effects of rent reductions directly in the income statement at the effective date of the reduction. This amendment applies to financial statements beginning on or after 1 June 2020 but the Company has taken advantage of the option to apply this amendment earlier than 1 January 2020. The introduction of the new amendment had an impact on the Group's Consolidated Financial Statements.

ACCOUNTING PRINCIPLES, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

At the date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and principles described below:

- On 18 May 2017, the IASB published ***IFRS 17 — Insurance Contracts*** which is intended to replace *IFRS 4 — Insurance Contracts*.

  The objective of the new standard is to ensure that an entity provides relevant information that fairly represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts, that an insurer holds.

The new standard also includes presentation and disclosure requirements to improve comparability among entities in this industry.

The new standard measures an insurance contract on the basis of a *General Model* or a simplified version of it, called the *Premium Allocation Approach* (or “PAA”).

The main features of the *General Model* follow:

- Estimates and assumptions of future cash flows are always current;
- The measurement reflects the time value of money;
- Estimates include extensive use of observable market information;
- There is a current and explicit measurement of risk;
- The expected profit is deferred and aggregated into groups of insurance contracts at initial recognition; and
- The expected profit is recognised over the period of contractual cover taking into account adjustments for changes in cash flow assumptions for each group of contracts.

The PAA approach provides for the measurement of the liability for the residual coverage of a group of insurance contracts provided that, at initial recognition, the entity expects that the liability is a reasonable approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the application of the PAA approach do not apply to the measurement of liabilities for outstanding claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year from the date the claim arose.

An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a *Discretionary Participation Feature* (or “DPF”).

The standard applies from 1 January 2023 but early application is permitted, only for entities that apply IFRS 9 — *Financial Instruments* and IFRS 15 — *Revenue from Contracts with Customers*.
The Directors do not expect a material effect on the Group’s Consolidated Financial Statements from the adoption of this standard.

- On 23 January 2020, the IASB published the document Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. The document aims to clarify how to classify payables and other short-term or long-term liabilities. The amendments are effective as of 1 January 2023; however, earlier application is permitted. The Directors do not expect a material effect on the Group's Consolidated Financial Statements from the adoption of this standard.

- On 14 May 2020, the IASB published the following amendments, entitled:
  - ***Amendments to IFRS 3 Business Combinations***: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this resulting in any changes to the provisions of IFRS 3.
  - ***Amendments to IAS 16 Property, Plant and Equipment***: the amendments are intended to disallow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related costs will therefore be recognised in the profit or loss statement.
  - ***Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets***: the amendment clarifies that in estimating whether a contract is onerous, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (e.g., the cost of direct material used in the work), but also all costs that the enterprise cannot avoid because it has entered into the contract (e.g., the portion of personnel costs and depreciation of machinery used to perform the contract).
  - ***Annual Improvements 2018-2020***: Amendments were made to IFRS 1 — *First-time Adoption of International Financial Reporting Standards*, IFRS 9 — *Financial Instruments*, IAS 41 — *Agriculture* and the *Illustrative Examples* of IFRS 16 — *Leases*.

  All amendments will become effective on 1 January 2022.

  The Directors do not expect a material effect on the Group's Consolidated Financial Statements from the adoption of these amendments.

On 30 January 2014, the IASB published ***IFRS 14 — Regulatory Deferral Accounts***, which allows only first-time adopters of IFRS to continue to recognise amounts relating to rate-regulated activities under their previous accounting policies. As the Company/Group is not a first-time adopter, this standard is not applicable.

Revenues and Other Income (Note 1)

Operating Revenues are represented by:

Revenues	2020	2019
(EUR 000)		
Revenues from services provided to Group companies	3,128	4,945
Revenues from services to third parties	27	72
Revenue	**3,155**	**5,017**
Other income	-	-
Other income	-	-
Total	**3,155**	**5,017**

Revenues from services provided to Group companies mainly refer to the invoicing of services provided by the Company in favour 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	2020	2019
(EUR 000)		
Revenues from services provided to Group companies	**3,128**	**4,945**
- Italy	3,128	4,945
Revenues from services to third parties	**27**	**72**
- South Africa	2	32
- The Netherlands	24	24
- Czech Republic	-	-
- Italy	1	16
Total	**3,155**	**5,017**

Purchase of materials and outsourced services (Note 2)

	2020	2019
EUR 000		
Purchase of materials and outsourced services	2120	3477
Total	**2,120**	**3,477**

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 0.5

million, retributions to the Board of Directors and Board of Statutory Auditors for EUR 0.8 million, surcharges for late payment amounting to EUR 0.2 million and other general and external service costs of EUR 0.6 million.

