



Tessellis Group Half-Year Consolidated Financial Report as at 30 June 2023

The Board of Directors of Tessellis S.p.A. authorised the publication of this document on 28 September 2023. This file is available on the Internet at www.tessellis.it.

Tessellis S.p.A.

Registered office in Cagliari, località Sa Illetta, SS195 Km 2.3

Share Capital EUR 185,513,965.37

Cagliari Company Register and VAT no. 02375280928 R.E.A. – 191784

Length of the duration of the company: termination date 31 December 2050

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2 Alternative Performance Indicators

In this report on operations, in addition to the conventional indicators provided for by IFRS, a number of alternative performance indicators are present (EBITDA) used by the management of the Tessellis Group for monitoring and assessing the operational performance of the Group. This indicator should not be considered a substitute for the profitability measures established by IFRS; in particular, since the composition of the EBITDA and is not regulated by reference accounting standards, the calculation criteria applied by the Tessellis Group might not be the same as that adopted by other operators and therefore this alternative performance indicator might not be comparable.

In line with CONSOB communications on the subject, the criteria used for the construction of the Tessellis Group's alternative EBITDA performance indicator are provided below, indicating, in addition to the accounting amount, the amount adjusted for pro-forma effects and the amount adjusted for the effects of PPA. It should be noted that these figures have not been audited.

EBITDA determination table

ETBIDA CALCULATION:	Tessellis Group, 1 st semester 2023
<i>(EUR mln)</i>	
Result before taxes	(26.676)
+ Financial Expenses	3.257
- Financial Income	(80)
+ Result on Investments at equity method	108
Operating income	(23.391)
+ Restructuring costs and other provisions	105
+ Depreciation and Amortization	41.907
Gross Operating Result (EBITDA) (*)	18.621

3 Directors and Statutory Auditors

Board of Directors

The Board of Directors was appointed by the Shareholders' Meeting held on 16 May 2022, and is in office until the approval of the Financial Statements as at 31 December 2024:

Chairman: Renato Soru (#)

CEO: Davide Rota (#)

Maurizia Squinzi (*) (1) (2) (3)

Serena Torielli (*) (1) (2) (3)

Sara Testino (*) (1) (2) (3)

Andrew Theodore Holt (**)

Jeffrey Robert Libshutz (**)

(*) Independent Directors

(**) Co-opted by the Board of Directors on 26 April 2023, following the resignation of directors Alberto Trondoli and Cristiana Procopio, and confirmed by the Shareholders' Meeting held on 12 June 2023; the term of office of the aforementioned Directors is aligned with that of the remaining members of the Board of Directors, therefore until the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2024.

(#) The Chairman of the Board is the legal representative of the Company, the CEO has powers of ordinary and extraordinary administration, to be jointly or severally exercised, in compliance with the powers conferred by resolution of the Board of Directors dated 16 May 2022

(1) Control and Risks Committee

(2) Appointments and Remuneration Committee

(3) Related Party Transactions Committee

Board of Auditors

The Board of Auditors was appointed by the Shareholders' Meeting held on 24 June 2021, and shall remain in office until the approval of the financial statements as at 31 December 2023:

Chairman: Riccardo Zingales

Statutory Auditors: Andrea Borghini (*)

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Rita Casu

(*) Successor of Gaetano Rebecchini

Executive in charge of drafting the corporate financial documents

Fabio Bartoloni

The Executive in Charge of drafting the corporate financial documents was appointed by the Board of Directors on 12 September 2022 and will remain in charge until the date of approval of the financial statements as at 31 December 2024.

Auditing Company

Deloitte & Touche S.p.A.

The Auditing Company was appointed by the Shareholders' Meeting held on 30 May 2017, and shall remain in office for a 9-year period from FY 2017 to FY 2025.

Interim Management Report

4 Management Report

The Tessellis Group is a **Digital Company** with one of the largest fibre coverage available in Italy. The Group's largest operating company is Tiscali Italia, one of the leading national operators in the ultrabroadband segment in the most innovative and promising technologies: FWA 5G (Fixed Wireless Access) and FTTH (Fiber To The Home).

The Group has three main areas of activity:

- **Telco** : fixed services – in Ultrabroadband fixed and fixed wireless mode – and mobile services, to private and business customers,
- **Media&Tech** : media activities through the portal tessellis.it and sale of space through the concessionaire Vevisible,
- **Innovative Services for B2B and Public Administration** : vertical platforms and services – smart city services for households, businesses, and public administrations.

Purchase Price Allocation Process and Restatement of Balance Sheet Values 2022

As illustrated in the Consolidated Financial Report as at 31 December 2022, on 1 August 2022 the merger deed between Tessellis S.p.A. and Linkem Retail S.r.l. became effective, creating the new Tessellis Group (hereinafter also referred to as the "**Transaction**").

From an accounting point of view, in accordance with IFRS 3, the Directors have analysed the Transaction and identified Linkem Retail S.r.l. as the acquirer company under the same accounting standard, and the former Tiscali Group, and in particular Tessellis S.p.A., as the acquired company. Furthermore, the Directors have identified the price paid for the acquisition on the basis of the stock market prices as at 31 July 2022, and on the basis of the number of shares outstanding on the same date net of the shares relating to the capital increase to service the Merger itself issued on the same date. Therefore, considering a number of basic shares outstanding as at 1 August 2022 equal to 73,483,607, a value per share equal to EUR 0.7122, the Transaction Price was determined to be EUR 52,335 thousand. Lastly, the Directors proceeded to identify the fair value of the assets acquired, which, provisionally, were recognised at their carrying value in the 2022 financial statements, except for certain intangible assets in the amount of EUR 17 million related to the right to use certain IP addresses in V4 technology for which, since they were sold during the year, the determination of fair value was possible on a definitive basis.

As a result of the above, the Tessellis group recognised Goodwill arising from the Transaction in the 2022 Consolidated Financial Statements in the amount of EUR 124.3 million.

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Starting from the acquisition date and up to the date of this Report, as required by IFRS 3, the Directors continued the activities aimed at correctly identifying the market values of the assets and liabilities acquired on 1 August 2022 (Purchase Price Allocation process). This process resulted in the recognition of assets and liabilities to which a portion of the purchase price of EUR 82,515,000 was allocated.

The individual assets and liabilities that emerged in the PPA phase, and the relative values determined at the acquisition date, are as follows:

1. Assets attributable to the "TISCALI" brand, classified in the specific item of intangible assets, for a value of EUR 43.3 million;
2. Assets related to IPv4 addresses functional to the operation of the business and classified among other intangible assets, for a value of EUR 18 million;
3. Assets related to IPv4 addresses that are not directly necessary for ordinary business operations and, for this reason, classified as assets available for sale in inventories, for a value of EUR 26.2 million;
4. Liabilities related to the recognition in prior years of certain tax receivables, at the Acquisition date already partially utilised but still subject to possible disputes by the tax authorities. The assessment of the risk related to these positions led to the recognition of a provision for risks for potential tax disputes in the amount of EUR 8.5 million, the derecognition of tax credits related to the same event in the amount of EUR 1.6 million, and the derecognition of deferred income on the same credits in the amount of EUR 5.2 million;
5. Provision for deferred taxes for a negative EUR 24.4 million;
6. Deferred tax assets on prior year losses of EUR 24.4 million, recorded assuming a straight-line recovery with the release of deferred tax liabilities as per the previous point.

Following this allocation, the remaining portion of the price not allocated to specific assets and, therefore, charged to Goodwill, was EUR 41,775 thousand.

The Directors point out that the PPA activities have been defined for the items identified above, while the valuation of the assets relative to the customer base is still being assessed, mainly due to certain difficulties connected to the valuation of the same in a context of redefinition of the Group's priorities and reorganisation. For the definition of the value of the customer base, therefore, the Directors make use of the 12-month time window offered by IFRS 3 (these items will therefore be defined within the 2023 annual report).

The above valuation activities were carried out using the advice of an expert valuer in order to determine the fair values of the assets and liabilities subject to acquisition.

The above values were determined using the following methods:

1) Brand

For the Brand, the Royalty Relief Method was used, through which the amount of prospective revenues (a useful life of 20 years and a growth rate equal to the expected inflation for 2023 in the Eurozone c. 2.7% was assumed) deriving from the use of the brand in question was discounted and an average royalty rate equal to that deriving from the purchase and sale of similar brands was applied to these (the average rate observed on comparable companies was 5%). Subsequently, marketing costs were subtracted and the tax rate of 27.9% was applied. The net margin (derived from the process explained above) was then discounted at a rate equal to the company's WACC (7.97%). The present value of the discounted flows at WACC is EUR 43.3 million.

The royalty relief approach is based on the theory that the value of an asset can be measured by what the owner of the asset would have paid in royalties had he not owned the said intellectual property and had to licence it from a third party.

2) IPv4 Addresses

The valuation method used for the analysis of IPv4 addresses is the market approach.

From the following site IPv4 Address Pricing - Previous IP Address Auction Sales Data | IPv4. Global, average prices were obtained (suitably converted into EUR) and then, with regard to IPv4 addresses in use and classified among the assets, the price was multiplied by the quantity of addresses, equal to about 525 thousand, while in relation to IP addresses in stock that could be sold, the average price observed was prudentially reduced by 35% because of the risks related to market volatility, its liquidity, and the risk of technological obsolescence, which could quickly lead to zero residual value for these assets. The unit price thus obtained was then multiplied by the quantity, which amounted to approximately 750,000 addresses.

3) Write-off of tax credits and related provision for risks

The balance sheet situation incorporated at the time of the acquisition included some residual tax receivables arising from the recognition in the 2020 and 2021 financial years of certain grants for investments. In particular, the grants in question related to certain subsidies on investments made in the south and on certain '4.0' investments.

The particular nature of the Group's business and the investments subject to incentives led, when analysing the accounting situation prior to the transaction, to identify a medium-sized risk related to these items. In particular, the consultants involved in these activities had identified how the lack of previous experience in the telecommunications sector raised questions about the possibility of subjecting the investments made to these incentive schemes. Subsequent to the completion of the

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Transaction, after analysing these balances in more detail, the Directors considered that these credits may be partially unrecognised by the tax authorities.

Moreover, as described in the section Litigations, Contingent Liabilities and Commitments, on 23 February 2023 the Agenzia delle Entrate, Direzione Regionale della Sardegna, carried out an access at the offices of Tiscali Italia for the purpose of carrying out a tax inspection for the purposes of direct and indirect taxation and the repression of tax violations. With regard to one of the topics of this control, tax credits on new investments (Bonus Sud, Industria 4.0), the Agenzia delle Entrate questioned the Company on the actual facilitation of a part of the investments and the related tax credits calculated on the basis of them, recorded in Tiscali Italia's 2020 Budget and subsequently partially used to offset tax debts.

The Group provided the Agency with the requested clarifications and details and countered its arguments to the Agency's objections, also through an opinion drafted by an independent expert.

At the date of this Report, the Company is waiting to receive from the Agency the final Dispute Report, which will sanction the amount of the disputed tax credit and the eventual tax loss.

Although, as mentioned, the activities on the part of the tax authority have not been completed, the preliminary discussions held with the same would seem to confirm certain doubts that arose during the due diligence of the Transaction. For this reason, the Directors have decided to recognise the liabilities hypothesised during due diligence in the financial statements through the recognition, as of 30 June 2023, of *i)* A provision for risks amounting to EUR 8.5 million; *ii)* The elimination of deferred income still present in the financial statements in the amount of EUR 5.2 million; and *iii)* The write-off of part of the tax credits still present in the financial statements, in the amount of EUR 1.6 million.

4) Deferred Taxation

As required by IFRS 3, the Directors calculated the deferred taxation related to the allocations made on the differences between the tax and statutory values of the assets subject to allocation. The rate applied was 27.9%, which is the ordinary IRES and IRAP rate.

Furthermore, it should be noted that the former Tiscali group subject to acquisition held a significant amount of tax losses within it. During the PPA, the directors analysed the probability of recovering these taxable amounts in order to evaluate the allocation of part of the goodwill to the item deferred tax assets. The Directors concluded that the recovery of these receivables would be limited, in the foreseeable future, to only the amount of deferred tax liabilities recognised against the PPA assets identified above and, therefore, recognised deferred tax assets in the amount of EUR 24.4 million, corresponding to the amount of deferred tax liabilities recognised against the PPA assets.

Restatement of Balance Sheet Values as at 31 December 2022

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The values of the assets and liabilities described above were incorporated into the books of the Tessellis Group at the date of acquisition. As a result, the values of the assets and liabilities as of 1 August 2022 were restated. These changes were reported retrospectively and therefore affected the income statement and balance sheet values in the financial statements as at 31 December 2022. Therefore, limited to these effects, the comparative figures relating to the balance sheet as at 31 December 2022 are changed from those approved on 12 June 2023 by the Shareholders' Meeting.

The balance sheet effects resulting from the PPA procedures described above as at 31 December 2022 are summarised below:

Restatement 2022	2022 Published	Accounting Entry PPA	2022 Restated
<i>(Thousands of Euros)</i>			
Total Assets	344.686	25.961	370.647
<i>of which:</i>			
Goodwill	127.702	(81.172)	46.531
Intangible assets - Brands	32.887	42.355	75.242
Intangible assets - Ipv4 address	14.748	16.506	31.253
Deferred tax assets	0	23.727	23.727
Inventories - IPv4 address	505	26.183	26.688
Other current receivables	18.311	(1.637)	16.673
Other assets	150.533	(0)	150.533
Total Liabilities:	276.681	27.825	304.506
<i>of which:</i>			
Other non-current liabilities	25.545	(1.469)	24.076
Provisions for liabilities and charges	2.085	8.469	10.554
Deferred tax provision	0	23.727	23.727
Other current liabilities	46.732	(2.903)	43.829
Other liabilities	202.320	0	202.320
Shareholder's Equity			
Share capital	185.514	0	185.514
Other reserves	(83.783)	293	(83.490)
Profit/(loss) for the year	(34.739)	(2.157)	(36.896)
Shareholders' equity_ Group	66.992	(1.864)	65.128
Minority Interests	1.013	0	1.013
Shareholders' equity_ third parties	1.013	0	1.013
Total Shareholders' equity	68.005	(1.864)	66.141

It should be noted that the economic situation as at 30 June 2022 presented for comparative purposes has not been restated as it was prior to the date of acquisition.

