

# **COURTESY TRANSLATION**

**TISCALI S.p.A.**

**INFORMATION DOCUMENT PRODUCED BY THE BOARD OF DIRECTORS WITH REGARD TO THE ITEM 1 ON THE AGENDA OF THE EXTRAORDINARY SHAREHOLDER MEETING OF TISCALI S.P.A. OF DECEMBER 14 2017, PURSUANT TO ART. 2441, PARAGRAPH 6, OF THE CIVIL CODE AND ART. 72 OF THE REGULATION ADOPTED WITH CONSOB RESOLUTION NO. 11971 DATED 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND INTEGRATED.**

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## RECITALS

Dear Shareholders,

this information document is aimed at illustrating to the extraordinary shareholders meeting of Tiscali S.p.A. ("**Tiscali**" or the "**Issuer**" or the "**Company**") the necessary information on the proposal indicated on the item n. 1 of the agenda of the extraordinary Shareholders Meeting of Tiscali convened on a single call for December 14, 2017 at 11.30 am at the company registered office by the Board of Directors meeting of November 13, 2017 which has approved the transaction, in order to resolve on the following item:

*"amendment of the unsecured debenture loan convertible and converting "Tiscali conv 2016-2020", approved by the shareholders meeting of the company on September 5, 2016. Consequent proposal to increase the number of ordinary shares to be issued for the conversion of the debenture loan from n. 308.333.333 to maximum n. 530.000.000 ordinary shares, with the exclusion of the option right pursuant to art. 2441, paragraph 5, of the Italian civil code, with a price per share corresponding to the volume-weighted average of the official prices of the shares recorded during the last two months preceding the date of request of conversion. Related amendments of art. 5 of the Statute. Related and consequent resolutions".*

Before proceeding with the illustration of the proposal, we remind you of the following:

- a) the Shareholders Meeting of the Company of 5 September 2016 resolved to approve:
- (i) the issue of an unsecured debenture loan convertible and converting "*Tiscali conv 2016-2020*" for a total maximum amount of 18,500,000.00 euros - reserved to qualified investors pursuant to art. 34-ter, paragraph 1b) regulation adopted with Consob resolution no. 11971/ 1999 – through the issuance of such a number of notes in the denomination of Euro 500,000.00 per note, available for the subscription until 31 January 2017, with a fixed price of EUR 0.06 per share for the conversion of the debentures (the "**Debenture Loan**"); and
  - (ii) a share issue by cash payment, in tranches with the exclusion of the right of option pursuant to art. 2441, paragraph 5 of the Civil Code, for a total maximum amount of 18,500,000.00 euros, through the issue of a maximum number of 308,333,333 ordinary Company shares (having considered the necessary rounding, rounded down), devoid of nominal value and having the same features as the ordinary actions

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in circulation, reserved for the conversion of the Debenture Loan according to the terms of the relative regulation (the “**Share Issue**”);

b) following the offer, 34 convertible debentures with a nominal value of EUR 500,000 each, for a total of EUR 17 million, were subscribed on September 7 2016 to, in equal parts, by Rigensis Bank AS and Otkritie Capital International Limited, pursuant to the Subscription Agreement (as described in the present document);

c) the Debentures, as per the Regulation currently in force, have the following main features:

- expiring date date: 30 September 2020;
- unit value: 500,000.00 euros;
- interest rate: fixed gross annual percentage rate of 7%;
- conversion price of the Debentures: 0.06 euros per share (Conversion Price);
- option of early redemption in cash in favour of Issuer;
- option of early conversion in shares at the Conversion Price in favour of bondholders;
- mandatory conversion at the expiration date at the Conversion Price.

The Board of Directors of the Company submits to this Shareholders Meeting the following proposals to amend certain terms and conditions of the Debenture Loan, subject to the approval of the said amendments by the Noteholders Meeting, convened on December 14 2017 at 11 AM. as well, involving the consequent amendment of the resolution relating to the Share Issue (the “**Restructuring Transaction**”).

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In the context of this information document, the following terms have the meaning given below.

<b>Subscription Agreement</b>	The agreement concluded on 29 July 2016, with which Rigensis and OCIL (Bondholders) committed to subscribe the Debentures – directly or through a person to be nominated – for a total amount equal to 17 million euros.
<b>Meeting</b>	The extraordinary shareholders meeting of the Company, scheduled, in a single convening, for December 14, 2017.
<b>Share Issue</b>	Tiscali's share issue by cash payment, in tranches, with the exclusion of the right of option, pursuant to art. 2441, paragraph 5 of the civil code, for an overall maximum value of 18,500,000.00 euros, inclusive of premium, to be released on one or several occasions, through the issue of a maximum no. of 308,333,333 ordinary shares of the Company, devoid of nominal value, with the same features of the ordinary shares in circulation, dedicated to the right of conversion of Debentures into newly issued ordinary shares of the Company, approved by the Shareholders' Meeting on 5 September 2016.
<b>Issuer, Company or Tiscali</b>	Tiscali S.p.A., with registered office in Cagliari, Località Sa Illetta, SS. 195, Km. 2.300, share capital of 103.007.322,89 euros, fully paid up, tax code and Cagliari Register of Companies no. 02375280928.
<b>Group or Tiscali Group</b>	The group of companies belonging, directly or indirectly, to the Issuer.
<b>Debentures</b>	The following Tiscali debentures:

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	<p>(i) no. 34 convertible debentures, for a nominal value of Euro 500,000.00 each, for a total value of 17,000,000.00 euros, which have been issued between 30 September 2016 and 31 January 2017 in the context of the Debenture Loan; and</p> <p>(ii) n. 3 convertible debentures, for a nominal value of Euro 500,000.00 each, for a total value of 1,500,000.00 euros, to be issued pursuant to the Restructuring Transaction described in this document.</p>
<b>Debenture Loan</b>	The convertible debenture loan issued by the Company, whose terms and conditions can be found in the relative regulation, available at internet address <a href="http://www.tiscali.com">www.tiscali.com</a> , and briefly illustrated in this information document, as necessary for the understanding of the Restructuring Transaction.
<b>Issuers' Regulation</b>	The regulation adopted with CONSOB resolution no. 11971 dated 14 May 1999, as subsequently amended and integrated.
<b>OCIL</b>	Otkritie Capital International Limited, with legal office in 12th Floor, 88 Wood Street, London, EC2V 7RS, UK. It should be noted that OCIL was the shareholder of the Issuer with a total shareholding of 157,000,000 shares equal to approximately 4.5% of the Issuer's share capital and that on November 9, 2017, OCIL communicated to the Issuer the sale of the above mentioned shares. At the date of the Board of Directors' resolution of 13 November 2017, therefore, OCIL is not related to the Issuer.
<b>Rigensis Bank</b>	Indicates Rigensis Bank AS, with registered office in Teatra Street no. 3, Riga, Latvia. Rigensis Bank is not related to the Issuer.
<b>Consolidated Law on Financial Intermediation</b>	Legislative Decree no. 58, dated 24 February 1998.
<b>Regulation</b>	The regulation relating to the Debenture Loan, available at internet address <a href="http://www.tiscali.com">www.tiscali.com</a> .
<b>Residual Debentures</b>	The Tiscali Debentures, for a total amount of Euro 1.500.000 which, as of January 31, 2017, have not been subscribed and

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	which can be subscribed and issued pursuant to the terms and conditions of the Restructuring Transaction described in this document.
<b>Additional Shares</b>	The maximum no. of 221.666.667 ordinary shares of Tiscali which is to be added to the total n. of 308.333.333 of ordinary shares already available for the conversion of the Debenture Loan, so that the total number of shares available for the conversion of the Debenture Loan will be, following the approval of the Restructuring Transaction, n. 530.000.000 ordinary shares.
<b>New Conversion Price</b>	Price per share corresponding to the volume-weighted average of the official prices of the shares recorded during the last two months preceding the date of request of conversion.
<b>Restructured Debenture Loan</b>	The Debenture Loan amended according to the terms and conditions of the Restructuring Transaction described in this document.

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## **1. WARNINGS - RISKS ASSOCIATED TO THE POTENTIAL CONFLICTS OF INTEREST DERIVING FROM THE OPERATION**

### **1.1 Risks associated to the potential conflicts of interest**

With reference to the risks for potential conflicts of interest deriving from the Restucturing Transaction, it is noted that Sergey Sukhanov, Director of the Issuer, also serves as Director and CEO of OCIL. It should be noted, for the sake of completeness, that this situation, in accordance with International Accounting Standard IAS 24, referred to in the circumstances for the determination of correlation relationships between parts of an operation, does not lead to a correlation relationship between OCIL and the Issuer.

### **1.2 Risks associated to high financial indebtedness**

The Tiscali group has a high level of financial indebtedness.

Hereafter the description of the net financial indebtedness of the Tiscali Group is provided, drafted in light of the CONSOB Resolution DEM/6064293 dated July 28, 2006, as of June 30, 2017 and as of December 31, 2016.



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Net Financial Position (*)	30 June 2017	31 December 2016
<i>(EUR 000)</i>		
A. Cash and bank deposits	1,764	1,346
B. Cash equivalents		
C. Securities held for trading		
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>1,764</b>	<b>1,346</b>
<b>E. Current financial receivables</b>	<b>2</b>	<b>3</b>
F. Non-current financial receivables		
G. Current bank payables	13,321	14,683
H. Current portion of bonds issued	297	375
I. Current part of long-term loans	9,631	13,454
J. Other current financial payables	14,179	10,117
<b>K. Current financial indebtedness (G) + (H) + (I)</b>	<b>37,427</b>	<b>38,628</b>
<b>L. Net current financial indebtedness (K)-(D)-(E)-(F)</b>	<b>35,661</b>	<b>37,279</b>
M. Non-current bank loans	82,972	80,601
N. Bonds issued	18,254	18,429
O. Other non-current financial payables	55,560	55,626
<b>P. Non-current financial indebtedness (M)+(N)+(O)</b>	<b>156,786</b>	<b>154,656</b>
<b>Q. Net financial indebtedness (L)+(P)</b>	<b>192,447</b>	<b>191,935</b>

*(\*)It should be noted that when preparing the half-yearly financial report at 30 June 2017, the net financial position as at June 30, 2017 (and as at December 31, 2016) has been reclassified against the Net Financial Position included in the Annual Financial Report 2016, as well as that communicated pursuant to art. 114 TUIR at the above reference dates for effect of the inclusion of two financial debts granted by the Ministry for Development and by the Ministry of University and Research for EUR 0.7 million at June 30, 2017 and EUR 0.9 million at December 31, 2016. In addition, with reference to the Net Financial Position disclosed in accordance with article 114 of the TUIR at June 30, 2017, there are also some additional adjustments in the amounts of some financial payables at the date.*

The gross financial debt (current and non-current), at June 30 2017, amounting to EUR 194,2 million, is mainly composed by:

- liquid assets of 1.8 million euros;
- senior debt pursuant to the Restructuring Agreement signed on June 29, 2016 with Intesa San Paolo and BPM for EUR 85.9 million;

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- payables associated with the convertible and converting debenture loan amounting to EUR 18.6 million (nominal amount of EUR 17 million) subscribed, in equal parts, by Rigensis Bank and OCIL, for Euro 17 million, on September 7, 2016;
- other bank payables totaling EUR 20 million;
- payables for finance leases, totaling EUR 68,9 million, mainly represented by the “Sale and Lease Back” agreement signed with Mediocredito Centrale and Unicredit factoring (“*Pool leasing*”) by reference to the Cagliari office (Sa Illetta) of the Company for EUR 52.1 million.
- Loans from Italian Ministries for EUR 0.9 million.