Staffing Costs (Note 3)

Staffing costs are stated in detail as follows:

	2020	2019
(EUR 000)		
Wages and Salaries	345	649
Other Payroll costs	159	449
Total	**504**	**1,099**

The reduction of staffing costs as compared to the previous FY is equal to EUR 0.6 million, is mainly due to the reorganisation and reduction of the workforce at the end of 2019.

As at 31 December 2020, 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 2020 follow:

	2020	2019
Managers	2	2
Middle Managers	-	-
Employees	-	-
Total	**2**	**2**

Other Operating Income/(Costs) (note 4)

The item *Other Operating Income/(Costs)* is nil.

Write-downs of receivables and other write-downs (Note 5)

	2020	2019
(EUR 000)		
Write-down of trade receivables	(1,023)	109
Restructuring costs and other write-downs	-	614
Devaluation of investments in Group companies	-	46,022
Provisions for risks and charges	-	600
	(1,023)	**47,345**

The item *Write-down of Receivables* mainly refers to the reversal of the excess of an inter-company provision for bad debts for the alignment of the provision to the value of the receivable from foreign affiliates.

Financial Income (Charge) (Note 6)

	2020	2019
(EUR 000)		
Financial Income		
Interests on bank deposits	-	-
Income from transfer of dividends	-	46,022
Other financial income	434	0
Total Financial Income	**434**	46,022
	-	-
Financial Charges	-	-
Interests and other charges due to banks	56	925
Other financial charges	38	162
Total Financial Charges	**94**	1,087
	-	-
Net financial income (charges)	**340**	**44,935**

Financial income amounted to EUR 434 thousand and was due to the release of the value of the put option on the bond converted in 2020.

Interest and other bank charges include EUR 54 thousand of imputed financial charges accrued on the bond loan and other financial charges of EUR 2 thousand. Other financial charges include interest on arrears for late payment of tax payables and payables to suppliers for EUR 38 thousand.

Income Tax (Note 7)

	2020	2019
(EUR 000)		
Current tax	258	537
Tax (income from tax consolidation)	-	-
Net tax for the FY	**(258)**	**(537)**

The balance of current taxes includes the IRAP (Regional Tax on Production Activities) for the year amounting to EUR 71 thousand, in addition to taxes for IRES (Corporate Income Tax) tax consolidation equal to EUR 187 thousand, 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	**1,894**
(b)	Theoretical tax burden (24%)	**455**
(c)	temporary taxable differences in subsequent years	-
(d) =(a) + (c)	**Total**	**1,894**
	temporary differences deductible in subsequent years	-
(e)	Write-downs of fixed assets	-
(f)	Provisions for risk	4
(g)	Costs deductible in subsequent years	62
(h)= (d) + (e)+ (f)+ (g)	**Total**	**1,959**
(i)	Reversal of temporary differences from previous years	**(197)**
(j)= (h) + (i)	**Total**	**1,762**
	Differences that will not be reversed in subsequent years	-
(k)	Dividends cash in	(1,026)
(l)	Non deductable costs	174
(m)	Deduction for aid to economic growth	(130)
(n)= (j) + (k) + (l)+ (m)	**Total**	**780**
(o)	Losses from previous years	-
(p) = (n) + (o)	**Taxable income**	**780**
*(q)= (p)*24%*	**Current income taxes for the year**	**187**

IRAP Reconciliation between the theoretical rate and the effective rate:

(EUR/000)		
(a)	Difference between value and production costs	1,086
(b)	Margin of interest	(88)
(c)	Irrelevant items of the IRAP tax base	-
(d)= [(a) + (b) + (c)]* 5,57%	**Theoretical tax burden (5.57%)**	**56**
(e)	temporary taxable differences in subsequent years	-
(f)= (a) + (b) + (c)	**Total**	**998**
(g)	temporary differences deductible in subsequent years	-
(h) = (f) + (g)	**Total**	**998**
(i)	Reversal of temporary differences from previous years	(38)
(j)= (h) + (i)	**Total**	**959**
(k)	Differences that will not be reversed in subsequent years	-
(l)	Non deductible costs	865
(m)	Deduction of permanent staff costs	(557)
(n)=(j) +(l) + (m)	**Total**	**1,268**
(o)= (n)	**Taxable income**	**1,268**
*(p)= (o) * 24%*	**Current income taxes for the year**	**71**

With reference to tax losses carried forward, on which no deferred tax assets had been recorded as at 31 December 2020, it should be noted that as at 31 December 2019 their amount was equal to EUR 154.5 million.