4.1 Tessellis Group's Positioning in the Market Context

The value of the Italian telecommunications services market as of March 2023 (source AGCOM -

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latest available data), between fixed and mobile services, today stands at around EUR 27 billion¹, with a decline over the five-year period 2018-2022 in the order of 13.7%, or approximately EUR 4.3 billion. This decrease is mainly attributable to the decline in mobile network resources, the value of which – now standing at EUR 11.74 billion – appears to have fallen by 5.3% compared to 2021, while fixed network services – with a total value of EUR 15.19 billion – show a smaller reduction (-1.7%) . The contraction of the overall resources allocated to the sector – a phenomenon that has been going on for years – is part of a more general context characterised by the full maturity of some segments (e.g. the mobile lines segment), the growth of others (e.g. the Ultrabroadband fixed lines segment), a general increase in consumption (in data traffic in particular) and a price trend that is the opposite of that shown by the national consumer price index for the entire community.

Fixed Broadband Market Evolution

Broadband and Ultrabroadband accesses on the Fixed Network, the main reference market for Tessellis, reached 18.73 million in March 2023 (source: AGCOM Osservatorio sulle Comunicazioni n.2/2023 – latest available data) with a slight year-on-year decrease of 0.3%.

Ultrabroadband accesses (in Fiber to the Home, Fiber to the Cabinet and FWA – Fixed Wireless Access – technology) increased to 1.585 million units in March 2023 with a year-on-year growth of 5.7% and represent about 85% of the total. In the same period, the traditional DSL component decreased significantly, with a loss of 914 thousand units (-24.1%). The trend of the ongoing technological shift from DSL technology offerings towards Ultrabroadband offerings continues.

Tessellis market share following the merger on 1 August 2022 stands at 4.3%. The market leader TIM is at 39.4% and has lost 1.3 p.p. year-on-year, followed by Vodafone (16.7%), Fastweb (14.2%) and Wind Tre (14.2%). This was followed by Eolo (3.4%) and Sky Italia at 2.9%, up 1.1 p.p. year-on-year.

The evolution of the market by technology shows in the Ultrabroadband segment a year-on-year growth in FTTH accesses of 29.2% with a total of 3.76 million accesses, a decrease in FTTC accesses of 1.2% with 10.20 million and growth in Fixed Wireless Access of 8.2% with 1.88 million total accesses.

On the FTTH segment, which has the highest growth rate, Tessellis' market share stood at 3.7% in March 2023, and on the FWA segment following the merger with Linkem's retail arm, it stood at 26.6%, positioning itself as the second largest operator in this specific market segment.

The TELCO market has also recently seen the expansion of multi-utility solutions offered by large groups: in February it was the turn of the launch of Poste Energia, while at the beginning of April Enel

¹ Source: Annual Report on Activities and Work Programmes, AGCOM 2023.

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Energia launched its first fibre-optic offers in FTTH and FTTC technology with discounted pricing for existing Enel Energia electricity and gas customers.

Mobile Market

The mobile services market in March 2023 (source: AGCOM) recorded an increase in the total number of lines of 1.115 million units year-on-year: 107.6 million SIM units as of March 2023 versus 106.5 million as of March 2022, of which 29.2 million units are “M2M” (Machine To Machine) SIMs equal to 27% of the total, with a year-on-year growth of approximately 783 thousand and 78.3 million are “human” SIMs that carry “voice only” and “voice+data” traffic, up year-on-year by 332 thousand units.

With reference to overall SIMs, Tim is the market leader with a market share of 28.1% followed by Vodafone with 27.5% and Wind Tre with 24.1%, while Iliad represents 9.2% of the market with a growth of 0.9 p.p. on an annual basis. Considering only the “human” SIMs segment, i.e., excluding M2Ms, Iliad reached 12.6% and gained 1.3 p.p. year-on-year, while Wind Tre, despite a 0.9 p.p. year-on-year decline in share, remains the leading operator with 25.3% followed by Tim with 24.4%, which recorded a 0.8 p.p. year-on-year decline, and Vodafone with 22.5%.

Tessellis operates in the MVNO market, which has about 12 million SIMs (11.2% of the total and 15.2% of the human market). The MVNO market leader is Poste Mobile with a share of 4.2% of the total mobile market and 5.7% of the total human SIMs.

In the mobile market, Tessellis’ customer portfolio stood at approximately 305.8 thousand as at 30 June 2023.

Total data traffic in the market as at March 2023 continues to grow, albeit more moderately than in previous years: +24.2% as average annual growth. Tessellis mobile offering is available in 7,814 Italian Municipalities (TIM network) representing 99% of the national population, the largest in Italy.

Online Advertising Market

In the first half of 2023, the online advertising market in the country recorded a 6.1% increase (in absolute value around EUR 236 million) and if we look at the single month of June 2023 compared to the same month in 2022, investments increased by 5% (source FCP: Federazione Concessionarie Pubblicitarie).

Looking at the details by device, we can see that, in the first six months of the year, smartphones grew by 4.8% (although the last few months have seen small decreases after the double-digit growth in the first quarter of the year), while desktops (including tablets) grew by 7%, a recovery compared to the

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first months of the year. The use of content through Apps grew significantly (+9.2%), as did browsing which grew by 5.8%. In the first half of 2023, the Food, Automotive, Personal Care, Pharmaceuticals, Home Management and Telecommunications sectors grew compared to the same period last year. The positive results of these first six months of the year allow us to look forward to the last part of the year with confidence. The main drivers include the performance of video formats and the progressive growth in recent months for the display banner format, which also accounts for the largest share of investments in absolute value.

Internet penetration among the population stands at 36.2 million Italians over 2 years of age on an average day (month of June 2023); if only smartphones are considered, there are 34 million users who connect on average every day (79.2% of users between 18 and 74 years of age). On the average day, users surfed from mobile in June 2023 about 2 hours and 25 minutes, while from PC only 1 hour and 9 minutes (source: Audicom).

The main event in these first months of the year was the start of full operations of Vevisible, the Tessellis group's advertising concessionaire, which manages the sale of advertising on the Tiscali portal and on all the group's properties, also operating for third-party publishers.

The operation of transactional services with the e-commerce (Tiscali Shopping) and comparative (Tagliacosti) platforms also continued.

4.2 Regulatory Framework

This section outlines the development of the legal and regulatory framework at EU and European level during the first half of 2023.

4.2.1 The European Scope

The electronic communications sector has a number of important legislative and regulatory initiatives at European level, all aimed at achieving the objectives of the European Electronic Communications Code: the promotion of competition, the creation of an internal market and consumer protection, and the promotion of widespread and accessible connectivity in all EU countries. The most relevant ones in this context include:

- ✓ The “**Communication on State aid for broadband networks**” (published on 31 January 2023), with which the European Commission updated the criteria to be followed in assessing State aid measures notified for the deployment of broadband networks in the Union;
- ✓ The “**Connectivity Package**” proposal (published on 23 February 2023), in which the European Commission identifies investment and the deployment of Gigabit infrastructures in the Union as

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the crucial junction for achieving the growth and development objectives of the single market and which envisages, inter alia, a proposal for a European Gigabit Infrastructure Act (GIA) regulation aimed at introducing new rules to enable faster, cheaper and more effective deployment of Gigabit networks throughout the EU.

4.2.2 The National Scope

Regulatory interventions at the national level followed two main guidelines: *i)* The definition of new ex-ante rules in the markets for wholesale access services to the fixed network, with a view to adapting it to the changed competitive context and to the new corporate and organisational structure adopted by TIM; and *ii)* The continuation of activities to implement the existing regulatory framework.

In this context, the main initiatives taken were as follows.

- ✓ The launch of the public consultation procedure concerning **a new coordinated analysis of the markets for fixed network access services** (Resolution No. 152/23/CONS of June 2023). The analysis conducted implies, if confirmed, important changes to the framework: the market for wholesale central access services (bitstream services), is, according to AGCOM, no longer susceptible to ex ante regulation and, consequently, the removal of TIM's existing regulation on this market is proposed; in the markets for wholesale local access services and wholesale dedicated capacity services, AGCOM notes the presence of fully competitive areas of the country, in which the removal of regulatory obligations is proposed a list of contestable municipalities is also identified – i.e., Municipalities in which significant, but not yet consolidated, competitive pressure has been found - in which it is proposed that TIM/FiberCop's price control obligation alone be relieved for VULA, semi-VULA, full-GPON, semi-GPON and dedicated-capacity services.
- ✓ Pending the conclusion of the aforementioned analysis, given the need to guarantee stability and regulatory certainty to the market, the Authority concluded the procedure aimed at defining the prices of fixed network access services for the years 2022 and 2023: the final measure, notified to the European Commission for the acquisition of the relative opinion, was adopted in May 2023 with Resolution no. 132/23/CONS. 132/23/CONS. AGCOM, in order to guarantee regulatory certainty with respect to the economic conditions of the market, established that the same prices approved for 2021 would be applied for 2022, with the exception of the VULA FTTH service fee, for which a reduction was also set for 2022; while for 2023 it provided for an increase in wholesale tariffs for access to the copper-based network.
- ✓ In order to implement the provisions of the Competition Law, by means of Resolution No. 452/22/CONS, the Authority adopted special guidelines to ensure that, when carrying out civil engineering works for the installation of fibre optic networks, incentives are provided for the

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installation of additional infrastructural elements, where necessary to meet future access requests by other network operators.

- ✓ With a view to fostering competitive dynamics to the full benefit of end consumers, the Authority has adopted new rules on number portability on the fixed network, approving and publishing the technical specifications of portability procedures (NP - Number Portability) purely for geographic (Resolution no. 8/22/CIR) and non-geographic (Resolution no. 37/22/CIR); the new portability procedure for geographic numbers, made more efficient by reducing the time required to complete the changeover from nine to three working days, became fully operational on 1 March 2023, while the new automated portability procedure for non-geographic numbers, which replaces the previous inter-operator interaction model based on bilateral agreements, will be operational at the end of 2023.

4.2.3 Implementation of the new Electronic Communications Code on Users' Rights

At the end of April 2022, the Consumer Protection Directorate of AGCOM had initiated a round table with the Operators in order to acquire their orientation in view of the implementation of the new Electronic Communications Code, adopted with the European Directive (EU) 2018-1972 and transposed in Italy by the Legislative Decree no. 207 of 8 November 2021 concerning the protection of end users' rights. Tessellis participated in the Table, both in an independent capacity and through Asstel, and sent its own position paper on the necessary regulatory interventions.

A number of important proceedings resulted from the start of the Table:

- ✓ On the subject of the quality of communication services from mobile and fixed terminals (Resolutions No. 251/22/CONS and No. 405/22/CONS, respectively), AGCOM has put out for consultation the adoption of a text for the revision and simplification of quality indicators (KPIs), with a view to eliminating indicators relating to outdated technologies or those in the process of being outdated, aligning them to modern technologies and to the new Electronic Communications Code on the subject of transparency, setting quality objectives and measuring the actual quality achieved.
- ✓ On the subject of contracts, with Resolution No. 89/23/CONS, dated 4 April 2023, the Authority submitted for public consultation the amendment of the current regulation on contracts between operators and end users, which regulates the main contractual issues of interest to users: the completeness and clarity of the information to be provided at the time of stipulation, duration constraints, withdrawal and termination costs, the procedures for exercising the *ius variandi*, and the regulation of contracts that provide for mechanisms linking them with the consumer price index.

Tessellis took part in all the above-mentioned consultations, the closure of which is expected by the

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second half of this year, expressing his position on AGCOM's proposals.

Finally, it is worth noting AGCOM's adoption of the guidelines on "Systems for protecting minors from the risks of cyberspace" (Resolution No. 9/23/CONS). According to this measure, Internet access service providers, regardless of the technology used to provide the service, must **set up and provide, free of charge, parental control systems (PCS)**, i.e., filtering inappropriate content for minors and blocking content reserved for an adult audience.

Tessellis has taken all the necessary steps to meet the deadline to adapt its systems by the end of November this year.

4.3 Tessellis' Shares

Share Capital	EUR 189,514 thousand
Number of Ordinary Shares (no par value)	185,370,295
Market capitalisation (on average listing June 2023, equal to EUR 0.40593)	EUR 75,248 thousand

Tessellis shares have been listed on the Italian Stock Exchange (Milan: TSL) since October 1999.

During the first half of 2023, the Issuer's Share Capital changed as follows as a result of capital increases relating to:

- No. 1,456,324 new ordinary shares, by virtue of the conversion requested by Nice&Green S.A. of the first portion of the tranche consisting of 10 bonds of the mandatory convertible bond loan subscribed by N&G, for a total of 20 bonds, on 26 January 2023 and converted on 7 February 2023;
- No. 1,873,676 new ordinary shares, by virtue of the conversion requested by Nice&Green S.A. of the second portion of the tranche consisting of no. 10 bonds of the mandatory convertible bond loan subscribed by N&G, for a total of 20 bonds, on 26 January 2023 and converted on 22 March 2023;
- No. 2,123,525 new ordinary shares, by virtue of the conversion requested by Nice&Green S.A. of 10 bonds (21-30) of the mandatory convertible bond loan subscribed by N&G, on 24 April 2023 and converted on 17 May 2023
- No. 2,407,666 new ordinary shares, by virtue of the conversion requested by Nice&Green S.A. of no. 10 bonds (31-40) of the mandatory convertible bond loan subscribed by N&G on 24 April 2023 and converted on 5 June 2023.