All above considered, with reference to the applicability of the going concern assumption and to the use of the accounting principles proper of a company operating in the preparation of the first half 2017 financial report, the Board of Directors pointed out that the Group, in line with Business Plan:

- generated in the first half of 2017, before working capital changes, cash and cash equivalents from operating activities amounting to approximately EUR 12.5 million;
- realized and accelerated the growth on Tiscali’s core business, as defined in the financial report, (which records a growth by 31.7 thousand units in June 2017 as compared to June 2016);
- realized a progressive focusing on high-capacity Fiber offers (up to 100Mbps), realizing an incremental diffusion of the new LTE offer thanks to the progressive acceleration of the installation process of LTE antennas process in the first half of 2017 (installed system of about 300 antennas as at June 30, 2017);
- finalized the transfer of the Business Branch to Fastweb, cashing in the second tranche of the transfer price, amounting to EUR 20 million, and finalized the outsourcing of IT activities to Engineering as well as the transfer of Stremago;
- finalized the paid capital increase reserved to OCIL and Powerboom Investments Limited for a total value of EUR 11.8 million, subscribed on August 7, 2017, further strengthening the balance sheet structure;
- positively continued the negotiations aimed at obtaining the standstill until September 2018 on payments to be made both to Intesa SanPaolo and BancoBpm regarding the senior loan, obtaining the start-up of the procedures prodromic to the approval of the standstill by the Financial Institutions;

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- positively continued the negotiations with the Pool Leasing aimed at redefining the amortization plan of the real estate leasing;
- confirmed the growth strategy of the Group focused on the development of Core Business (Broadband Fixed, Fiber, LTE Broadband Fixed Wireless and Mobile) activities, in the light of the positive results of the first half of 2017.

In summary, and with particular reference to the going concern, in the 1H2017 Financial Report, these transactions have granted and will grant the Issuer and the Group some significant benefits:

- further strengthen the balance sheet structure through the reduction of total indebtedness;
- benefit from a significant injection of new financial resources into the company and from a significant reduction in cash outflows over the next twelve to months for the payment of financial charges and the repayment of principal amount to the banks, guaranteeing the development of the Business Plan approved on April 29, 2017;
- further reduce the base of operating costs by improving the size of the company in terms of staffing and putting in use the outsourcing of IT services to Engineering;
- consolidate the virtuous path of customer and revenue growth, which is a key element in the implementation of the Business Plan.

Although from the date of approval of the Half-Yearly Financial Report as at June 30, 2017 and the date of approval of this document, the Group's performance was aligned with the forecasts included in the Industrial Plan 2017-2021 and trading with Intesa SanPaolo and BancoBpm as well as with *Pool Leasing* have continued to be profitable for the purpose of finalization in a timely manner over the requirements of business continuity, the Directors - as best described below and detailed in Section 2.2 below. - consider that, at the date of approval of this information document, some material uncertainties about events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern, already pointed out in the above mentioned Financial Report..

In light of the above, referring to the Half-Yearly Financial Report at June 30, 2017 for a detailed analysis of significant uncertainties at the time, it should be noted that the Directors themselves, the same Directors, after having carried out the necessary verifications, having taken into account the improvement of financial exposure and the status of relations with the Financial Institutions, they are also confident at the date of the Financial Report:

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(i) in the ability to implement the provisions of the 2017-2021 Business Plan even in a market context characterized by a strong competitive pressure; ii) in the positive finalization of the granting of standstill agreements by the Financial Institutions in a timely manner consistent with the requirements of going concern; iii) in maintaining the Banks and suppliers financial support so far recognized and having reasonable expectation that the Group has adequate resources to keep up with payment obligations in the next twelve months and to continue operating in the foreseeable future, thus leading to the assumption of going concern at the date of the current document; this assumption made it possible to adopt the accounting principles of a company in preparation for the preparation of the First Half Financial Report as of June 30, 2017.

As at the date of approval of this document, the Directors, as referred to in Section 2.2 below, believe that the Bondholders' requirement to execute payment of the entire debenture or interest due to the placing in Default ( defined in the next paragraph 2.2.) of the Issuer - that in the context of the broader negotiations with the Banking Class and Pool Leasing could result in the risk of cross-default on remaining loans - aggravates the significant uncertainties about the business continuity previously highlighted and considered to be mitigated when assessing the assumption of business continuity in the Half-Yearly Financial Report as of June 30, 2017; the execution of the said Restructuring Transaction would re-establish the conditions of financial equilibrium by reconfirming the considerations made when assessing the assumption of business continuity as of June 30, 2017, avoiding the Shareholders risking a significant loss in the value of their equity investment , as best described in the following paragraphs 2.2 and 2.8.

For further information on the net financial indebtedness of the Tiscali Group, see the following paragraph 2.9.A).

### **1.3 Risks associated to the dilution effects of conversion**

If the Debentures were to be fully converted, according to what set out in the amended Regulation, Tiscali will issue - taking any rounding into consideration, rounded up - a maximum n. 530.000.000 ordinary shares, devoid of nominal value and with the same features of those currently in circulation.

The increase in the number of Tiscali ordinary shares in circulation, outcome of the above-mentioned conversion, will entail for shareholders of the Issuer a dilution of their participation, calculated on the ordinary share capital in circulation as at the date of this document, equal to around approximately 13.3% calculated on the basis of the maximum number of shares covered by this report. The dilution amount is greater than 5.1% of the

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dilution initially provided for by the original Debenture Loan. Based on the average stock market value over the past two months, the total dilution for the shareholder of the Issuer would be 11.3%, higher than 3.1% of the dilution initially foreseen by the original Debenture Loan.

For further information, see the following paragraph 2.1.

## **2. INFORMATION RELATING TO THE TRANSACTION**

### **2.1 Description of the features, procedures, terms and conditions of the operation - features, rationale and allocation of the Residual Debentures and of the Additional Shares**

The project of the amendment of the Debenture Loan and of the resolution relating to the Share Issue were approved by the Board of Directors on November 13, 2017 and the New Conversion Price was determined based on what is set out in article 2441, paragraph 6, of the Italian civil code.

The proposal of the amendment of the Debenture Loan will be submitted to the Noteholders Meeting which has been called for December 14, 2017, at 11.00 am.

#### **2.1.1 Amendments of the Regulation**

It is envisaged that the Regulation, subject to the approval of the Noteholders Meeting, is amended as follows:

A) extension of the Subscription Period (as defined in the Regulation), for the subscription of the unsubscribed residual amount of the Debentures of Euro 1,5 million, from January 31 2017 to January 31 2018;

B) amendment of the Conversion Price (as defined in the Regulation) from Euro 0,06 to the New Conversion Price;

C) increase in the number of ordinary shares to be issued for the conversion of the Restructured Debenture Loan, up to a maximum n. of 221.666.667 ordinary shares, so that the total number of shares available for the conversion of the Restructured Debenture Loan will be increased from n. 308.333.333 to maximum n. 530.000.000 ordinary shares;

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D) introduction of any further possible amendments to the Regulation which will be necessary in light of the amendments sub A) through C) above,

being understood that all other terms and conditions of the Regulation will remain unchanged.