In FY 2020, 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 2020, this item includes investments in subsidiaries, amounting to EUR 130.6 million, and refers exclusively to the investment in Tiscali Italia S.p.A.

SUBSIDIARIES	31 december 2020			31 december 2019		
(EUR 000)	*Cost*	*Reval / (Deval)*	*Boook value*	*Cost*	*Reval / (Deval)*	*Boook value*
Tiscali Italia S.p.A.	86,602	43,961	130,563	71,123	15,478	86,602
Tint Holding N.V.	1,811,994	(1,811,994)	-	1,811,994	(1,811,994)	-
Aria Italia S.p.A.	43,961	(43,961)	-	43,961	-	43,961
	1,942,557	**(1,811,994)**	**130,563**	**1,927,079**	**(1,796,516)**	**130,563**

The table below summarises changes occurred in the period:

SUBSIDIARIES (EUR 000)	Balance 31 december 2019	Increases	(Disposals)	Revaluation / (Devaluation)	Other changes	Balance 31 december 2020
Tiscali Italia S.p.A.	86,602	43,961	-	-	-	130,563
Aria Italia S.p.A.	43,961	-	(43,961)	-	-	-
	130,563	**43,961**	- **43,961**	-	-	**130,563**

The value of the investment in the subsidiary Tiscali Italia Spa was increased by EUR 43.9 million following the incorporation of the subsidiary Aria Italia Spa on 31 January 2020.

Comparison between the net book value and the relative book value of the equity investments:

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	98,359	(22,804)	100%	130,563	32,204
Tint Holding N.V.	Maarsen (NL)	115,519	-	-	100%	-	-
			98,359			**130,563**	**32,204**

Impairment Test

The impairment test was carried out on the investment in Tiscali Italia S.p.A., which was recognised in Tiscali Spa at a value of EUR 130.6 million.

The subsidiary Tiscali Italia S.p.A. merged the subsidiaries Aria Spa and Veesible Srl on 31 January

2021. This merger resulted in an increase in the value of Tiscali Italia S.p.A.'s investment by EUR 43.9 million, from EUR 86.6 million at 31 December 2019 to EUR 130.6 million at 31 December 2020.

The impairment test was carried out by comparing the equity value of Tiscali Italia Spa with the carrying amount of the investment itself recorded in the books of Tiscali S.p.A. With reference to the criteria used to perform the impairment test, as well as the main parameters used, please refer to note 11 *Impairment Test* of the notes to the consolidated financial statements.

The impairment test showed that the equity value exceeds the value of the investment, therefore there is no need to write down the investment.

The sensitivity analysis carried out on the WACC and the long-term growth rate (+/- 0.5% with respect to the reference parameters) did not reveal any need for impairment.

Other Financial Assets (Note 10)

Other Non-current Financial Assets include financial receivables from Group companies for EUR 120.1 million.

	31 December 2020	31 December 2019
(EUR 000)		
Receivables from other companies of the Group	120,097	115,472
Total	**120,097**	**115,472**

	31 December 2020	31 December 2019
(EUR 000)		
Tiscali Financial Services Sa	-	3,511
Tiscali International BV	1,605	516
Tiscali Italia S.p.A.	118,492	109,907
Veesible S.r.l.	-	1,539
Total	**120,097**	**115,472**

The Financial Receivables from Group companies are detailed as follows:

It should be noted that the increase towards the subsidiary Tiscali Italia S.p.A. amounts to EUR 8.5 million, of which:

- An increase of EUR 1.5 million, due to the transfer of the financial positions of Veesible S.r.l. following the merger of the company with Tiscali Italia S.p.A. on 31 January 2020;
- An increase of EUR 0.1 million due to the transfer of funds from Aria to Tiscali Italia for cash requirements, with a triangulation on Tiscali S.p.A.;
- Increase of EUR 5.8 million due to the transfer of funds from Tiscali S.p.A. to Tiscali Italia for

cash requirements and transfer of VAT settlements;

- Increase of EUR 1.1 million relating to the transfer of the receivable owed by Tiscali International BV to Tiscali Italia Spa, in favour of Tiscali S.p.A.