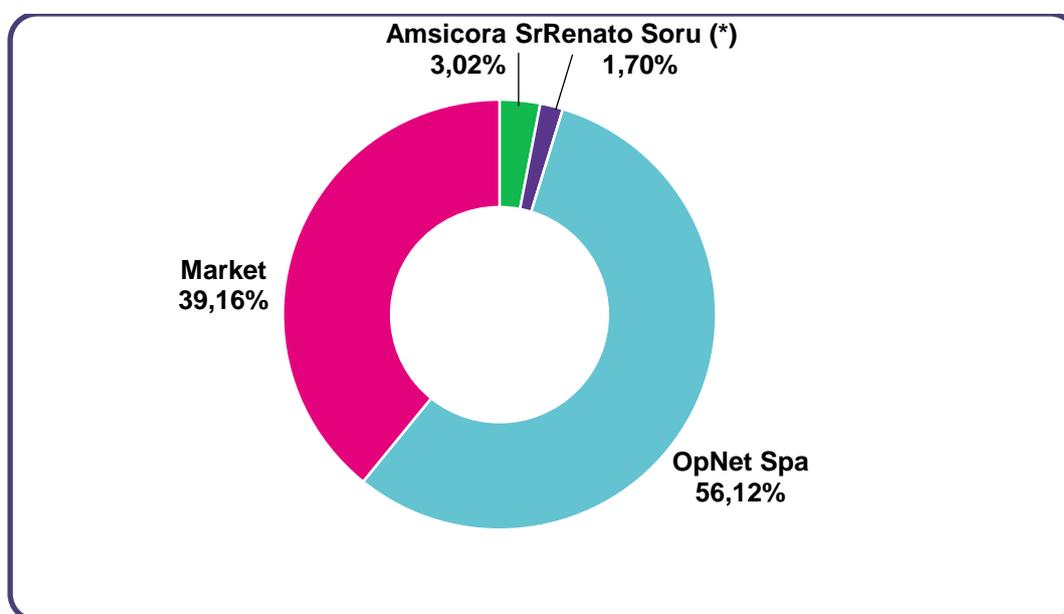
The market capitalisation as at 30 June 2023 of EUR 75.2 million compares with a consolidated equity

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surplus of EUR 43.7 million. At the date of approval of this financial report, market capitalisation amounted to EUR 85.3 million. The differential between capitalisation and the value of consolidated Shareholders' Equity, amounting to EUR 43.7 million as of 30 June 2023, was EUR 41.6 million as of the date of this report, and is representative of the Group's future profitability prospects, incorporated in the cash flows resulting from the business plan for the 2023-2026 period (hereinafter also referred to as the "Updated 2023-2026 Business Plan"), as well as the presence of certain surplus assets not valued in the financial statements.

Shareholding Structure as at 30 June 2023

Based on the results of the Shareholders' Register, supplemented by further communications received and information available to Tessellis, the shareholding structure of Tessellis as at 30 June 2023 is as follows:



Source: Tessellis

(*) Directly for 1.43% and indirectly through the subsidiaries Monteverdi S.r.l. (0.09%) and Cuccureddus S.r.l. (0.18%)

New Group Shareholding structure as of 31 July 2023

The Issuer's Share Capital changed as a result of the capital increase on 31 July 2023, amounting to EUR 19,478,764.80.

On 11 May 2023, the Board of Directors of Tessellis, in partial execution of the authority it was granted by the Extraordinary Shareholders' Meeting held on 10 January 2023, resolved to increase the share capital by a maximum of EUR 25 million to be implemented through the issue of new shares to be offered under option to shareholders. On 19 June 2023, the Board of Directors of Tessellis resolved on the final terms and conditions for the implementation of the increase itself, setting the maximum

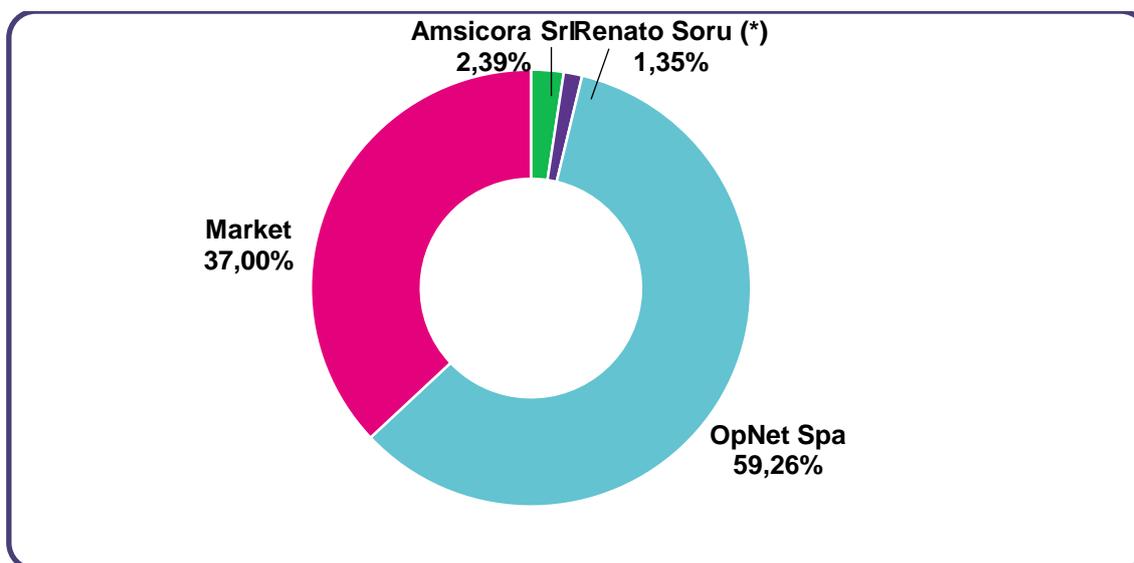
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amount at EUR 24,716,036.00, to be implemented by issuing a maximum of 61,790,090 new shares.

The capital increase, which took place in successive steps, was formally concluded on 31 July 2023 with the subscription of a total of 48,696,912 shares, equal to 78.810% of the shares offered in the context of the increase itself, for a total amount of EUR 19,478,764.80.

The subscribed shares can be broken down into the following tranches: *i)* No. 37,868,445 Tessellis shares subscribed during the pre-emptive offer period, equal to approximately 61.28% of the total shares on offer; *ii)* No. 2,848,879 shares subscribed as a result of the exercise period of the option rights acquired during the auction of the unexercised rights, equal to 4.610% of the shares on offer; *iii)* No. 6,229,588 unexercised shares subject to the subscription commitments already formalised with third parties, representing 10.081% of the shares on offer; and *iv)* Additional 1,750,000 Tessellis shares placed with interested third parties, representing 2.832% of the shares on offer.

The Company's Share Capital (fully subscribed and paid up) following the capital increase executed on 31 July 2023, is therefore EUR 208,992,730.17, divided into 234,067,207 ordinary shares with no indication of par value. It should also be noted that following the capital increase, the reference shareholder OpNet S.p.A. holds 59.26% of the Company's share capital.



Source: Tessellis

(*) Directly for 1.13% and indirectly through the subsidiaries Monteverdi S.r.l. (0.08%) and Cuccureddus S.r.l. (0.14%)

4.4 Main activities and results achieved during the first half of 2023

Further activities and results achieved in the first half of 2023 by the Tessellis Group are outlined below.

Network coverage and marketing and communication activities

During 2023, Tessellis focused its strategy on the development of the Ultrabroadband market, whose coverage in the country is steadily expanding, and on the mobile market.

At the end of June, coverage is spread across the different fixed network technologies, in particular:

- FTTH optical fibre, reaching approximately 11 million households and local businesses, offering speeds of up to 2.5 Gbps in areas A and B via the Open Fiber network.
- FTTC connections, covering approximately 28 million local households and businesses, offering speeds of up to 200 Mbps.
- FWA (Fixed Wireless Access) with speeds of up to 1 Gbps via the Opnet network, reaching around 24 million households and local businesses. This access is possible through more than 3,200 radio base stations (BTS), serving over 3,600 Municipalities, with as many as 700 of these Municipalities enjoying speeds of 1 Gbps. In addition, through a strategic partnership with Vodafone, it is possible to provide 300 Mbps FWA service to approximately 3 million households.

The presence of different technologies, therefore, allows the most suitable service to be offered to both consumer and business customers.

Mobile customers increased by 7% from 285,000 as at 31 December 2022 to 306,000 as at 30 June 2023.

In January 2023, Tessellis extended its 2.5 Gbps FTTH services to the entire residential market in areas A and B on the Open Fiber network, thus ensuring a top-performance fibre offering.

In particular, in February the Fibre offer was enriched with the Try&Buy mobile option, giving new subscribers to the service the chance to also try out the mobile service by adding a SIM with 1000 minutes, 100 SMS and 50 GB of data traffic per month, entirely free of charge for the first two months.

FWA technology also continued to increase performance: in February, the service was launched on Vodafone's FWA network with the aim of providing in white and grey areas a product with performance of up to 300 Mbps, reaching around 3 million households.

At the end of June, performance of up to 300 Mbps was also made available on Opnet's 5G network, which, thanks to the technological upgrade of more than 150 sites, made it possible to reach about 600 thousand households with such performance.

The mobile services offer also saw further development: in addition to the flagship offer with 200 GB of data traffic and unlimited minutes, new solutions were introduced in May to meet the different needs of customers: from the most competitive solutions in terms of price with 30 GB of data traffic to data-only

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solutions with 300 GB of monthly traffic. All with no strings attached or hidden costs, in line with the transparency positioning that has always characterised the services offered by the Tessellis Group.

The 2023 communication activities continued the Tiscali brand relaunch strategy launched in November last year with the multi-channel communication campaign “Love for internet”.

In the months of March and April, in fact, the subject of the campaign, further adapted, promoted through a multimedia campaign on TV (Mediaset networks) and Digital, with a focus on YouTube and Connected TV, the new Fibre offer with the Mobile Try&Buy option, allowing the mobile offer to be communicated on TV for the first time.

The campaign, despite being part of a market context that featured the presence of important competitors in TV communication with decidedly high levels of pressure, had positive effects on the main brand KPIs, with levels of growth in both Top of Mind (+26.7%) and Spontaneous Notoriety (+23.9%) above average.

Tessellis continued its strategic path in sports partnerships, with a focus on the world of basketball and volleyball. In fact, it has partnered two of the main teams in the basketball Serie A championship, Dinamo Sassari and Olimpia Milano, the latter of which became Italian champions last June; while in the world of volleyball it has been a partner of the clubs CUS Cagliari (men’s Serie B) and UYBA (women’s Serie A) with a rich package of assets that has helped to increase brand visibility.

In June, Tessellis also announced a strategic and innovative partnership in the entertainment world: for the 2023 edition, it is Official Partner of Rock In Roma, one of the biggest national and international music festivals. Thanks to the agreement, the Group was one of the protagonists of the event with numerous brand and commercial initiatives aimed at giving maximum visibility to the brand online, offline, and onsite.

As part of innovation and sustainability projects, Tiscali Italia, and SIDI (Swiss Institute for Disruptive Innovation) in June 2023, strengthened their joint commitment with the planting of 20,000 trees, thus expanding the existing Tessellis corporate forest. This is a continuation of their adherence to “The Greenest” project, promoted by SIDI and launched in 2021, for reforestation in equatorial areas, by purchasing a batch of 25,000 trees planted in Madagascar. Thanks to this, the Group has made its ecological footprint more sustainable, with a CO₂ reduction of 750 tonnes per year and the involvement of 875 local workers. Now a further 20,000 trees will be planted by SIDI and its certified partners on behalf of Tessellis, whose corporate forest will contain as many as 45,000 trees of different mangrove species, the plant chosen for the reforestation in Madagascar: it will be one of the largest corporate forests in Europe and will contribute to the reduction of 1,350 tonnes of CO₂ per year, while guaranteeing additional fair employment opportunities for the people in the regions that will host the new trees. The initiative has been flanked, starting in July 2023, by an awareness-raising campaign aimed at reinforcing the message of the importance of reforestation: the mangroves will be

planted thanks to the sale of Tiscali Mobile products and customers will be able to see the creation of the new forest and make a further contribution by sending an invitation to a person of their choice to plant another tree.

Business Voucher Plan

In relation to the “Connectivity Voucher Plan”, the measure promoted by the MiSE aimed at promoting the diffusion of Ultrabroadband connectivity services throughout the country with the objective of overcoming the digital divide and in support of the population with geographical and income limitations, Tessellis, after having concluded phase 1 of this measure in November 2021, joined phase 2 of the voucher on 3 March 2022, reserving it for businesses. This initiative is designed for VAT holders and Public Medium Enterprises (SMEs), which do not have more than 250 employees and want to activate an Ultrabroadband connectivity service >30Mbit/s that improves on any service already active on its premises. The economic contribution under this measure ranges from EUR 300 to EUR 2,500, depending on the type of connectivity chosen.