### **2.1.2 Amendments of the Share Issue resolution**

In consideration of the proposal to amend the terms and conditions of the Debenture Loan as above described, it is also submitted to the approval of the shareholders the proposal to amend the terms and conditions of the shareholders resolution relating to the Shares Issue for the conversion, as indicated in art. 5 of the Statute.

More in detail, in order to give execution to the amendment transaction of the Debenture Loan, it will be necessary to provide, in the framework of the said resolution:

- (i) the amendment of the conversion price from Euro 0,06 to the New Conversion Price;
- (ii) the amendment of the maximum number of shares which the Company may issue pursuant to the conversion, from n. 308.333.333 to maximum n. 530.000.000 ordinary shares;
- (iii) the consequent amendment of art. 5 of the Statute.

All other terms and conditions of the said resolution will remain unchanged.

### **2.1.3 Phases of the operation**

From an operative standpoint, the transaction will be implemented through the following steps:

- (i) approval of the Restructuring Transaction by the Noteholders Meeting, pursuant to art. 2415 of the Italian Civil Code;
- (ii) approval of the Restructuring Transaction by the extraordinary Shareholders Meeting.

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On the occasion of the Noteholders Meeting the Company has prepared the relevant illustrative report.

## **2.2 Reason for the amendment of the Debenture Loan**

As of the date of this document, the Company has not fulfilled the contractual provision included in the terms and conditions of the Debenture Loan, which envisaged, on 30 September 2017, the payment of interest accrued in the half-year closed on the same date, amounting to approximately Euro 600 thousand. The terms and conditions of the Debenture Loan provide that if the Issuer is unable to make the aforementioned payment within 5 days of the due date, the Bondholders may default the company in order to make early repayment the amount of the entire amount of the Debenture Loan (the "Default"), which at the date of this document amounts to approximately Euro 17,600 thousand. It should be noted that on October 13 2017 the Bondholders responded to the Issuer's request to accept a maximum extension on November 28 for payment of half-year interest expired on 30 September. In addition to the other negotiations in progress with the Banking Class and Pool Leasing, for details referred to in paragraph 1.2, the Directors consider that they can not proceed with the payment of such interest without prejudice to the outcome of the negotiations.

Therefore the Directors, in order to prevent the Bondholders from making the payment execution request of the whole debt or interests - that in the context indicated may not occur , with the risk of cross-default on the remaining loans and aggravation of the company's uncertainties on going concern as mentioned in the previous section 1.2 - have initiated a renegotiation of the terms and conditions of the Debenture Loan. This proposal for capital increase represents the outcome of the negotiation process, which provides for modification of the terms and conditions of the Debenture Loan as described in paragraph 2.1 and following.

In particular, from this negotiation process has emerged the willingness of the Bondholders to proceed with the conversion of the Debenture Loan into shares; in the light of current stock quotes, as a matter of fact, the Directors find it unlikely that Bondholders exercise the option, which is not convenient. In addition, as indicated in Premise,, the Terms and Conditions of the Debenture Loan foresee the mandatory conversion in the capital at the deadline set for September 30, 2020; in this regard, however, the Directors believe that the state of criticality on the recurrence of the assumption of business continuity resulting from the failure to pay interest payments by 28 November previously described, and the consequent need to obtain the conversion of the Debenture Loan before its natural

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maturity, makes it unlikely the assumption of conversion, on the Issuer and the Bondholders, of its bond maturity to its natural maturity.

The non-probability of realizing the two hypotheses of immediate or natural maturity leads the Directors to believe that the benefits arising from the hypothetical restructuring of the Debenture Loan are indispensable for achieving the objectives of the Plan and reconfirms the assumption of business continuity in the next 12 months; such benefits are in particular: (i) eliminating default risk, (ii) improving financial leverage by reducing Net Financial Position and increasing shareholders' equity, and (iii) eliminating the obligation to pay interests on the Debenture Loan with the risk of stiffening of the financial institutions or the Pool Leasing in the finalization of the Group's Net Financial Position restructuring, as described in Par. 2.1 above.

The Directors therefore propose to amend the original terms of the Debenture Loan in order to increase the probability of exercising the right of conversion to the Bondholders.

In assessing the economic viability of the proposed modification of the Debenture Loan, in the context of the above-mentioned negotiation process, the Directors considered the adverse effects of the potential default condition, such as (i) fluctuations in the value of the stock market capitalization of other listed issuers Italy and the rest of the World over the past 10 years as a result of default disclosure, which could result in a reduction in the issuer's capitalization value, and (ii) the financial cost of the default, calculated as incremental financing cost as a result of creditworthiness deterioration, which, in spite of the uncertainty of the possibility of access to the credit market, would result in an increase in financial burden incompatible with the Issuer's business plan. In view of the adverse effects mentioned above, the Directors considered the potential benefits of the Restructuring Transaction, such as the increase in the probability of early exercise of the right of conversion by the Bondholders and consequently the loss of interest payable in the future on the Debenture Loan.

The Directors - considering the analyzes previously carried out that highlighted (i) the possible risk of fault of business continuity, (ii) the possible significant loss of capitalization following the communication of Default, (iii) the aforementioned incremental refinancing costs respect to the benefit, and (iv) the possible reduction in future financial charges in the case of early conversion – consider that the amendment to the Debenture Loan rule presents doubtless advantages to the Group and to the Issuer's shareholders, as foreseen by art. 2441, paragraph 5 of the Civil Code, which requires valuable arguments to exclude



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some shareholders from the right to subscribe the share capital increase to serve the conversion of the bonds.

### **2.3 Potential underwriting and/or placement syndicates and other potential forms of placement**

No sale and/or security consortium is envisaged in relation to the Residual Debentures or to the Additional Shares, as the latter are destined exclusively for the purpose of a possible conversion of Debentures.

### **2.4 Shareholders that indicated their availability to subscribe the Debentures**

Not applicable.

### **2.5 Reasons to exclude the right of option**

It is preliminarily confirmed that all shares previously issued have been released pursuant to art. 2438, paragraph 1 of the Civil Code and that all transfers previously due have been made, pursuant to art. 2481, paragraph 2 of the Civil Code.