It should also be noted that the financial position with Tiscali Financial Services SA was transferred to the subsidiary Tiscali International BV following a deed of sale signed on 30 April 2020.

Trade Receivables (Note 11)

	31 December 2020	31 December 2019
(EUR 000)		
Receivables from Customers	15,363	15,840
of which:		
towards Group companies	14,856	15,334
towards third parties	507	506
Allowance for doubtful accounts	(475)	(475)
Total	**14,888**	**15,365**

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 summarised in detail in the following table:

	31 December 2020	31 December 2019
(EUR 000)		
Tiscali Italia S.p.A.	14,856	15,301
Veesible S.r.l.	-	33
Total	**14,856**	**15,334**

The breakdown of Trade Receivables by maturity follows:

	31 December 2020	31 December 2019
(EUR 000)		
Within 12 months	8,978	10,396
Between 1 – 5 years	5,909	4,968
Beyond 5 years	-	-
Total	**14,887**	**15,365**

The book value of trade receivables, including the allowance for doubtful accounts, is approximate to their fair value.

Tax Receivables (Note 12)

	31 December 2020	31 December 2019
(migliaia di Euro)		
Tax credits	227	227
Totale	**227**	**227**

This item includes the IRES receivable claimed by the Company.

Other Receivables and Other Current Assets (Note 13)

	31 December 2020	31 December 2019
(EUR 000)		
Other Receivables	219	225
Prepaid Expenses	22	98
Total	**241**	**323**

The item *Other Receivables* includes mainly tax receivables of EUR 0.2 million.

Cash and Cash Equivalents (Note 14)

Cash and cash equivalents at the end of the year amounted to EUR 0.2 million and included the company's liquidity held essentially in bank accounts. For an overall analysis of the financial position, reference should be made to the relevant section of the Management Report, as well as to the Cash Flow Statement.

Shareholders' Equity (Note 15)

	31 December 2020	31 December 2019
(EUR 000)		
Share capital	51,655	46,355
Legal reserve	7	7
Stock option reserve	51	96
Other reserves	2,048	2,039
Result from previous fiscal years	(2,507)	-
Result for the fiscal year	1,636	(2,507)
Total	**52,890**	**45,990**

The changes in the Shareholders' Equity items are detailed in the relevant statement, to which reference should be made.

The number of shares representing the Parent Company's share capital is 5,061,225,582, with no par value, compared to 4,508,697,203 shares in the previous year. The increase for the period amounted to 552,528,379 shares and is attributable to the conversion of the Tiscali 2019-2020 bond loan entered into in January 2019. The increase in share capital of EUR 5.3 million was realised as follows:

- On 9 June 2020, a total of 26 bonds were converted by ICT Holding Ltd and 268,317,853 no-par value shares with the same characteristics as those outstanding were issued, subscribed and paid for an amount of EUR 2,600,000.
- On 30 June 2020, a total of 27 bonds were converted by ICT Holding Ltd. On 15 July 2020, 284,210,526 unlisted shares with no par value were issued with the same characteristics as those outstanding, subscribed for and paid for in the amount of EUR 2,700,000. These unlisted shares were subsequently admitted to listing in July and September.

At the end of the year, Tiscali S.p.A. reported a positive result of EUR 1.9 million. The following table shows the breakdown of Shareholders' Equity with reference to availability and distributability:

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	51,655,159	B	-	-	-	148,649	7,669
Legal Reserve	6,981						
Other Reserves	2,047,645						
Stock Option Reserve	50,885						
Previous Fiscal Years' Losses	(2,506,729)						
Fiscal Year's Losses	1,636,145		-	-	-	-	-

Utilisation options _Key:

A For share capital increases

B For loss coverage

C For distribution to shareholders

Other Non-Current Liabilities (Note 16)

	31 December 2020	31 December 2019
(EUR 000)		
Payables to Group companies	202,975	184,754
Other Payables	57	150
Total	**203,032**	**184,904**

The item *Other Liabilities* includes long-term fiscal liabilities.