Subsequently, in September 2022, Tessellis extended the availability of the business voucher also to the type intended for connections up to 2.5 Gigabit/s, with the possibility of using the EUR 2,500 contribution. This offer, in which the fee is free for the first 48 months, has enabled the company to have a greater focus on the higher-margin SoHo market.

As of July 2023, the availability of the business voucher was further extended to FWA technology offers in the different speed profiles with EUR 300 and EUR 500 vouchers.

A further step towards the completion of the solutions aimed at the SoHo market made possible by the synergy of the new Group in the availability of all Ultrabroadband technologies.

Network rationalisation project – TIM agreement of November 2022

A project to rationalise the Tessellis network has been initiated as of 2021, based on the commercial agreements signed with TIM, which were signed in November 2020. The rationalisation of the network, in addition to allowing a reduction in infrastructure investments, will reduce, when fully operational, connection and traffic management costs and accelerate the fibre migration process, resulting in improved quality of service and reduced churn rate.

During the first half of 2023, a negotiating table was opened with TIM, aimed at revising the previous agreement. This revision envisages the re-modulation of certain economic conditions underlying the previously signed commercial agreements, including, following the expiry of the power plant decommissioning plan as from 31 December 2022, the application of the economic conditions already agreed upon in the first quarter of 2023 and the non-application for the month of April of the one-off termination contributions resulting from the decommissioning of the colocation service for all requests received by 30 April 2023.

Media sector activities

In the field of Media services, the Tessellis Group is increasingly emerging as a Multi-platform and Multi-access Media Company made up of three separate but complementary Business Units, which interact to attract qualified traffic and generate value. The Units are represented by Portals (both of a general and “vertical” type), which in addition to disseminating news present formats and self-produced audio-visual multimedia content. Together they make up the Group's publishing offer. The platforms (Mail, Shopping Mall, and Comparator) that offer service solutions. The Concessionaire Vevisible represents the value aggregator for the Group's Properties, but also for a series of “Third Parties” that rely on it to gather value, in terms of advertising investments.

Together, the Units constitute an “open” Ecosystem that evolves towards a Syndication: that is, it aggregates Portals, Platforms and Content Providers also of third parties, thus maximising the traffic generated and harmonising, for the components that are part of it, the generation of Value. In the first months of 2023, this diversification strategy led to the creation of Milleunadonna, a digital magazine entirely dedicated to the female universe. Milleunadonna avails itself of the contribution and collaboration of prestigious names in the field, and presented, among other things, a series of exclusive and self-produced audio-visual content such as the Podcast series “Rosa Crimine”, which plumbed the most heinous facts of the crime scene in recent years, in which women were victims or executioners; or even a section dedicated to the Emerging phenomenon of Women's Football, with “The Album of Animated Stickers”, original video portraits of Italian Women Footballers and an in-depth look at their stories of dedication and passion. And again “Ci metto la faccia” a series of video interviews with female celebrities, actresses, influencers and faces from TV and the national scene. Milleunadonna aims to reach (as does the Gamesurf portal, dedicated to Gaming and Entertainment, launched at the end of 2022) a traffic of 1 million Unique Users per month. The Risparmio channel, launched in May 2023, is a new vertical portal Generalist Tiscali.it, which among other things presented, in collaboration with The Crypto Gateway, one of the leading Italian companies in the sector, a series of videos and tutorials on Cryptocurrencies. Finally, at the beginning of July, the finalisation was made of the acquisition of BIKE vertical, a unicum in Europe, which also brings to the Division two TV channels (one on Digital terrestrial and the other on satellite) and a magazine, all dedicated to two-wheel enthusiasts. This development strategy is also supported by the dissemination of proprietary and “social oriented” content through Social Networks. This dissemination strategy has tripled access to the portals from social channels, compared to the previous six months. Being able to count on an expanding universe of contacts and interactions and on qualified partnerships with high technological content, as well as important commercial agreements, Vevisible accelerated month by month the trend of collecting investments on the properties for which it has the mandate, with a growth rate of +25% on average per month compared to the advertising sales made in the same period of the previous year by the external concessionaire (IOL).

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These new projects and acquisitions consolidate the ranking of Galassia Tessellis among the top ten publishers in its item in terms of pageviews, registering an average monthly traffic of over 217 million pageviews and approximately 7.7 million unique browsers, thus continuing the strategy of enhancing the portal as a vehicle for e-commerce.

In order to broaden its range of connectivity offerings, increase brand value, and expand its customer base, in April 2023 Tiscali Italia S.p.A. launched a strategic partnership with Google, articulated along three main lines:

- Optimise the marketing and media mix across digital channels and include digital advertising activities in an integrated logic from brand enhancement to the purchase phase, through Google solutions;
- Build an overall measurement strategy for the various communication and acquisition channels through marketing mix modelling, attribution model and experiment algorithms;
- Adopt a technological suite based on Google Marketing Platform solutions for the delivery and monitoring of digital campaigns, implemented with the support of our partner Incubeta, a digital marketing agency with a global presence.

Activities for the Business Services to Public Administration sector

In the first half of 2023, in the field of domain and hosting services, the Tessellis Group continued the migration of customers to the new cloud platform based on Whmcs and Plesk technology and completed the import of domains. The new platform makes it possible to provide cloud services that meet the highest market standards in terms of security, efficiency with competitive rates, and quality customer support ensured in a direct and timely manner by in-house structures. The platform allows the creation of websites and blogs, such as Wordpress, Joomla, Drupal, and e-commerce platforms, such as Magento and Prestashop.

In the first weeks of 2023, the Tessellis Group completed the process of accompanying the digital transition of Italian schools, supporting the transformation of classrooms previously dedicated to frontal teaching processes into innovative, connected, and digital learning environments. In this context, work continued in various school buildings starting in Sardinia. This first phase of the project has come to an end, while the Tessellis Group has been supporting Italian schools for the Scuola 4.0 project since early 2023, based on PNRR funding. The project mainly involves the provision of digital equipment such as equipment, digital content, apps, and software. During the first half of 2023, the Group closed an agreement with Edulia (Treccani Scuola), which provides content in an integrated and collaborative learning environment.

The Tessellis Group is also proceeding with the collaborations started with a number of Italian Municipalities to support the digitisation of the Country, supporting the technology transfer in the Smart City area and the digital transition of the Local PA on a national scale, following the winning of the

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calls for tenders of the Emerging Technology Houses of the Municipalities of Campobasso and Pesaro in 2022. The aim is to build real technology transfer centres towards small and medium-sized enterprises on topics such as 5G, blockchain, internet of things, artificial intelligence, and quantum technologies, interconnected to local city ecosystems to support the development of Smart Cities.

In the field of services for Smart Cities, the Tessellis Group is pursuing the development of video-analysis solutions with some partners, which it has started to offer to some Italian Municipalities and Provinces. The realisation of a video surveillance and IoT sensor infrastructure for monitoring bridges for a metropolitan area through an FWA network, enabling the video-analysis AI platform, is particularly significant.

As part of the activities related to services for Public Administration, during 2023 the Tessellis Group continued to prepare the IPCEI-CIS project, which, in a recent coordination between MIMIT and DG Comp, was refocused by the Commission in the item “RDI projects” and no longer among infrastructure projects. This change required the project to be updated with the clear indication to reduce the infrastructure share by concentrating efforts on research and innovation themes more related to software, with the consequent change in objectives. This change of direction can also be seen in the change of the project title to: *Villanova – Generative AI models and composable application – Services on Cloud Edge continuum*.

One of the new objectives is the creation of multimodal generative AI models that will generate high-quality text and multimedia content in real time, while providing accurate time series predictions. This is made possible by harnessing the power of Cloud-Edge computing enabling the development and use of efficient and adaptable intelligent AI-based applications. The development of a user-friendly open source framework based on generative artificial intelligence is also planned. This framework is designed to facilitate collaboration between humans and AI, simplifying the creation and maintenance of advanced applications. Providing reusable components will “democratise” AI, making it accessible to a wider range of users, including non-technical individuals and small businesses with limited budgets.

As part of the IPCEI Project, the Tessellis group has set up important collaborations at national and European level with other selected companies, resulting in the exchange of best practices and the creation of important synergies that could lead to the creation of a European cloud to support and protect Europe’s economic and social development. The MiSE (now MiMIT) selected the Villanova Project of Tiscali Italia S.p.A. and, on 5 April 2022, completed the match making phase with pre-notification of the documentation to the European Community.

In the field of B2B activities, the development of the TOP Customer segment continues, and in particular the technological upgrade of the IT infrastructure of an important banking institution is underway, as well as the continuation for the next few years of Facility Management, DR, Housing and

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Back Up connectivity services, contracts for the management of the technological infrastructures of some important companies and sports clubs, and the development of wi-fi coverage services and cloud switchboards of some important tourist facilities.

As part of the initiatives for the digital transition of municipalities, the Tessellis Group has consolidated the processes for activating connectivity services in the areas of the Country that have just been cabled with fibre optics with extreme rapidity as soon as the infrastructure reaches the area concerned for fibre activation. This has made it possible to offer many local authorities, starting with the fibre connectivity service, other services, including the cloud switchboard and other services for the digital transformation of the authority.

During the first half of 2023, activities continued as part of the strategic partnership between Tiscali Italia S.p.A. and FibreConnect S.p.A., whose purpose is to develop the Ultrabroadband market in selected artisanal industrial areas, and which provides for the commercial participation of Tiscali Italia in the FTTH infrastructure deployment project. The partnership is part of a framework of collaboration with local operators, thanks to which Tiscali Italia will enjoy access to a new Ultrabroadband network which will make it possible to achieve greater penetration in industrial and artisan areas of the country. The network will cover selected industrial and artisanal areas (AIAs) with fibre-optic technology, and will make it possible to offer a high-performance, highly reliable and highly available service through this infrastructure. Tiscali Italia is aiming to become the reference operator in the area and will play a fundamental role in accelerating the development of the networks in the selected areas, collaborating in the rapid realisation of infrastructures that are fundamental for the development of the territory. According to calculations based on AGCOM data, it is estimated that the vast majority of industrial areas in Italy do not have any type of UBB connectivity available, and that the speed currently available in these areas is often less than 30 Mbps. The great opportunity offered by the collaboration between Tiscali Italia and FibreConnect is therefore evident. By bringing super-fast fibre optics to selected Italian industrial and artisan areas, it will enable local businesses to take part in the fourth industrial revolution. It will therefore be possible to exploit the benefits offered by services such as Cloud, Smart Manufacturing, and Internet of Things (IoT), for which it is now essential to have an Ultrabroadband connection. During the first half of the year, in addition to defining the Addenda to complete the Framework Contract signed in August 22, Tiscali Italia made official the selection of the 22 industrial areas of interest on which the commercialisation of FTTH FibreConnect products will be triggered. The network has already been built in 10 of these areas (one is the CACIP industrial area in Cagliari Macchiareddu, whose network was built by Open Fiber, the other 9 are industrial areas in Tuscany whose infrastructure was built by Estracom and subsequently acquired by FibreConnect), and Tiscali Italia can already market services there, while the remaining 12 are areas in which FibreConnect will soon build the fibre-optic infrastructure. Following the actual roll-out and in proportion to the local units actually covered, Tiscali Italia will act as preferred partner in these areas,

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in return for guaranteed minimum fees to be paid and an active revenue share to be paid to Tiscali Italia on the basis of the revenues generated by third party operators. The start of commercialisation of FibreConnect services in all 22 areas will take place in several steps starting from the second half of 2023.

Change of company name from “Tiscali S.p.A.” to “Tessellis S.p.A.”

The Shareholders' Meeting of Tessellis S.p.A. held on 10 January approved the change of company name from Tiscali S.p.A. to “Tessellis S.p.A.”. The name, which derives from Latin and means “mosaic”, evokes the strategy of differentiation of the various business segments envisaged in the industrial plan approved by the financial world.

The name change resulted in the change of the share ticker to “TSL.MI” as of 20 January 2023. The Company's updated Articles of Association can be found at www.tessellis.it.

Issuance of four tranches for a cumulative EUR 4 million of the mandatory convertible bond loan underwritten with Nice & Green S.A.

On 26 January 2023, Tessellis requested the subscription of 20 convertible bonds (coupons 1-20) into Tessellis shares in favour of Nice & Green S.A., in the amount of EUR 2,000,000, which were subsequently converted by the investor on 7 February 2023 and 22 March 2023.

On 24 April 2023, Tessellis requested the subscription of a further 20 convertible bonds (coupons 21-40) into Tessellis shares in favour of Nice & Green S.A., in the amount of EUR 2,000,000, subsequently converted by the investor on 17 May 2023 and 5 June 2023.

Sale of a lot of 320,000 IPv4 addresses

As part of the process of enhancing the value of certain assets that are not fully exploited, and in execution of the Industrial Plan, Tessellis concluded an agreement to sell a lot of 320,000 IPv4 addresses to one of the world's leading players operating in the field of service provision on web platforms. This sale generated proceeds of about EUR 16 million, received between April and May 2023.

IPv4 addresses are the foundation on which the Internet infrastructure rests and allow objects such as computers, servers, and websites to be connected to the network and uniquely identified from the outside. Following the sale of the above-mentioned lot, the Group holds about 1 million IPv4 addresses in its portfolio as at 30 June 2023.

Research and Development

During the first half of 2023, software development activities were carried out aimed at the evolution of the fixed and mobile network towards the new market standards (5G, Ultrabroadband) that allow the Group's customers to be provided with increasingly high-performance services, as well as the evolution of IT systems aimed at more effective and efficient business management (ERP/ CRM).

4.5 Analysis of the Group's economic and financial situation

4.5.1 Analysis of the Group's economic situation

The Reclassified Profit and Loss Account as at 30 June 2023 is shown below.