The issue of the Additional Shares, in the framework of the Share Issue, is to serve the right of conversion of Debentures into ordinary Company shares, following the amendment of the Conversion Price. As previously illustrated, the Restructured Debenture Loan, the Share Issue and the transformation of Debentures into obligations that can be converted to ordinary Company shares constitute a single operation aimed at providing the Company with a funding instrument suitable to gather resources from the non-bank capital market, over a short period of time and with contained costs.

Therefore, the amendment of the Conversion Price requires an increase of the number of shares to be issued to serve the conversion of Debentures to Company shares, with the exclusion of the right of option, which number goes from 308.333.333 to a maximum amount of 530.000.000 shares.

The Board of Directors believes that such operation is fully aligned with the interest of the Company for the reasons indicated in paragraph 2.2.

**2.6 Amendments of the statute**

Hereafter is a comparison between the current text of art. 5 of the statute and the text whose introduction is proposed for the purposes of what will be decided at the Meeting.

<b>CURRENT TEXT</b>	<b>NEW TEXT</b>
- Article 5 –	- Article 5 –
Share capital and Shares	Share capital and Shares
The share capital amounts to 91,200,922.89 (ninety-one million two hundred thousand nine-hundred and twenty-two point eighty-nine) euros.	The share capital amounts to 103.007.322,89 (one hundred three million seven thousand three hundred twenty two point eighty-nine) euros.
The company's shares are comprised of 3,145,281,893 (three billion one-hundred forty-five million two-hundred and eighty-one thousand and eight-hundred ninety-three) shares, devoid of nominal value. Shares that are fully released cannot be split and are freely transferable.	The company's shares are comprised of 3.459.281.893 (three billion four hundred fifty nine million two-hundred and eighty-one thousand and eight-hundred ninety-three) shares, devoid of nominal value. Shares that are fully released cannot be split and are freely transferable.
The extraordinary Meeting of June 16, 2016 passed a resolution for a share issue for a maximum nominal value of 25,193,708, by payment in tranches, pursuant to and in accordance with art. 2441, paragraphs 6 and 6 of the Civil Code, and therefore with the exclusion of the right of option in accordance to the aforementioned regulation, through the emission of a maximum no. of 314,528,189 ordinary shares of Tiscali S.p.A., devoid of nominal value specification, with the same features to those already in circulation, regular dividend rights, at the price of: 0.070 euros for 188,716,915 shares, 0.0886 euros for 62,905,637 shares, 0.1019 euros for 62,905,637 shares. The recipients of the share issue are the beneficiaries of the 2016-2021 Stock Option plan approved by the Shareholders' Meeting on 16 June 2016,	The extraordinary Meeting of June 16, 2016 passed a resolution for a share issue for a maximum nominal value of 25,193,708, by payment in tranches, pursuant to and in accordance with art. 2441, paragraphs 6 and 6 of the Civil Code, and therefore with the exclusion of the right of option in accordance to the aforementioned regulation, through the emission of a maximum no. of 314,528,189 ordinary shares of Tiscali S.p.A., devoid of nominal value specification, with the same features to those already in circulation, regular dividend rights, at the price of: 0.070 euros for 188,716,915 shares, 0.0886 euros for 62,905,637 shares, 0.1019 euros for 62,905,637 shares. The recipients of the share issue are the beneficiaries of the 2016-2021 Stock Option plan approved by the Shareholders' Meeting on 16 June 2016,

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CURRENT TEXT	NEW TEXT
<p>reserved to the Managing Director of the Company, Riccardo Ruggiero, and to the management of the Tiscali Group, or the respective heirs, and to be implemented via a free assignment of options (the "Options") valid for the subscription of newly-issued ordinary shares of Tiscali S.p.A. The deadline for subscribing to the share issue is set to 24 December 2021, with the expectation that, if at the expiry of such deadline the share issue were not to be entirely subscribed, the capital, pursuant to art. 2439, paragraph 2 of the Civil Code, will be considered increased by an amount equal to the subscriptions gathered until that point, and as of their date, as long as subsequent to the registration of this resolution in the Register of Companies.</p> <p>The extraordinary Meeting of 16 February 2016 passed a resolution for a share issue for maximum nominal value of 16,371,192.25, by payment in tranches, pursuant to and in accordance with art. 2441, paragraphs 6 and 6 of the Civil Code, and therefore with the exclusion of the right of option in accordance to the aforementioned regulation, through the emission of a maximum no. of 251,622,551 ordinary shares of Tiscali S.p.A., devoid of nominal value specification, with the same features to those already in circulation, regular dividend rights, at the price of: 0.060 euros for 157,264,095 shares, 0.069 euros for 47,179,228 shares, 0.078 euros for 47,179,228 shares. The recipient of the share issue is the beneficiary of the 2015-2019 Stock Option Plan approved by the Shareholders' Meeting on 16 February 2016, reserved to the President of the Board of Directors of the Company, Renato Soru, or his heirs, and to be implemented via a free assignment of options (the "Options") valid for the subscription of newly-issued ordinary</p>	<p>reserved to the Managing Director of the Company, Riccardo Ruggiero, and to the management of the Tiscali Group, or the respective heirs, and to be implemented via a free assignment of options (the "Options") valid for the subscription of newly-issued ordinary shares of Tiscali S.p.A. The deadline for subscribing to the share issue is set to 24 December 2021, with the expectation that, if at the expiry of such deadline the share issue were not to be entirely subscribed, the capital, pursuant to art. 2439, paragraph 2 of the Civil Code, will be considered increased by an amount equal to the subscriptions gathered until that point, and as of their date, as long as subsequent to the registration of this resolution in the Register of Companies.</p> <p>The extraordinary Meeting of 16 February 2016 passed a resolution for a share issue for maximum nominal value of 16,371,192.25, by payment in tranches, pursuant to and in accordance with art. 2441, paragraphs 6 and 6 of the Civil Code, and therefore with the exclusion of the right of option in accordance to the aforementioned regulation, through the emission of a maximum no. of 251,622,551 ordinary shares of Tiscali S.p.A., devoid of nominal value specification, with the same features to those already in circulation, regular dividend rights, at the price of: 0.060 euros for 157,264,095 shares, 0.069 euros for 47,179,228 shares, 0.078 euros for 47,179,228 shares. The recipient of the share issue is the beneficiary of the 2015-2019 Stock Option Plan approved by the Shareholders' Meeting on 16 February 2016, reserved to the President of the Board of Directors of the Company, Renato Soru, or his heirs, and to be implemented via a free assignment of options (the "Options") valid for the subscription of newly-issued ordinary</p>