The balance of *Other Non-Current Liabilities* concerning financial payables to group companies totals EUR 203 million and is detailed in the following table:

	31 December 2020	31 December 2019
(EUR 000)		
Tiscali Financial Services SA	-	3,511
Tiscali Italia S.p.A.	201,370	95,727
Aria S.p.A.	0	78,354
Tiscali International BV	1,605	516
Tiscali International Network BV	-	25
Veesible S.r.l.	-	6,621
Total	**202,975**	**184,754**

The breakdown of *Other Non-current Liabilities* by maturity follows:

	31 December 2020	31 December 2019
(EUR 000)		
Within 12 months	-	-
Between 1 and 5 years	202,975	184,754
Beyond 5 years	-	-
Total	**202,975**	**184,754**

These financial payables are recognised as non-current financial liabilities.

The debt positions with Veesibile Srl and Aria SpA were transferred to the subsidiary Tiscali Italia Spa following the merger of both companies on 31 January 2020.

Provisions for Risks and Charges (Note 17)

The following table shows the changes during the year:

	31 December 2019	Increases	Decreases	Other changes	31 December 2020
(EUR 000)					
Provisions for risks and charges disputes with employees					
Provisions for Subsidiaries' Loss Coverage					
Other Provisions for Risks and Charges	613	-	(1)	-	613
Total	613	-	**(1)**	-	**613**

The provision for risks and charges includes provisions for legal disputes for EUR 0.6 million.

Bond Loan and Payables to Banks and Other Lenders (note 18)

	31 December 2020	31 December 2019
(EUR 000)		
Bond	-	5,246
payables to banks and other lenders	-	434
Total	-	**5,679**

The Convertible Bond issued on 31 January 2019 by ICT and Sova Disciplined Equity Fund for a nominal amount of EUR 10.6 million was extinguished by conversion by 30 June 2020. The loan, the nominal value of which at 31 December 2019 amounted to EUR 5.3 million, was converted as follows:

i) on 9 June 2020, a tranche of EUR 2.6 million was converted; *ii)* on 30 June 2020, the remaining nominal value of EUR 2.7 million was converted; *iii)* on 30 June 2020, a tranche of EUR 2.7 million was converted.

The notional financial debt for put options, amounting to EUR 0.4 million, was extinguished at the same time as the redemption of the bond issue mentioned above.

Payables to Suppliers (Note 19)

	31 December 2020	31 December 2019
(EUR 000)		
Trade Payables to Third Parties	3,407	3,680
Trade Payables to Group companies for materials	5	770
Total	**3,412**	**4,451**

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 2020	31 December 2019
(EUR 000)		
Tiscali Italia S.p.A.	5	770
Total	**5**	**770**

Tax Payables (Note 20)

	31 December 2020	31 December 2019
(migliaia di Euro)		
Tax payables	53	1
Total	**53**	**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 2020	31 December 2019
(EUR 000)		
Deferred Income	-	2
Other Payables	6,200	20,682
Total	**6,200**	**20,684**

The item *Other Payables is* essentially represented by VAT payables for EUR 5 million, tax, social security and welfare institutions payables, for EUR 0.8 million; by payables to Directors amounting to EUR 0.3 million; by payables for the provision for penalties and interest on tax payables not yet paid for EUR 0.1 million.

Guarantees Pledged and Commitments

Guarantees pledged are detailed as follows:

	31 December 2020	31 December 2019
(EUR 000)		
Guarantees given to third parties (sureties)	83,526	87,552
Commitments	1,600	1,600
Total	**85,126**	**89,152**

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 Senior Loan.

The remaining EUR 7.2 million are related to guarantees pledged by the Parent Company for credit and leasing lines to the subsidiaries Tiscali Italia S.p.A., as well as EUR 0.4 million in guarantees given to third parties.

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 accordance with CONSOB Attention Reminder No. 5/21 of 29 April 2021, the net financial position at 31 December 2020 and 2019 is summarised in the table below:

Net Financial Position	31 December 2020	31 December 2019
(Thousands of Euro)		
A. Cash and Bank deposits	185	371
B. Other cash equivalents		
C. Securities held for trading		
D. Liquidity (A) + (B) + (C)	***185***	***371***
E. Current loan receivables		***5,679***
F. Current portion of non-current financial debt		
G. Current financial indebtedness (E + F)	**-**	***5,679***
H. Net current financial indebtedness *(G - D)*	**(185)**	**5,308**
I. Non-current financial debt (intercompany)	82,879	69,282
J. Debt instruments		
K. Trade and other non-current payables	57	150
L. Non-current financial indebtedness *(I +J +K)*	**82,936**	**69,431**
M. Net financial indebtedness *(H + L)*	**82,751**	**74,739**

The company has no liabilities for severance pay.