Consolidated Income Statement	Tessellis Group, 1° semester 2023
<i>(EUR mln)</i>	
Revenue	117.737
Other income	1.301
Purchase of external materials and services	78.020
Personnel costs	19.428
Other operating expense (income)	100
Write-downs accounts receivable from customers	2.869
Gross Operating Result (EBITDA)	18.621
Restructuring costs and other provisions	105
Depreciations & amortizations	41.907
Operating result (EBIT)	(23.391)
Result from the investments evaluated at equity method	(108)
Financial Income	80
Financial Expenses	3.257
Income (loss) before tax	(26.676)
Taxation	0
Net result from operating activities (ongoing)	(26.676)
Result from held for sale and discontinued operations	0
Net result for the period	(26.676)
Minority interests	
Group Net Result	(26.810)
Third parties Net Result	134

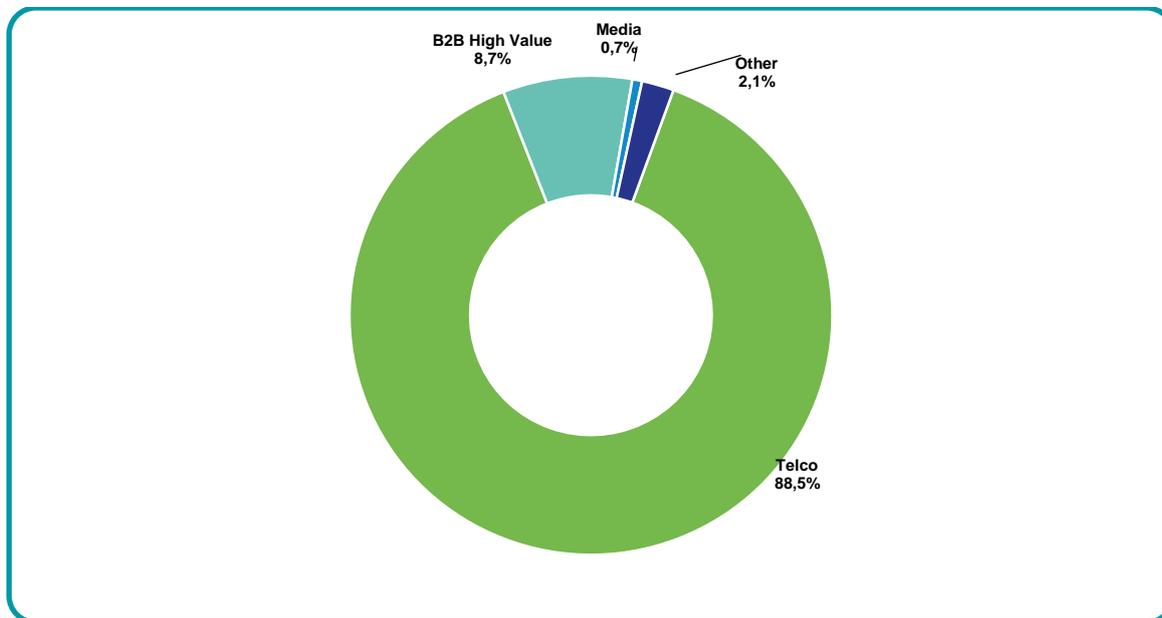
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Revenues by business line

Profit and Loss Statement of the Group	Tessellis Group, 1° semester 2023
<i>(EUR mln)</i>	
Revenue	118,9
Telco revenues	104,9
of which fixed Broadband	42,5
of which Broadband FWA	52,6
of which MVNO	9,8
Business service revenues and value-added service revenues	10,3
of which Wholesale	0,5
of which Business service	8,5
of which value-added service	0,5
of which Media	0,8
Other revenues	2,5
Other income	1,2
Gross operating margin	55,3
Indirect operating costs	33,9
Marketing and sales	2,1
Personnel costs	19,4
Network & IT costs	8,2
Other indirect costs	4,1
Write-down of receivables	2,9
Gross Operating Result (EBITDA)	18,6
Restructuring costs and other provisions	0,1
Depreciations & amortizations	41,9
Operating result (EBIT)	(23,4)
Net Result pertaining to the Group	(26,7)

Breakdown of revenues by business line and access mode

An analysis of revenues by business line is given below.



Source: Tessellis

Total revenue as at 30 June 2023 amounted to EUR 117.7 million. They are broken down as follows:

- Telco revenues of EUR 104.9 million, which include Fixed Broadband revenues, Broadband FWA revenues and MVNO revenues;
- Revenues from Business and Value Added Services of EUR 9.2 million;
- Media revenues of EUR 0.8 million;
- Revenues from Innovative Services of EUR 0.3 million;
- Other Revenues of EUR 2.5 million.

The total customer base stood at 1,061,000 as at 30 June 2023, down by 43.6 thousand as at 31 December 2022. The breakdown of the customer base is as follows:

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Active customer base June 30th, 2023 December 31th, 2022

Total fixed Broadband	299.782	298.221
Total Broadband FWA	455.623	521.342
Mobile (6 months in-out)	305.855	285.326
Total customers	1.061.260	1.104.889

Revenues from Telco

Telco revenues as at 30 June 2023 amounted to EUR 104.9 million and can be broken down as follows:

- Fixed Broadband revenues of EUR 42.5 million;
- Broadband FWA revenues of EUR 52.6 million;
- MVNO Revenues of EUR 9.8 million.

The customer base of Fixed Broadband stood at 300,000 users (of which Fibre customers 280,000) as at 30 June 2023, while the customer base of Wireless FWA Access stood at 456,000 users. Overall, Fixed Broadband and FWA users are down by 64.1 thousand (-8%) compared to 31 December 2022. This decrease is consistent with the goal of reducing investments in new customer acquisition, as set out in the Plan.

The customer base of the MNVO segment stood at 305.8 thousand customers as at 30 June 2023, up 7% from 285 thousand customers as at 31 December 2022. The growth in the customer base is attributable to the new mobile offers introduced in May 2023, as well as to the effects of the communication campaign carried out in April-May (for further details, reference should be made to the section *Main activities carried out and results achieved in the first half of 2023*).

Revenues from Business and Value Added Services

These revenues, deriving from services to enterprises (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 related to access and/or voice products aimed at the same customer segment already included in the respective business lines) amounted to EUR 9.2 million as at 30 June 2023.

Revenues from Media

Revenues from the media segment (mainly related to the sale of advertising space) amounted to approximately EUR 0.8 million as at 30 June 2023.

Revenues from Innovative Services

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Revenues from innovative services, related to the so-called “Future Communities” services, amounted to EUR 0.3 million as at 30 June 2023.

Other Revenues

Other revenue as at 30 June 2023 amounted to EUR 2.5 million.

Other (income) / charges

Other income (net of other charges) amounted to EUR 1.3 million as of 30 June 2023 and included the accrued portion of tax credits on investments under the “Bonus Sud” and “Industria 4.0” regulations for a total amount of EUR 0.5 million and other contingent assets of about EUR 0.7 million.

With reference to the **Gross Margin**, it amounted to EUR 55.3 million as at 30 June 2023.

Indirect operating costs show a balance of EUR 33.9 million as at 30 June 2023, and are broken down as follows:

- Marketing costs, amounting to approximately EUR 2.1 million (1.8% of revenue);
- Personnel costs, amounting to EUR 19.4 million (16.3% of revenues);
- Network and IT costs, amounting to EUR 8.2 million (6.9% of revenues);
- Other overheads, amounting to approximately EUR 4.1 million (3.5% of revenues).

Other Items

The provision for impairment as at 30 June 2023 amounted to EUR 2.9 million. The ratio of this item to revenues was 2.4%.

Depreciation and amortisation as at 30 June 2023 amounted to EUR 41.9 million.

Net financial expenses as at 30 June 2023 amounted to EUR 3.2 million.

4.5.2 Equity and Financial Position of the Group

The Group’s Consolidated Statement of Assets and Liabilities as at 30 June 2023 compared to as at 31 December 2022 is as follows:

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Consolidated Statement of Equity and Liabilities	30 June 2023	31 December 2022
<i>(EUR mln)</i>		
Non-current assets	283,8	304,9
Current assets	56,2	65,7
Total Assets	340,0	370,6
Net equity of the Group	42,3	65,1
Net equity attributable to minority interests	1,1	1,0
Total net equity	43,5	66,1
Non-current liabilities	134,8	153,2
Current liabilities	161,7	151,3
Total Net equity and Liabilities	340,0	304,5

Note: the statement of financial position items shown in the 31 December 2022 column have been restated from those approved by the Shareholders' Meeting of 12 June 2023 in order to retrospectively reflect the effects of the PPA on the Transaction.

Assets

Non-Current Assets

Non-current assets as at 30 June 2023 amounted to EUR 283.8 million and represented 83.5% of the Tessellis Group's total assets. They comprise goodwill, tangible and intangible assets, usage rights and customer acquisition costs totalling EUR 256 million, financial assets (including equity-accounted investments) of EUR 8 million and EUR 19.8 million of deferred tax assets.

Current Assets

Current assets as at 30 June 2023 amounted to EUR 56.2 million and mainly include:

- Inventories of EUR 16.7 million, which include EUR 14.9 million of IPv4 addresses valued as part of the PPA process;
- Trade receivables of EUR 18.7 million;
- Cash and cash equivalents of EUR 7.5 million;
- Other current assets of EUR 13 million. Other assets mainly include: (i) Tax credits allocated on investments in relation to the Bonus Sud and Industria 4.0 regulations for EUR 0.3 million and electricity tax credits pursuant to D.L. 4/22 in the amount of EUR 0.3 million; (ii) Receivables from Infratel and Fastweb for voucher contributions in the amount of EUR 0.6 million; (iii) Prepaid expenses relating to the deferral of service costs in the amount of EUR 9 million; (iv) Sundry receivables and advances to suppliers in the amount of EUR 2.4 million (of which EUR 1.5 million

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from Opnet S.p.A. arising from the Transaction for the transfer of the retail branch); (v) Receivables from the tax authorities for VAT in the amount of EUR 0.4 million.

Shareholders' Equity

Consolidated Shareholders' Equity was EUR 43.5 million positive as at 30 June 2023, and represented 12.8% of total liabilities inclusive of Shareholders' Equity.

Liabilities

Non-Current Liabilities

Non-current liabilities as at 31 December 2022 amounted to EUR 134.8 million, or 39.6% of total liabilities inclusive of Shareholders' Equity, and included:

- EUR 77 million for items related to financial debt (for which reference should be made to the Group's Statement of Financial Position section below);
- Other non-current liabilities of EUR 20.5 million, of which EUR 17.6 million related to the long-term component of trade payables, EUR 1.9 million related to the long-term component of tax payables, EUR 0.4 million related to the deferral of the medium-/long-term portion of tax credits recorded under current assets (see the description "Current Assets"); EUR 0.2 million attributable to customer payables for security deposits and EUR 0.3 million related to payables to companies not consolidated on a line-by-line basis;
 - Provision for severance indemnities of EUR 7.4 million;
 - Provision for risks and charges of EUR 9.9 million;
 - Provision for deferred liabilities of EUR 19.8 million.

Current Liabilities

Current liabilities amounted to EUR 161.7 million and are broken down as follows:

- EUR 20.1 million for items related to financial debt (for which reference should be made to the section Group Financial Position below);
- EUR 101 million in trade payables;
- EUR 40.5 million of other current liabilities. This item mainly includes *i)* Deferred income for EUR 18.1 million; *ii)* Payables to tax authorities and social security institutions for EUR 9.8 million; *iii)* The short-term component of payables to Opnet S.p.A. connected to the Linkem retail branch merger transaction for EUR 5.7 million; *iv)* Other payables for EUR 0.6 million; and *v)* Payables and accrued liabilities for payables to employees for EUR 6.2 million.

As at 30 June 2023, net trade payables past due (net of payment plans agreed with suppliers,

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accounts receivable and in dispute with the same suppliers) amounted to EUR 15.3 million (of which EUR 3 million past due by more than 12 months). As at the same date, there were no overdue financial payables (net of credit positions). Overdue tax payables amounted to approximately EUR 2.3 million (of which EUR 2 million overdue by more than 12 months). Overdue social security payables amount to EUR 0.1 million.

As at 30 June 2023, payment reminders had been received in the ordinary course of business. As at that date, the main payment reminders received by the Company, following the settlement of certain positions, totalled EUR 1.7 million, of which the remaining unpaid, as they are being negotiated, opposed or in instalments, amounted to EUR 0.1 million.

Based on the information presented and with reference to the statement of financial position as at 30 June 2023, it can therefore be seen that current liabilities exceed current assets by EUR 105.5 million, showing an imbalance of the current items. This situation of imbalance of current items is consistent with the business needs that envisage an initial investment phase to obtain new customers.

As at 30 June 2023, the fixed asset coverage ratio, i.e., the ratio of Shareholders' Equity to fixed assets, was 15.3%.

4.5.3 Financial Situation of the Group

As at 30 June 2023, the Tessellis Group had cash and cash equivalents of EUR 7.5 million, while its net financial debt at the same date was negative EUR 88.8 million.