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CURRENT TEXT	NEW TEXT
<p>shares of Tiscali S.p.A. The deadline for subscribing to the share issue is set to 24 June 2019, with the expectation that, if at the expiry of such deadline the share issue were not to be entirely subscribed, the capital, pursuant to art. 2439, paragraph 2 of the Civil Code, will be considered increased by an amount equal to the subscriptions gathered until that point, and as of the their date, as long as subsequent to the registration of this resolution in the Register of Companies.</p> <p>The Extraordinary Meeting of 5 September 2016 has resolved to (i) issue an unsecured debenture loan convertible and converting "Tiscali conv 2016-2020" for a total maximum amount of 18,500,000.00 euros, with expiry date on September 30 2020, reserved to qualified investors pursuant to art. 34-ter, comma 1b) regulation adopted with CONSOB resolution no. 11971/ 1999, with a note rate of 7% and a fixed price of EUR 0.06 per stock for the conversion of the bond in ordinary shares of the Company as subsequently amended and integrated, with a price per share equal to 0.06 euros; (ii) implement a share issue in cash, by payment and in tranches, with the exclusion of the right of option pursuant to art. 2441, paragraph 5 of the Civil Code, for a total maximum value inclusive of premium of 18,500,000.00 euros to be released in one or more packages, through the issue of a maximum number of 308,333,333 ordinary Company shares, devoid of nominal value and with the same features as the ordinary shares in circulation, reserved for the conversion of debentures to be issued according to the previous point of the same resolution of the Shareholders, it being understood that the deadline for the subscription of newly-issued shares is set for 31 October 2020, and that if the</p>	<p>shares of Tiscali S.p.A. The deadline for subscribing to the share issue is set to 24 June 2019, with the expectation that, if at the expiry of such deadline the share issue were not to be entirely subscribed, the capital, pursuant to art. 2439, paragraph 2 of the Civil Code, will be considered increased by an amount equal to the subscriptions gathered until that point, and as of the their date, as long as subsequent to the registration of this resolution in the Register of Companies.</p> <p>The Extraordinary Meeting of 5 September 2016 has resolved to (i) issue an unsecured debenture loan convertible and converting "Tiscali conv 2016-2020" for a total maximum amount of 18,500,000.00 euros, with expiry date on September 30 2020, reserved to qualified investors pursuant to art. 34-ter, comma 1b) regulation adopted with CONSOB resolution no. 11971/ 1999, with a note rate of 7% and a fixed price of EUR 0.06 per stock for the conversion of the bond in ordinary shares of the Company as subsequently amended and integrated, with a price per share equal to 0.06 euros; (ii) implement a share issue in cash, by payment and in tranches, with the exclusion of the right of option pursuant to art. 2441, paragraph 5 of the Civil Code, for a total maximum value inclusive of premium of 18,500,000.00 euros to be released in one or more packages, through the issue of a maximum number of 308,333,333 ordinary Company shares, devoid of nominal value and with the same features as the ordinary shares in circulation, reserved for the conversion of debentures to be issued according to the previous point of the same resolution of the Shareholders, it being understood that the deadline for the subscription of newly-issued shares is set for 31 October 2020, and that if the</p>

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<p>share issue was not to be fully subscribed within aforementioned date, it will be considered in any event increased by a value equal to the subscriptions gathered by that date, with express authorisation of the administrators to issue new shares as they are subscribed.</p> <p>The Extraordinary Meeting of July 28, 2017 resolved to approve a share capital increase, for consideration, in one or several occasions, by way of a divisible increase, within 12.31.2017, with the exclusion of the right of option pursuant to article 2441, paragraph 4, second sentence of the civil code, to be reserved to Otkritie Capital International Limited and Powerboom Investment Limited, for an overall maximum value of 13,000,000.00 Euros, to be released on one or several tranches, through the issue, even on several tranches, of a maximum No. of 314,000,000 ordinary shares with the same features of the ordinary shares in circulation and devoid of nominal value. The aforementioned Meeting gave mandate to the Board of Directors to establish the final issue price of the new shares, on the basis of the volume-weighted average of the official prices of the shares recorded during a period of 10 banking days preceding the date of the Board of Directors which will establish said price, net of a 10% discount. If by 12.31.2017 the share capital increase was not entirely subscribed, the same shall be deemed nevertheless increased for an amount equal to the subscriptions received within that date.</p> <p>The capital contributions in cash made by shareholders to the Company as a loan can be made within the limits set out by law:</p> <ul style="list-style-type: none"> <li>- As a capital grant without refund rights;</li> <li>- As an interest-bearing or non-interest bearing loan with natural refund rights. The share capital is devised to the attainment of the</li> </ul>	<p>share issue was not to be fully subscribed within aforementioned date, it will be considered in any event increased by a value equal to the subscriptions gathered by that date, with express authorisation of the administrators to issue new shares as they are subscribed.</p> <p>The Extraordinary Meeting of July 28, 2017 resolved to approve a share capital increase, for consideration, in one or several occasions, by way of a divisible increase, within 12.31.2017, with the exclusion of the right of option pursuant to article 2441, paragraph 4, second sentence of the civil code, to be reserved to Otkritie Capital International Limited and Powerboom Investment Limited, for an overall maximum value of 13,000,000.00 Euros, to be released on one or several tranches, through the issue, even on several tranches, of a maximum No. of 314,000,000 ordinary shares with the same features of the ordinary shares in circulation and devoid of nominal value. The aforementioned Meeting gave mandate to the Board of Directors to establish the final issue price of the new shares, on the basis of the volume-weighted average of the official prices of the shares recorded during a period of 10 banking days preceding the date of the Board of Directors which will establish said price, net of a 10% discount. If by 12.31.2017 the share capital increase was not entirely subscribed, the same shall be deemed nevertheless increased for an amount equal to the subscriptions received within that date.</p> <p><b>The Extraordinary Shareholders Meeting of December 14, 2017 has resolved:</b></p> <p><b>(i) to increase the number of ordinary shares to be issued for the conversion of the debenture loan convertible and converting “Tiscali conv 2016-2020”, with the exclusion of the right of option pursuant to art. 2441,</b></p>