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 analyse 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 2020, 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 summarises the balance sheet and income statement values recorded in the Parent Company's financial statements as of 31 December 2020, arising from transactions with related parties.

The effects on the income statement follow:

Income Statement	*Notes*	2020	of which related parties	%	2019	of which related parties	%
(Thousands of Euros)							
Revenues	*1*	3,155	3,128	99%	5,017	4,945	99%
Purchase of materials and external services	*2*	(2,120)	(1,059)	50%	(3,477)	(1,186)	34%
Personnel cost	*3*	(504)	(366)	73%	(1,099)	(360)	33%
Other operating (charges)/incomes	*4*	0			0		
Write-downs of receivables from customers	*5*	1,023			(109)		
Restructuring costs	*5*	-			(47,236)		
Operating result		**1,554**	**1,703**		**(46,905)**	**3,399**	
Financial Income	*6*	434	-		46,022	-	
Financial Expenses	*6*	(94)	-		(1,087)	-	
Income (loss) before tax		**1,894**	**1,703**		**(1,970)**	**3,399**	
Taxation	*7*	(258)	-		(537)	-	
Net result from operating activities (ongoing)		**1,636**	**1,703**		**(2,507)**	**3,399**	
Result from held for sale and discontinued operations	*8*	-			-		
Net result		**1,636**	**1,703**		**(2,507)**	**3,399**	

The effects on the balance sheet follow:

Consolidated Statement of Equity and Liabilities	**31 December 2020**	**o/w related parties**	**%**	**31 December 2019**	**o/w related parties**	**%**
(EUR/000)						
Non-current assets	250,660	120,158	47.94%	246,035	115,533	46.96%
Current assets	15,541	14,856	95.59%	16,286	15,334	94.15%
Total Assets	**266,201**	**135,014**	**0.0**	**262,321**	**130,867**	**0.0**
Net equity	52,890	51	0.10%	45,990	0	0.00%
Total net equity	**52,890**	**51**	**0.0**	**45,990**	**0**	**0.0**
Non-current liabilities	203,645	202,975	99.67%	185,517	184,754	99.59%
Current liabilities	9,666	324	3.35%	30,814	1,069	3.47%
Total Net equity and Liabilities	**266,201**	**203,350**	**0.0**	**262,321**	**185,824**	**0.0**

The most significant balances, as at 31 December 2020, summarised by service supplier, follow:

INCOME STATEMENT VALUES		**31 december 2020**				**31 december 2019**			
EUR/000		Cost	Devaluation	Interest income (expense)	Revenues	Cost	Devaluation	Interest income (expense)	Revenues
Tiscali Italia S.p.A.	1	(312)	-	-	3,128	(330)	-	-	4,945
		-	-	-	-	-	-	-	-
Total Group companies		**(312)**	-	-	**3,128**	**(330)**	-	-	**4,945**
		0	-	-	-	-	-	-	-
Other Related Parties		0	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Board of Directors' Remuneration		(722)	-	-	-	(744)	-	-	-
Strategic Executives' Remuneration		(355)	-	-	-	(467)	-	-	-
Stock Option		(11)	-	-	-	(5)	-	-	-
CC & Soci		(25)	-	-	-	-	-	-	-
Other Related Parties		**(1,113)**	-	-	-	**(1,216)**	-	-	-
Total Group Companies and other Related Parties		**(1,425)**	-	-	**3,128**	**(1,546)**	-	-	**4,945**

(1) Group companies

BALANCE SHEET VALUES *EUR 000*	Note	**31 dicember 2020**							
		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	-	-	-	-	-	-	-	-
Tiscali International BV	1	-	1,605	-	-	1,605	-	-	-
Tiscali International Network BV	1	-	-	-	-	-	-	-	-
Tiscali Italia S.p.A.	1	14,856	118,492	5	-	201,370	-	-	-
Indoona S.r.l.	1	-	-	-	-	-	-	-	-
Veesible S.r.l.	1	-	-	-	-	-	-	-	-
Aria S.p.A.	1	-	0	-	-	0	-	-	-
Total Group Companies		**14,856**	**120,097**	**5**	-	**202,975**	-	-	-
Other Related Parties									
Receivables from the sale of Istella		-	61	-	-	-	-	-	-
Board of Directors' Remuneration		-	-	-	-	-	-	267	-
Strategic Executives' Remuneration		-	-	-	-	-	27	-	-
Stock Option		-	-	-	-	-	-	-	51
CC & Soci		-	-	-	-	-	-	25	-
Other Related Parties		-	**61**	-	-	-	**27**	**292**	**51**
Total Group Companies and other Related Parties		**14,856**	**120,158**	**5**	-	**202,975**	**27**	**292**	**51**