Net current financial indebtedness	Notes	30 June 2023	31 December 2022
<i>(Milioni di Euro)</i>			
A. Cash and bank deposits		7,6	8,3
B. Cash equivalents		0,0	
C. Securities held for trading		0,0	
D. Cash and cash equivalents (A) + (B) + (C)		7,6	8,3
E. Current financial debt			
F. Non-current financial debt		0,8	0,8
G. Current bank debt		2,1	3,6
H. Current share bonds issued	(1)	0,0	0,0
I. Current part of non-current debt	(2)	10,3	7,6
J. Other current financial debt	(3)	7,7	8,4
K. Current financial debt (G) + (H) + (I) + (J)		20,1	19,7
L. Net current financial debt (K)-(D)-(E)-(F)		11,7	10,6
M. Non-current bank debts	(4)	58,7	64,7
N. Issued bonds			
O. Other non-current debts	(5)	18,4	22
P. Non-current financial indebtedness (M)+(N)+(O)		77,1	87,0
Q. Net financial indebtedness (L)+(P)		88,8	97,7

Notes:

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- (1) *The item related to the Convertible Bond is nil as at 30 June 2023;*
- (2) *This item includes the current portion of the Senior Lenders debt for EUR 10.3 million;*
- (3) *The item includes the current portion of financial lease payables related to network infrastructure investments and leases capitalised in accordance with IFRS.*
- (4) *The item includes the long-term portion of payables to Senior Lenders in the amount of EUR 58.3 million and other long-term bank loans in the amount of EUR 0.4 million.*
- (5) *This item includes the long-term portion of financial lease payables related to network infrastructure investments and capitalised lease contracts in application of IFRS 16 for EUR 14.8 million, in addition to the financial payable recognised in relation to the put option held by the subsidiary 3P Italia S.p.A. for EUR 3.6 million.*

The table below includes security deposits under “Other liquid assets” and “Non-current financial receivables”. For the sake of completeness, we also report below the reconciliation of the above financial debt with the financial debt prepared in light of CONSOB Attention Notice No. 5/21 of 29 April 2021 and reported in the Explanatory Notes to the Financial Statements.

	30 June 2023	31 December 2022
<i>(EUR mln)</i>		
Consolidated net financial debt	88,8	97,7
Non-current financial receivables	0,8	0,8
Long-term trade payables and installment tax payables	19,6	22,5
Consolidated net financial debt prepared on the basis of Consob communication No. 5/21 dated 29 April 2021	109,1	121,0

It should be noted that the amount of payables to suppliers and other parties overdue by more than 12 months was EUR 5 million as at 30 June 2023. It should also be noted that the severance indemnity payable to the Company amounted to EUR 7.4 million.

As at 30 June 2023, the treasury ratio, calculated as the result of working capital net of inventories, divided by current liabilities, was -0.76, indicating the impossibility of covering current cash needs with cash flows generated by operating activities.

On the same date, the financial autonomy ratio, calculated as the ratio of debt to equity, was 6.8. This value indicates the prevalence of third-party means as a form of financing.

4.6 Events after the year-end

Tiscali acquires BIKE, a multimedia reality dedicated to the world of cycling

On 11 July 2023, Tiscali Italia further extended its offer of editorial content and services, with the acquisition of the BIKE channels, a multi-platform focused on the multi-faceted world of two-wheelers, from BFC Media S.p.A., a digital and media company listed on Piazza Affari. The Tessellis group, with the galaxy of portals that gravitate around Tiscali.it, is today among the top 10 web publishing companies in Italy in terms of access and page views, and with this acquisition takes a further significant step in the strategic direction of repositioning itself as a media company. After the launch of Gamesurf, the Gaming and Entertainment portal, and Milleunadonna, the editorial proposal dedicated to the female universe, Tessellis has now turned to the audience of bicycle enthusiasts. BIKE, with its highly qualified content on cycling tourism, sport cycling and sustainable mobility, available on TV

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(digital terrestrial and satellite), web and print media, is a cross-media reality, unique at European level. BIKE Channel presents biking as a lifestyle: two wheels are the “passepartout” for travel experiences, sport, and the discovery of the territory; it is the only channel dedicated to cycling those broadcasts 24 hour a day, on Sky and on digital terrestrial TV. Bikechannel.it is the daily window on the world of cycling and the community’s privileged place of interaction, where it is possible to exchange tips, information, and travel chronicles. The site offers continuous updates, exclusive articles, and video interviews. BIKE is the prestigious print magazine dedicated to the culture of cycling and smart mobility and is distributed at newsstands in conjunction with Forbes on a quarterly basis. As a whole, the BIKE community reaches more than 3 million people through its many channels, who share values such as healthy living, “slow living”, sustainability, accessibility, but also a passion for cycling sport and competition: a structured community that enriches the Tessellis community, with 8.5 million unique browsers and 240 million page views per month of its portals (data source: Mapp, June 2023). The world of biking is a fast-growing sector and represents a development opportunity for the entire Italian economy: in 2022 cycling tourism in Italy generated a turnover of EUR 7.4 billion, while the Italian production of bicycles and components almost reached EUR 2 billion. In this context, Tessellis with BIKE will offer organisations and selected companies in the sector the opportunity to participate in a real “laboratory” of communication and engagement, the “BIKE Club”, to interact with the community of enthusiasts and further contribute to the growth of the sector.

Tiscali Italia enters the Metaverse with EY as tech provider

On 26 July 2023, Tiscali Italia launched the Tiscali Campus project in the Metaverso, with the support of EY as tech provider. The aim of the project, presented in Rome at the EY wavespace™, is to create a virtual environment for Tessellis users, organised in three different areas customised according to objective and function: from the experiential component to the fruition of contents up to the purchase of goods and services, all in a highly immersive mode. In this project, virtuality is therefore not synonymous with abstraction, because the levels and dimensions of value creation are broadened and multiplied compared to traditional business models. Strengthened by the tiscali.it portal, the Group, thanks to Tiscali Metaverse, is a candidate to become one of the Metaverse pioneers in the Italian telco sector. Vevisible is the first concessionaire in Italy to propose a system of organic collection of advertising investments on the Metaverse, and the Tessellis Group is the first telco to conceive an environment on the Metaverse that reproduces the group’s lines of business: content fruition, interaction between community members, integrated multichannel advertising and sale of connectivity services and more. The external space of the Metaverse Campus is inspired by the physical Campus of Tessellis in Cagliari, with a physical-digital contamination reproducing trees and large green areas. More in detail, the virtual environment will consist of an auditorium for events, with a foyer enriched by a Tiscali stand for the display of commercial offers and a conference room in which to organise events;

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a virtual shopping mall, with branded stands featuring 3D models of products and links to the Tiscali Shopping web portal; content islands, evocative of the island essence of the Campus – Sa Illetta, Tessellis' historic headquarters in Sardinia, actually means “the little island” – dedicated to content reflecting the different thematic areas of the Tessellis syndication. The Group thus confirms its vocation for innovation and takes a further step in the direction of syndication: it creates and expands its open multichannel ecosystem that incorporates the content of the Group's digital properties and the contributions of external partners.

Capital increase totalling EUR 19,478,764.80 – July 2023

On 31 July, the capital increase resolved upon on 11 May 2023 by the Board of Directors (in partial execution of the proxy granted to it by the Extraordinary Shareholders' Meeting of 10 January 2023) was formally concluded with the subscription of a total of 48,696,912 shares, equal to 78.810% of the shares offered in the context of the increase itself, for a total amount of EUR 19,478,764.80.

For further details, please refer to paragraph 4.3 – Tessellis Shares, subsection *New Group Shareholding Structure as of 31 July*.

4.7 Business Outlook

Pursuant to the Updated 2023-2026 Business Plan, the Group is currently undergoing an ambitious transformation process that should result in its transformation - from an entity primarily focused on the telecommunications market aimed at consumer customers into a Digital Company that can exploit Telco services as a point of entry both on currently popular markets and on currently minority markets, such as services to businesses and public administrations, and add value-added vertical services that can also exploit the new products being developed in the “Innovation Lab” ecosystem. In the meantime, the Group continues to work on improving the margins of prevailing services (Ultrabroadband internet connections and mobile phone services), as well as relaunching the Tiscali brand on the market.

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

Risks associated with highly competitive markets

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The Tessellis Group operates in the highly competitive fixed and mobile telecommunications services market.

As already described in the previous paragraphs, the Group competes with telecommunication operators that have a significantly larger market share than Tessellis, which have strong brand recognition supported on an ongoing basis by significant investments in communication, a consolidated customer base and high financial resources that allow them to make significant investments, particularly in the research sector aimed at developing technologies and services. Recently, the market, despite its high degree of competitiveness, has seen the entry of new operators and the proposition of multi-utility solutions by large groups: in February it was the turn of Poste Energia, while at the beginning of April Enel Energia launched its first fibre-optic offers in FTTH and FTTC technology with discounted pricing for Enel Energia's existing electricity and gas customers.

In order to compete with the aforementioned competitors, Tessellis' strategy continues to focus on the provision of quality Internet access services, in particular ultra-high-capacity UltraBroadband solutions, the development of the mobile market with increasingly high-performance offers, and on fixed-mobile convergent offers. Particular attention is being paid to the small business market and in general to the development of the market for high-value services aimed at businesses capable of generating higher margins. On the residential market, a process has been launched to identify value-added solutions capable of flanking and innovating the core business.

Any inability of the Group to successfully compete in the sector in which it operates with respect to its current or future competitors could negatively affect its market position, resulting in the loss of customers and negative effects on the Company's business, economic and financial situation.

Risks related to possible system outages, delays or breaches in security systems and Cyber Risk

The Tessellis Group's capacity to attract and retain customers will continue to depend significantly on the operation of its network and information systems and, in particular, on the continuity and security of the same and of its servers, hardware and software.

Possible power failures or telecommunication interruptions, security system breaches and other similar unforeseeable negative events (such as the complete destruction of the data centre) could cause interruptions or delays in the provision of services, with consequent negative effects on the Group's business and financial position and on its outlook. The Group has implemented a series of preventive

measures aimed at minimising this risk.

Moreover, considering that the proper functioning of the company's IT infrastructure is critical to business continuity, technical and procedural solutions have been put in place to protect the data centre and systems.

During the year, with the support of Sababa Security, the Group implemented various organisational, procedural, and technical measures aimed at continuously improving its security posture.

Compliance with ISO standards

During 2022, the Group continued its path of enhancing the business area, adding ISO 45001 certification, relating to occupational health and safety management systems, to the pre-existing ISO 9001, 20000-1, 27000, 27017, 27018, 22301, 14001 and 45001 certifications.

In 2023, five separate training sessions were delivered by the certification body Bureau Veritas to certify Resources in the area of Business Processes and Compliance on ISO 9001, 20000-1, 27000, 27017, 27018, 22301, 14001 and 45001 as internal auditors.

From 4 to 8 September 2023, the integrated re-certification of ISO 9001 (Quality Management Systems), 20000-1 (ICT Service Management Requirements), 27001-17-18 (Information Security Management Systems) and 22301 (Business Continuity Management Systems) will be carried out by the certification body Bureau Veritas.

Certification renewal of ISO 45001 (Occupational Health and Safety Management Systems) is scheduled for October 2023, while ISO 14001 (Environmental Management Systems) is scheduled for November 2023.

General Data Protection

The Tessellis Group ensures constant monitoring of personal data protection issues, with reference to both company personnel and customers.

Starting from the operational model created as a result of the internal and external procedures to GDPR, i.e., General Data Protection Regulation, the new EU Regulation no. 2016/679 on data protection, in 2023 Tiscali extended the necessary tools to ensure GDPR compliance.

The Company's operational processes have been adapted according to the principle of privacy-by-design, with particular attention to the commercial, customer relationship and technological processes, adopting the methods defined by the corporate regulations dedicated to the application of the GDPR and implementing the directives of the Data Protection Authority.

The processing of personal data is subject to prior assessment according to the indications of the

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European Data Protection Board (EDPB), is subject to census and the relevant responsibilities are assigned to the appropriate managerial level of the Company's organisation, as provided for by the Privacy Code in application of the accountability principle established by the GDPR.

The Privacy Department, in close cooperation with the DPO, manages relations with customers, in particular in relation to the exercise of the rights set forth in Articles 15 to 22 of the GDPR, providing timely feedback within the 30-day time limit and, in cooperation with the Legal Department, within the framework of the drafting of contracts, defines privacy roles and proceeds to draft the clause on the processing of personal data and the drafting of the appointments of suppliers as Data Processors or co-ownership agreements.

The extraordinary transaction of incorporation by Tessellis of the retail branch of Linkem that took place on 1 August 2022 entailed, among other things, the takeover of Tessellis in the ownership of all the activities included in the aforesaid branch, including the processing of personal data of active customers as of 31 July 2022.

With regard to the above mentioned extraordinary operation, the Company started an internal analysis aimed at a complete mixing of Linkem S.p.A.'s databases within its own systems. Also, within the scope of the above-mentioned extraordinary operation, an assessment activity was started by the DPO, and the privacy function aimed at verifying the degree of compliance with personal data protection regulations of all corporate functions. The functions involved in the first half of 2023 were: Business Innovation & Future Communities; Corporate & Legal Affairs; Operating & Customer Services; People Value. Assessment of the remaining strategic functions was planned for the next six months of 2023.

In addition to ordinary activities, during the first half of 2023, activities were started to update the privacy documentation following the changed regulatory context, particularly in relation to the matter of transfers outside the European Economic Area and also with a view to standardising the aforementioned documentation after the merger. In particular, the following were adopted:

- 1) New Model of Appointment Agreement under Article No. 28 GDPR following the EU Implementing Decision 2021/915 of 4 June 2021;
- 2) New marketing, profiling, and transfer consent texts (expected to be released in the second half of 2023);
- 3) New disclosures for paying customers (due to be issued in the second half of 2023);
- 4) New privacy policy for free e-mail service customers (scheduled for release in the second half of 2023);
- 5) B2B lead privacy policy and related consent texts;
- 6) Privacy policy in the context of fundraising campaigns for charitable purposes through "solidarity" SMS and new co-ownership agreement for such activities;
- 7) Simoitel privacy policy;

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- 8) Supplier privacy policy;
- 9) Chatbot privacy policy.