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CURRENT TEXT	NEW TEXT
<p>business purpose and can be increased also by transfer in kind and/or receivables pursuant to the combined resolutions of articles 2342, 2343cc. of the Civil Code.</p> <p>The Meeting can resolve to undertake a share capital reduction also via the assignment to individual shareholders or to groups of shareholders of specific corporate assets or of shares or quotas in other companies with which the Company has a partnership.</p> <p>The Meeting can resolve to undertake a share issue pursuant to and within the limits set out in article 2441, paragraph 4, second sentence, of the Civil Code, and can give the administrative body the power to implement a share issue pursuant to article 2443 of the Civil Code.</p>	<p><b>paragraph 5 of the Italian Civil Code, from n. 308.333.333 ordinary shares, as resolved by the shareholders meeting of the company on September 5, 2016, to a maximum n. of 530.000.000 ordinary shares; and</b></p> <p><b>(ii) to amend the price of the shares reserved for the conversion of the debenture loan convertible and converting “Tiscali conv 2016-2020” from Euro 0,06 per share, as resolved by the shareholders meeting of the company on September 5, 2016, to an amount equal to the volume-weighted average of the official prices of the shares recorded during the last two months preceding the date of request of conversion.</b></p> <p>The capital contributions in cash made by shareholders to the Company as a loan can be made within the limits set out by law:</p> <ul style="list-style-type: none"> <li>- As a capital grant without refund rights;</li> <li>- As an interest-bearing or non-interest bearing loan with natural refund rights. The share capital is devised to the attainment of the business purpose and can be increased also by transfer in kind and/or receivables pursuant to the combined resolutions of articles 2342, 2343cc. of the Civil Code.</li> </ul> <p>The Meeting can resolve to undertake a share capital reduction also via the assignment to individual shareholders or to groups of shareholders of specific corporate assets or of shares or quotas in other companies with which the Company has a partnership.</p> <p>The Meeting can resolve to undertake a share issue pursuant to and within the limits set out in article 2441, paragraph 4, second sentence, of the Civil Code, and can give the administrative body the power to implement a share issue pursuant to article 2443 of the Civil Code.</p>

### 2.7 Rights attached to the Debentures

Rights for the Residual Debentures will start from the same date as that foreseen for the Debentures.

### **2.8 Establishing the new conversion price of the Debentures**

In the event of the exclusion of the option right pursuant to the paragraph 5 of Article 2441 of the Civil Code, the paragraph 6 of the same Article states that the issue price of the shares is determined by the Directors "on the basis of the net asset value, taking into account, for quoted shares in regulated markets, also the trend of quotations in the last six months".

As stated in the aforementioned article, and considering that, as described in the Half-Year Report as of 30 June 2017, the net asset value of the Tiscali Group is negative, the Directors considered it appropriate, in the estimation of new conversion price of the Bonds, to take into consideration the Company's stock quotes.

#### Analysing

From the analysis of the performance of the stock over the last 12 months, there was a substantial price stability of around 0.04 cents per share. The stock showed substantial stability even in the case of extraordinary transactions such as the recent capital increase in July 2017, in which no significant fluctuations occurred.

The choice of applying the market price method, in addition to the provisions of Italian Civil Code, is supported by practice and doctrine.

The Italian Principles of Valuation, for example, state that "in the presence of an efficient and not-disruptive stock market, and in the absence of competition to acquire control of a company, stock market capitalization (share price by number of share outstanding) of a company should normally be the best approximation of the (market and intrinsic) value of a company. "<sup>1</sup>.

In order to verify the outcome of the market price method, however, the Directors have decided to apply the Unlevered Discounted Cash Flow ("UDCF") financial method as a control method. The value of the Company's Equity estimated on the basis of the UDCF substantially confirms current stock quotes.

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<sup>1</sup> Principi Italiani di Valutazione - "La valutazione di società quotate" pp. 95

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In the hypothesis of simulating a potential default condition, referring to the estimates for the default risk premium referred to in the literature (see, for example, Duff & Phelps estimates for the methodology proposed by Altman<sup>2</sup>) in quantifying the cost of capital precisely, the control methodology would lead to Company's Equity values significantly lower than current stock quotes. This simulation of the default condition, carried out by applying a default risk premium to the cost of equity, substantially confirms the considerations made by the Directors regarding the write-downs of the stock market capitalization of other issuers listed in Italy and in the rest of the world over the past 10 years due to the failure to comply with covenants in bonds.

Reference is made in particular to previous paragraphs 2.1 and 2.2 of this document for considerations on the aggravation of significant uncertainties about the business continuity associated with default resulting from the failure to pay interest accrued in the half-year closed on the same date, amounting to approximately Euro 600 thousand.

In addition, the Directors considered that their valuation process could be offset by the application of a premium for the conversion option, considering that the entry into the share capital of bondholders through a more favourable conversion price is the presupposition essential to safeguarding the premise of business continuity. The Directors have therefore considered the predominant interest in avoiding Default.

Therefore, the Directors, considering that setting a conversion price equal to the market price is an essential prerequisite for avoiding default, the above-mentioned urgency and possible loss of value for all shareholders by bondholders and creditors in general in the case of default, it also considered, supported by the valuation of the value per share with the DCF method, which are in line with the stock price, that the issue price of the new shares is fair and not prejudicial to the current shareholders of the Company .

The adequacy of the method used to calculate the amended conversion price is also confirmed by the opinion of Deloitte & Touche S.p.A., enclosed with this document.

### **2.9 Economic, asset e financial effects of the operation**

#### A) Analysis of net financial indebtedness composition

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<sup>2</sup> INSERT REFERENCE OF BIBLIOGRAPHY



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The share capital increase consequent to the fully conversion of the Restructured Debenture Loan will allow the Company to reduce its financial indebtedness for the maximum value of 18,500,000 euros.

Therefore, it is expected that the impact of the said share capital increase on the net financial indebtedness composition will be generally positive both in the short-term and long-term period.

In particular, the indication of the net financial indebtedness of the Tiscali Group is presented below, compiled in light of the CONSOB communication DEM/6064293 dated 7-28-2006 as of September 30, 2017.