(1) Group companies

BALANCE SHEET VALUES EUR 000	Note	31 dicember 2019							
		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	-	95,727	-	-	-
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**	-	**184,754**	-	-	-
Other Related Parties									
Receivables from the sale of Istella		-	61	-	-	-	-	-	-
Board of Directors' Remuneration		-	-	-	-	-	-	272	-
Strategic Executives' Remuneration		-	-	-	-	-	27	-	-
Stock Option		-	-	-	-	-	-	-	5
CC & Soci		-	-	-	-	-	-	-	-
Other Related Parties		-	**61**	-	-	-	**27**	**272**	**5**
Total Group Companies and other Related Parties		**15,334**	**115,533**	**770**	-	**184,754**	**27**	**272**	**5**

(1) Group companies

Disputes, contingent liabilities and commitments

Italian Revenue Agency — Provincial Directorate of Cagliari

In December 2019 and in February 2020, 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 and the second (February 2020) to the VAT form for FY 2011. The folders refer exclusively to penalties, interest and collection charges for a total of EUR 4,259 thousand.

The Company filed an appeal against these files 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 2020, the management, considering this risk not probable, did not allocate a provision for risks on this position.

With regard to the Group's Disputes, Contingent Liabilities and Commitments, please refer to Section No. 4.10.

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:

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	113,600	-	3,100	-	116,700
Renato Soru	CEO	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	331,333	-	17,185	100,000	448,519
Manilo Marocco	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	23,667	5,000	-	-	28,667
Anna Belova	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	23,667	5,000	-	-	28,667
Sara Polatti	Director	In office from 27 Jun 2019 to 29 June 2020	12,167	2,500	-	-	14,667
Cristiana Procopio	Director	In office from 29 September 2020 to the approval of the financial statements as of 31 Dec 2021	5,878	1,278	-	-	7,156
Federica Celoria	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	23,667	15,000	-	-	38,667
Patrizia Rutigliano	Director	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	23,667	15,000	-	-	38,667
Total							**721,708**

Board of Statutory Auditors:

Name and Surname	Position	Term of Office	Remuneration for the Position	Non-monetary benefits	Other forms of Remuneration	Total EUR
Statutory Auditors						
Barbara Tadolini	Chairman	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	43,160	-	-	43,160
Emilio Abruzzese	Standing Statutory Auditor	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	31,200	-	550	31,750
Valeria Calabi	Standing Statutory Auditor	In office from 27 Jun 2019 to the approval of the financial statements as of 31 Dec 2021	31,200	-	-	31,200
Total						**106,110**

It should also be noted that the total value of the cost incurred in 2020 for the remuneration of managers with strategic responsibilities amounted to approximately EUR 0.3 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 2020 for auditing services and those for other services provided by the independent auditing firm:

Type of services	Party providing the Service	Beneficiary	Fees
EUR/000			
Financial Audit	Deloitte & Touche S.p.A.	Parent Company - Tiscali S.p.A.	273
Other professional services required by law	Deloitte & Touche S.p.A.	Parent Company - Tiscali S.p.A.	43
Other services	Deloitte & Touche S.p.A.	Parent Company - Tiscali S.p.A.	-
			315

Proposed allocation of the result for the year

Dear Shareholders,

The financial statements at 31 December 2020 which we submit for your approval closed with a positive result of EUR 1,636,145.

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.

In addition, we propose the following allocation of the profit for the year: *i)* EUR 81,807 to the legal reserve, *ii)* EUR 1,554,338 to other reserves.

Cagliari, 14 May 2021

Financial Statements certification in compliance with Article No. 81-*ter* of the CONSOB Regulation No. 11971 dated 14 May 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 2020.

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 2020:

- Are consistent with the results of accounting books and entries;
- 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 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 alle risultanze dei libri e delle scritture contabili.

Finally, we certify that the Parent Company's Management Report, presented together with the Consolidated Management Report in a single document, includes a reliable analysis of the performance and result of operations, as well as the issuer's situation, together with a description of the main risks and uncertainties to which it is exposed.

Cagliari, 14 May 2021

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

8. Glossary

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.