Following the inspection activities of the Authority for the Protection of Personal Data occurred in the period 3-5 May 2022, (Operational Dossier No. 146275), the Company provided a reply on 13 January 2023 (Ref. Protocol No. 56038/2022 and Protocol No. 1259/2023) with respect to the request for preliminary investigation integration of 9 December 2022 providing further specifications in particular with respect to: *a)* The roles of Tiscali S.p.A. and Linkem S.p.A. in the processing of customer/prospect data; *b)* The quantity and quality (types) of data acquired as a result of the merger; *c)* The Data retention policy; *d)* The information issued to data subjects pursuant to Articles 13 and 14 of EU Regulation No. 679/2016 for the purposes of promotional activities, profiling and communication to third parties for the said purposes; and *e)* The consents acquired pursuant to Articles No. 6-7 of the Regulation, as well as pursuant to Article No. 130 of the Code, for the same purposes as in item *d)*.

On 21 February 2023, the Italian Data Protection Authority communicated the commencement of proceedings for the adoption of corrective measures and sanctions pursuant to Article 166, paragraph 5, of the Personal Data Protection Code (Legislative Decree No. 196 of 30 June 2003, as amended by Legislative Decree No. 101/2018) and 12 of the Data Protection Authority Regulation No. 1/2019 of 22 March (Ref. Protocol 0031575.21022023- DRTMLCN147275-182672-173167) contesting:

1. The lack of indication of the data retention period for marketing and profiling purposes in the data processing notice;
2. The pop-up call-back service;
3. The free email service;
4. The use of “soft spam”;
5. The handling of refusals and objections to processing;
6. The storage of data for marketing and profiling purposes.

On 22 March 2023, the Company submitted its Defence Statements pursuant to Article No. 166, paragraph 6 of Legislative Decree No. 166 of 1962-2003 and Article 13 of the Data Protection Authority Regulation No. 12019. Legislative Decree No. 1962003 and Article No. 13 of the Data Protection Authority Regulation No. 12019 clarifying to the Authority its position for each contested point. These clarifications were better explained in the hearing before the Privacy Guarantor Authority that took place on 27 April 2023. On 30 May 2023 (Ref. Protocol No. 0031575.21/02/2023 _ DRTM/LCN/147275-182672-173167.) the Company sent further supplementary notes in support of what had been clarified during the aforesaid hearing and of what had already been set forth in the defence briefs of 22 March.

In this regard, the Company pointed out to the Authority that with CR-6354, the CR-6354, the tracking and related historicization of consents was introduced, as well as the implementation of an automatic

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real-time alignment of the blacklist of oppositions with the CRM.

It should be noted that with the corrective and sanctioning measure of 18 July 2023 (Ref. Protocol No. 114669/2023) the Authority imposed on the Company an administrative fine of EUR 100,000 (one hundred thousand/00) for the violations better indicated in the grounds.

Following the declaration of adherence to the prescriptions issued by the Data Protection Authority and the request for acceptance of the instalment request of 1 August 2023 forwarded by the Company, pursuant to Article No. 166 of Legislative Decree No. 196/2003 and Article No. 26 of Law No. 681 of 24 November 1981, the aforesaid fine was halved to EUR 50,000 (fifty thousand/00) and spread in 5 instalments of EUR 10,000 (ten thousand/00) each, commencing from September 2023 until January 2024.

Risks related to technology evolution

The sector in which the Tessellis Group operates is characterised by profound and sudden technological changes, high competition and rapid obsolescence of products and services. The Company's success in the future will also depend on its ability to foresee these technological changes and its capacity to promptly adapt to them through the development of products and services capable of satisfying customer needs.

Any inability to adapt to new technologies and thus to changes in customer needs could have a negative impact on the Company's business and its economic, equity and financial position.

In addition, it should be noted that the evolution of technology, and in particular the application of certain technologies, could have an impact on the valuation of certain IP addresses in the financial statements in the final PPA.

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

As anticipated in paragraph "4.2 Regulatory Framework" above, the telecommunications sector in which the Tessellis group operates is highly regulated and governed by extensive, stringent, and articulated legislation and regulations, especially with regard to the granting of licences, competition, frequency allocation, tariff setting, interconnection agreements and leased lines. Legislative, regulatory, or political changes affecting the Company's activities, as well as sanctioning measures issued by AGCOM, could have negative effects on the Company's business and reputation and, consequently, on its economic and financial situation and industrial plan.

In particular, these changes could entail the introduction of greater burdens, both in terms of direct

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disbursements and in terms of additional compliance costs, as well as new liability profiles and regulatory barriers to the provision of services. Any changes in the regulatory framework, as well as the adoption of measures by AGCOM, could also make it more difficult for Tessellis to obtain services from other operators at competitive rates, or could limit access to systems and services necessary to carry out the Company's business.

Moreover, given the Tessellis Group's dependence on the services of other operators, the Company may not be able to promptly transpose and/or adapt to any provisions amending the current legislative and/or regulatory regime in force, with consequent negative effects on the Company's business and on its economic and financial situation and prospective data. Despite the situation of uncertainty indicated, at present the Company has reflected the impacts of regulatory changes foreseeable to date in its prospective data.

Risks associated with financial indebtedness

The evolution of the Tessellis Group's financial situation depends on several factors, in particular, the achievement of the objectives set forth in the Business Plan, the trend in the general conditions of the economy, the financial markets and the sector in which the Group operates.

The Directors believe that the risk in question has been mitigated by the actions undertaken by the company during the first half of the year, which have enabled the Group's capital and financial structure to be strengthened.

In particular, the capital increase resolved by the Board of Directors on 11 May and offered as an option to shareholders provided the Company with financial resources in the amount of EUR 19.5 million (for further details see section 4.3 Tessellis Shares).

The Directors highlight how the Company significantly improved its net financial debt (including trade and other non-current payables) in the first half of 2023, going from EUR 121 million as of 31 December 2022 to EUR 104.4 million as of 30 June 2023, also due to the repayment of about EUR 4.5 million of the Senior loan outstanding with Banca Intesa and Banco BPM. Commercial and tax overdue also improved, from EUR 15.7 million and EUR 3.3 million as at 31 December 2022 to EUR 15.3 million and EUR 2.3 million, respectively, as at 30 June 2023.

It should be noted that an element of risk mitigation is represented by the structure of the financial indebtedness, mainly represented by the Senior Loan, whose repayment profile was finally redefined with the Modifying Agreements signed on 22 July 2022.

In addition, further risk mitigation derives from the possibility of subscribing 12 tranches of the New POC reserved to N&G up to a maximum notional amount of EUR 60 million, for a total income of EUR 57 million, from the possibility of selling a further portion of IP addresses currently held in the portfolio (it should be noted that as of 30 June 2023, there were 1 million IP addresses), as well as the possibility of developing certain assets held by the Group and not strictly functional to the implementation of the Business Plan.

Risks associated with foreign exchange rate and interest rate fluctuations

Tessellis essentially operates in Italy. Some supplies, albeit for insignificant amounts, may be denominated in foreign currencies; therefore, the exchange rate fluctuation risk to which the Company

is exposed is minimal.

In relation to the exposure to risks connected to interest rate fluctuations, due to the fact that the most significant portion of financial indebtedness is at fixed rates, management considers the risk of interest rate fluctuations to be insignificant for the Company's financial position.

Risks associated with supplier relationships

The Tessellis Group's business depends on the contracts in place with its strategic suppliers on which the Company's ability to access its market depends.

In the event that: *i)* Said contracts are not renewed upon expiry or are renewed under less favourable terms and conditions than those currently in place; or *ii)* The Group fails to conclude the new contracts necessary for the development of its business; or *iii)* There is a serious breach of contract by the Group or by the suppliers themselves, these circumstances could have an adverse effect on the Group's business and on its income, equity and financial position, with a consequent impact on the possibility of continuing to operate as a going concern in the medium term, which is considered a remote possibility over the next 12 months.

The terms and conditions of these contracts are of a regulatory nature, and, at present, there are no elements that could suggest that they will not be renewed upon expiry.

Risks associated with dependence on licences, authorisations, and the exercise of rights in rem

The Tessellis Group conducts its business on the basis of licences and authorisations - which are subject to periodic renewal, modification, suspension, or revocation by the competent authorities - and benefits from easements of way, rights of use as well as administrative authorisations for the construction and maintenance of the telecommunications network. In order to be able to conduct its business, the Group must retain and maintain licences and authorisations, rights of way and use as well as other administrative authorisations.

The most important licences, in the absence of which the Company would not be able to conduct its business or part of it, with the consequent repercussions on business continuity, are as follows:

- General authorisation for the provision of the "data transmission" service: in the event of the loss of this authorisation – which in turn expires on 10 December 2027 – the Company would no longer be able to provide Internet access services; as things stand, the Company has all the necessary requisites for the renewal of this authorisation on its expiry, to obtain which it will however be necessary to submit a new DIA (Declaration on the Commencement of the Activities);

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- General authorisation (formerly individual licence) for “voice telephony accessible to the public on the national territory”, expiring on 31 December 2038: in the event of the loss of this authorisation, the Company would no longer be able to provide voice services involving the use of geographic numbers; as things stand, the Company has all the requirements necessary to renew this authorisation on its expiry, to obtain which it will however be necessary to submit a new DIA (Declaration on the Commencement of the Activities);
- General authorisation for “electronic communication networks and services”, expiring on 11 January 2032: in the event of the loss of this authorisation, the Company would no longer be able to build network infrastructures and therefore provide connectivity services on proprietary infrastructures;
- General authorisation for the provision of the mobile service “Enhanced Service Provider”: in the event of the loss of this authorisation – due to expire on 31 December 2038 – the Company would no longer be able to provide mobile services (voice and data).

4.9 Litigation, Contingent Liabilities and Commitments

Please refer to the section *Litigations, Contingent Liabilities and Commitments* in the Explanatory Notes to the Financial Statements.

4.10 Non-Recurring Transactions

Please refer to the section *Non-Recurring Transactions* in the Explanatory Notes to the Financial Statements.

4.11 Atypical and/or Unusual Transactions

Pursuant to the CONSOB Communication of 28 July 2006, it should be noted that during the year 2022, the Group did not undertake any atypical and/or unusual transactions, as defined in the Communication.

4.12 Related Party Transactions

As regards economic and financial relations with related parties, please refer to the section *Related Party Transactions* in the Explanatory Notes to the Consolidated Financial Report.

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Please note that the document illustrating the procedure for regulating related parties can be found at www.tessellis.it/procedure.

Cagliari, 28 September 2023

The Chief Executive Officer

Davide Rota



**The Executive in Charge of Preparing the
Company's Accounting Documents**

Fabio Bartoloni



**Half-year Consolidated Financial Statements
as at 30 June 2023**

5 Consolidated Financial Statements and Explanatory Notes

5.1 Income Statement

Consolidated income Statement	Notes	1° semester 2022	of which related parties
<i>(Thousands of Euros)</i>			
Revenues	1	117.737	33
Other incomes	2	1.301	
Purchase of materials and external services	3	78.020	28.948
Personnel cost	4	19.428	629
Other operating charges (incomes)	3	100	
Write-downs of receivables from customers	5	2.869	
Restructuring costs and other provisions	6	105	
Depreciations & amortizations	7-12-13-14-15-16	41.907	
Operating result		(23.391)	(29.544)
Result from the investments evaluated at equity method		(108)	
Financial Income	8	80	
Financial Expenses	8	3.257	
Income (loss) before tax		(26.676)	(29.544)
Taxation	9		
Net result from operating activities (ongoing)		(26.676)	(29.544)
Result from held for sale and discontinued operations			
Net result	10	(26.676)	(29.544)
To be attributed to:			
- Result pertaining the Parent Company		(26.810)	
- Result pertaining Third Parties		134	
Profit (loss) per share			
Profit per share from current and transferred activities:			
- Base		(0,148)	
- Diluted		(0,148)	
Profit per share from current activities:			
- Base		(0,148)	
- Diluted		(0,148)	

Note: As the Tessellis Group was created upon the merger deed of incorporation with Linkem's retail unit, which took place on 1 August 2022 (as extensively described in the Consolidated Financial Report as at 31 December 2022), no comparative income statement data are available as at 30 June 2022.

Consolidated Half-Year Financial Report as at 30 June 2023

5.2 Comprehensive Income Statement

Comprehensive Income Statement	Notes	1° semester 2022
<i>(Thousands of Euros)</i>		
Result for the period		(26.810)
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		
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year		
<i>(Loss)/profit from revaluation on plans with defined benefits</i>		
Total of other elements for the comprehensive Income Statement:		
Total result of the comprehensive Income Statement		(26.676)
To be attributed to:		
Shareholders of the Parent Company		(26.676)
Minority Shareholders		
Total		(26.676)

Note: As the Tessellis Group was created upon the merger deed of incorporation with Linkem's retail unit, which took place on 1 August 2022 (as extensively described in the Consolidated Financial Report as at 31 December 2022), no comparative income statement data are available as at 30 June 2022.