### NET FINANCIAL POSITION OF THE TISCALI GROUP AND OF TISCALI SPA, SHORT-TERM AND MEDIUM TO LONG-TERM COMPONENTS HIGHLIGHTED

<i>Eur (000)</i>	Note	Tiscali Group September 30, 2017	Of Which: Tiscali S.p.A. Sept. 30, 2017
A. Cash and bank deposits		4,370	117
B. Other Cash Equivalent			
C. Securities held for trading			
<b>D. Current Assets (A) + (B) + (C)</b>		<b>4,370</b>	<b>117</b>
<b>E. Current financial receivables</b>		<b>2</b>	
<b>F. Non-current financial receivables</b>			
G. Current bank payables		9,548	
H. Current Portion of Issued Bonds	(1)	597	597
I. Current Portion of non-current debt	(2)	22,121	
J. Other current financial debt	(3)	18,034	
<b>K. Current financial debt (G) + (H) + (I) + (J)</b>		<b>50,299</b>	<b>597</b>
<b>L. Net current financial debt (J) – (E) - (D) – (F)</b>		<b>45,927</b>	<b>480</b>
M. Non-current bank payables	(4)	71,583	
N. Issued Bonds	(5)	18,163	18,163
O. Other non-current debts	(6)	53,375	
<b>P. Non-current financial debt (M) + (N) + (O)</b>		<b>143,122</b>	<b>18,163</b>
<b>Q. Net financial debt (L) + (P)</b>		<b>189,048</b>	<b>18,643</b>

Note:

- (1) Includes the amount of the convertible loan expiring within 12 months with Rigensis Bank and Otkritie Capital International Limited, including the amount of interest unpaid as of September 30,

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2017.

- (2) *Includes the amount of the senior loan expiring within 12 months with Intesa Sanpaolo / Banco BPM for EUR 17.8 million, and the short-term amount of other long term banking loans for EUR 4,2 million.*
- (3) *Includes the amount expiring within 12 months of the "Sale and Lease Back Sa Illetta" leasing loan for EUR 10.9 million, the portion expiring within 12 months of finance lease payables related to investments in the network infrastructure for EUR 6.5 million and the portion expiring within 12 months of the loans granted by the Ministry for Education and University and by the Minister for Economic Development for EUR 0.6 million;*
- (4) *Includes the amount expiring within 12 months of the senior loan with Banca Intesa / BPM for EUR 69.3 million and other loans expiring within 12 months for EUR 2.3 million.*
- (5) *Includes the amount expiring within 12 months of the convertible bond with Rigensis Bank and Otkritie Capital International Limited.*
- (6) *Includes the amount expiring within 12 months of the "Sale and Lease Back Sa Illetta" leasing loan for EUR 41.4 million, the portion expiring within 12 months of finance lease payables related to investments in the network infrastructure for EUR 11.9 million and the expiring within 12 months portion of the loans granted by the Ministry for Education and University and by the Minister for Economic Development for EUR 0.1 million.*

As stated in paragraph 2.1, there are ongoing negotiations with Financial Institutions (Banca Intesa and BancoBpm) aimed at obtaining a standstill agreement on payments due under the *Second Facility Agreement*. A request for standstill on the payments owed to them in September 2017 and March 2018 for capital and interests was formalized.

On September 15, Tiscali received two confirmations from both Financial Institutions, in which the lenders communicated, even without entering into irrevocable commitments, that they have started the preliminary activities and that at their end, the standstill requests made by Tiscali will be submitted to the competent deliberative bodies. The activities, at the date of approval of this document, are still ongoing and no indication has been received from the Issuer for any negative outcome.

Similarly, negotiations are ongoing to obtain, by the Pool Leasing, a standstill on payments due under the 'Sale & Lease Back Sa Illetta' contract. On September 19, Mediocredito Italiano and Unicredit Leasing sent a statement in which they stated that they had initiated the preliminary activities which, at the date of approval of this document, are still ongoing and no indication has been received from the Issuer for any negative outcome.

### Overdue debt positions of the Tiscali Group as at September 30, 2017

As at September 30, 2017, net overdue trade payables amounted to EUR 41.0 million (net of payment plans agreed with suppliers and net of credit amounts or claims against the same suppliers).

As at the same date, overdue financial debts amounted to EUR 17.1 million (net of credit positions).

There were also overdue tax debts for approximately EUR 14.8 million, as well as overdue

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debts towards social security institutions amounting to EUR 0,1 million.

### Possible reactions of the creditors of the Group as at September 30, 2017

There have been no suspensions of relationships with suppliers capable of affecting the course of business.

As at September 30, 2017, the group received reminders for payment only within the ordinary course of business. As at that date, the injunctions for payment received by the Company and not paid off as they were still in negotiation or opposition amounted to EUR 10.4 million, while the total injunctions for payment received amounted to EUR 14.1 million.

### B) General overview on management progress and on the foreseeable management evolution

In accordance with what was stated in the 2016 Annual Financial Report and in line with the objectives of the 2017-2021 Industrial Plan, in the following months the Company will also undertake a refocusing on the Core Business activity in order to strengthen its position on the fixed and mobile BroadBand Italian market. That is thanks to:

- the progressive acceleration of the process involving the installation of LTE antennas, in order to increase the coverage of the UltraBroadBand Fixed Wireless service, with an estimate of about 500 LTE antennas installed by the end of 2017;
- the progressive consolidation of the upward trend concerning the fixed BroadBand customer base, notably through the focus on offers involving ultra-high capacity fibre, making use of the agreement signed with Open Fiber;
- a new communication strategy focused on the new Tiscali brand, renewed during the first months of 2017, and aimed at supporting the process of acquiring new clients and at a general re-launch of the Tiscali brand;
- the progressive acceleration in growth of the mobile customer base, also through the development of specific Fixed-Mobile integrated offers.

In addition, the action taken to this date will continue, to identify further actions to increase the overall efficiency of the company and, consequently, reduce costs.

The Board of Directors, in the meeting held on November 13, 2017, evaluated and approved, unanimously, and with the sole abstention of Sergey Sukhanov:

- the proposal of the Restructuring Transaction;

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- the convening of the Company's Noteholders Meeting, on December 14 2017 at 11.00, for the approval of the amendment of the Debenture Loan;
- the convening of the Company's Shareholders Meeting on December 14 2017 at 11.30, for the approval of the amendment of the Debenture Loan, as for its competence, and of the relevant share capital raise.

\* \* \* \* \*

Cagliari, November 13, 2017

The Board of Directors