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5.3 Statement of Assets and Liabilities

Statement of Assets and Liabilities	Notes	30 June 2023	of which related parties	31 December 2022	of which related parties
<i>(Thousands of Euros)</i>					
<i>Non-current assets</i>					
Goodwill	12	46.531		46.531	
Intangible assets	13	115.084		123.546	
Leased contracts rights of use	14	11.554		13.614	
Customer acquisition costs	15	21.040		23.141	
Property, plants and machinery	16	61.802		66.438	
Investments evaluated at equity method	17	6.017		6.025	
Other financial assets	19	2.020		1.900	
Deferred tax assets	18	19.783			
		283.831		304.921	
<i>Current assets</i>					
Inventories	20	16.764			
Trade receivables	21	18.682	643	13.980	781
Tax receivables	22	115		115	
Other receivables and other current assets	23	13.062	7.526	16.677	2.648
Cash and cash equivalents	24	7.565		8.265	
		56.188	8.169	65.726	3.429
Total assets		340.019	8.169	370.647	3.429
<i>Capital and reserves</i>					
Share Capital		189.514		185.514	
Stock option reserve		0		0	
Results from previous fiscal years and other reserves		(120.374)		(83.490)	
Results for the fiscal year pertaining to the Group		(26.810)		(36.896)	
Shareholders' equity_ Group	25	42.330		65.128	
Shareholders' equity_ third parties		1.147		1.013	
Shareholders' equity_ third parties	26	1.147		1.013	
Total Shareholders' equity		43.477		66.141	
<i>Non-current liabilities</i>					
Convertible Bond	26	0		0	
Bank loans and other fin. Inst.	27	68.109	5.862	76.309	8.099
Obligation under finance leases	27	8.957		10.727	0
Other non-current liabilities	28	20.549	0	24.076	1.678
Employee severance indemnities	29	7.413		7.814	
Provisions for liabilities and charges	30	9.992		10.554	
		134.803	5.862	153.207	9.777
<i>Current Liabilities</i>					
Banks overdrafts and loans	27	15.604	3.200	14.752	3.510
Obligation under finance leases	27	4.471	0	4.925	0
Trade payables	32	101.110	39.062	87.792	18.688
Tax payables	33	9		(0)	
Other current liabilities	34	40.544	220	43.829	8.593
		161.738	42.482	151.299	30.791
Total Shareholders' equity and Liabilities		340.018	48.344	370.647	40.568

Note: The Income Statement items shown in the 31 December 2022 column have been restated from those approved by the Shareholders' Meeting of 12 June 2023 in order to retrospectively reflect the effects of the PPA on the Transaction.

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5.4 Cash Flow Statement

(Thousands of Euro)	Notes	1° semester 2023
OPERATING ACTIVITIES		(26.676)
<i>Adjustments for:</i>		
Amortization	12-13-14-15-16	41.906
Income from tax receivables ex Bonus Sud & Industria 4.0	2	(546)
Provision for write-downs accounts receivables from customers	5	2.869
Gain on disposal of non-current assets	2	0
Gain on Sa Illetta sale	2	0
Stock Option figurative cost	23	0
Income taxes	9	17
Changes in provision for risks	30	(490)
Payables/ receivables and other credits write-offs	32	1.975
Other changes	4-6	(434)
IFRS 16 implementation impact	29	954
Senior Loan and Bond ancillary charges	7	0
Fastweb Voucher utilization	23	3.845
Financial charges / income	8	3.177
Cash flows from operating activities before changes in working capital		26.597
		0
Changes in receivables	21	(7.570)
Change in inventories	20	9.924
Changes in payables to suppliers	32	18.778
Change in payables to long-term suppliers	28	(9.816)
Net change in provisions for risks and charges	30	(73)
Net change in provisions for TFR	29	(366)
Changes in other liabilities	34-28	(6.429)
Changes in other assets	23	(2.612)
Changes in working capital		1.836
AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES		28.433
INVESTMENT ACTIVITY		
Change in other financial assets	19	(130)
Acquisitions of Fixed Tangible Assets	16	(7.335)
Acquisitions of Customers acquisition costs	15	(6.809)
Acquisitions of Intangible assets	13	(10.234)
<i>o/w due to voucher utilization (no cash effect)</i>	13	155
Change in payables related to acquisitions of Assets	28	3.913
ACTIVITIES		(20.440)
FINANCIAL ASSETS		
Changes in payables to banks	27	(9.849)
<i>of which:</i>		
<i>Repayment of share capital and interest Senior debt</i>		(5.030)
<i>Increase/Decrease in current accounts overdrafts</i>		(4.819)
Repayment/acceptance of financial leasing	27	(2.651)
Exchange rate effect	8	(12)
Changes in Net Equity	25	3.820
AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES		(8.692)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD		(699)
AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE	0	0
AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		8.265
CASH AND CASH EQUIVALENTS AT YEAR-END		7.566

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Note: Since the Tessellis Group was created upon the merger deed of incorporation with Linkem's retail unit, which took place on 1 August 2022 (as extensively described in the Consolidated Financial Report as at 31 December 2022), no comparative income statement figures are available as at 30 June 2022.

5.5 Statement of Changes in the Shareholder's Equity

(Thousands of Euros)	Capital	Legal reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority Interests	Total
Balance as of January 1, 2023	185.514	2.011	272	(122.669)	65.128	1.013	66.141
Bond conversion	4.000				4.000		4.000
Capital raise set up fees				100	100		100
Change in payables for puts on minorities				(87)	(87)		(87)
Total result of the comprehensive Income Statement				(26.810)	(26.810)	134	(26.676)
Balance as of June 30th, 2023	189.514	2.011	272	(149.466)	42.331	1.147	43.478

(Thousands of Euros)	Capital	Legal reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group	Minority Interests	Total
Saldi al 1 agosto 2022	185.514	2.011	(1.701)	(77.375)	108.449		108.449
Changes in consolidation area				635	635		635
Bond set up fees							
3P Italia goodwill increase (PPA)				293	293		293
Additional fees branch incorporation ex Linkem retail				(4.855)	(4.855)		(4.855)
Payables for puts on minorities				(3.467)	(3.467)		(3.467)
Third-party assets				(1.004)	(1.004)	1.004	
Other movements							
Total result of the comprehensive Income Statement			1.973	(36.896)	(34.923)	9	(34.914)
Balance as of December 31th, 2022 (*)	185.514	2.011	272	(122.669)	65.128	1.013	66.141

(*) The Income Statement items shown in the 31 December 2022 column have been restated from those approved by the Shareholders' Meeting of 12 June 2023 in order to retrospectively reflect the effects of the PPA on the Transaction.

5.6 Explanatory Notes and Indications on the Comparability of Data

These Consolidated Financial Statements (hereinafter also referred to as the "Financial Statements") are prepared using the EUR as the accounting currency as this is the currency in which most of the Group's operations are conducted; all values are rounded to the nearest thousand EUR unless otherwise indicated. Foreign operations are included in the consolidated financial statements according to the principles indicated in the Explanatory Notes below.

In preparing these Financial Statements, the Directors have assumed the existence of the going concern assumption, as more fully explained in Section 6.7 below, and have therefore prepared the Financial Statements using the principles and criteria applicable to going concerns.

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As extensively explained in the 2022 Annual Financial Report, in paragraph 4.6 of the Management Report, the Merger Transaction occurred with the retail unit of Linkem Group was configured as a reverse acquisition.

As a result, from an accounting point of view, the Group emerging from the Transaction qualified as a new group – the Tessellis Group – in discontinuity with the group existing prior to the effectiveness of the Merger. For this reason, the consolidated financial statements of the new Tessellis Group had 1 August 2022 as the date of first consolidation.

Therefore, the Financial Statements and Notes contained in this section of this Report include, from an economic point of view, the figures of the new group for the period from 1 January 2023 to 30 June 2023, which are not compared with comparative figures, as the Tessellis Group was born in 2022.

Instead, the new Tessellis Group's financial figures are compared with the figures of the same as at 31 December 2022 restated as a result of the retrospective application of the results of the *Purchase Price Allocation* process carried out by the Directors (as illustrated in the section *Purchase Price Allocation Process and Restatement of 2022 Financial Statements* of this Report).

5.7 Assessment of the business as a going concern

Group performance in the first half of 2023

During the first half of 2023, the Tessellis Group operated within the framework of the provisions of the 2023-2026 Business Plan, focusing on the integration activities that began following the merger between the former Tiscali Group and the retail business operated by Opnet S.p.A. and revising its approach to the market, with the aim of gradually reducing the weight of the consumer segment, against the development of markets related to business customers and Public Administration.

In this context, the Directors point out that in the first six months of the financial year 2023, the Group achieved economic results in line with plan forecasts. In particular:

- It showed a negative result for the period, in line with the plan, with a loss of EUR 26.7 million
- It contained, as envisaged in the plan, investments related to the acquisition of new customers, showing a decreasing broadband customer base, from 820,000 as at 31 December 2022, to 755,000 as at 30 June 2023 (-8%).

As a result of the economic, financial and management results described above, in the first half of 2023 and up to the date of this document, the Group has implemented the following actions aimed at

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improving its results performance and strengthening its capital and financial structure:

- It increased its mobile customer base from 285 thousand active customers to 306 thousand customers (+7%);
- In July, it completed the capital increase resolved by the Board of Directors on 11 May and offered as an option to shareholders, obtaining new financial resources of approximately EUR 19.5 million;
- It continued the Group's streamlining plan, reducing both the amount of trade and tax overdue, which fell from EUR 15.7 million and EUR 3.3 million as at 31 December 2022 to EUR 15.3 million and EUR 2.3 million respectively, as at 30 June 2023;
- It significantly improved net financial indebtedness (including trade payables and other non-current payables), which went from EUR 121 million as at 31 December 2022 to EUR 109 million as at 30 June 2023, also as a result of the repayment of about EUR 4.2 million of the Senior loan agreed with Banca Intesa and Banco BPM;
- It had a positive cash flow from operations before changes in working capital of EUR 26.6 million;
- It implemented actions aimed at diversifying the business, investing in the development of value-added businesses, such as media and advertising services through the launch of the Vevisible concessionaire and the restyling of the portals under management (Tiscali.it, Gamesurf, Milleunadonna), as well as those dedicated to the development of so-called future communities, in particular thanks to a number of commercial agreements and some direct investments in some young companies in the sector;
- It valorised some assets not in use through the sale of some IP addresses exceeding the Group's needs for a consideration of approximately EUR 16.2 million;
- It approved, on 11 May 2023, the business plan update by preparing the 2023-2026 Updated Business Plan.

In addition, as set forth in the 2023-2026 Business Plan, the Group is implementing certain operational efficiencies that should result in an improvement in the ratio of EBITDA to capital expenditure, with the goal of achieving break-even at the free cash flow level in FY 2024.

In order to give full effect to the actions provided for in the 2023-2026 Business Plan, the Directors also carried out some specific actions aimed at securing the financial resources necessary for its implementation.

Specifically, the Directors proceeded to prepare a cash plan for the period October 2023 - September 2024 identifying the resources required over the next 12 months. This cash plan estimates a total cash requirement over the period of approximately EUR 48 million to enable the Group to meet all of its obligations, accrued and accruing. It should be noted that this cash requirement includes, in addition

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to the fulfilment of ordinary and current obligations, the payment of the instalments agreed with suppliers and other debtors, the repayment of financial payables related to the Senior Loan on the due dates for EUR 14 million in addition to interest for the period and a reduction in overdue payables to suppliers of approximately EUR 4.6 million.

The financial resources identified by the Directors include:

1. The estimated cash on hand as at 30 September 2023, amounting to EUR 5 million, including the credit lines available for advances subject to collection of invoices receivable;
2. The possibility of selling a further portion of IP addresses currently in the portfolio. As at 30 June 2023, there were about one million IP addresses in the portfolio;
3. The possibility to subscribe 12 tranches of the New POC up to a maximum notional EUR 60 million and a cash-in of EUR 57 million;
4. The possibility of valorising certain assets held by the Group and not strictly functional to the implementation of the Industrial Plan.

It should be noted that the nature of the New POC underwritten with Nice & Green is substantially similar to that of the previous mandatory convertible bond instrument entered into with the same investor. For this reason, any subscription of the tranches would provide financial resources that would not affect the Group's debt, given the capital nature of the instrument (mandatory convertible).

With regard to the actions identified, the Directors highlight the following uncertainties:

1. With reference to the possible sale of additional IP addresses, the Directors point out that the value of such addresses is such due to the non-implementation of the new so-called V6 technology that, once implemented, would render the market value of such addresses substantially nil. Therefore, the financial resources potentially obtainable from such sale could be lower than those indicated if their sale were to take place in a technological context different from the current one;

2. The possibility of underwriting 12 tranches of the New POC depends on certain circumstances not fully under the control of the Directors that could lead the Tessellis Group to request the underwriting of a number of tranches lower than those assumed in the cash plan.

In particular:

- a. The use of the New POC requires the provision to Nice & Green of a securities loan concerning shares of the Issuer. This securities loan can be offered either by the majority shareholder - Opnet - or by other shareholders. As of the date of this Report, the existing securities loan was signed with Amsicora because the shares owned by Opnet would not be available for such use. The securities loan offered by Amsicora was guaranteed until 31 December 2023. For these reasons, should the

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Opnet-owned shares not be available for such use as at 1 January 2024, or should no other shareholder be available to lend its shares, the planned subscription of 12 tranches would be reduced to 3 tranches, for a nominal amount of EUR 15 million (EUR 14.3 million actual cash-in);

b. The possibility of subscribing to the tranches of the New POC is subject to the presence of a non-dilution clause of Opnet offered in favour of the financial institutions holding the senior debt. The dilution resulting from the subscription of the POC or resulting from any other capital increase is not under the control of the Directors, and depends in part on the performance of the share price;

c. The ability to subscribe to the tranches of the New POC depends on the Group's ability not to breach the default clauses set forth in Note 27 *Current and Non-Current Financial Liabilities*.

1. The Updated 2023-2026 Business Plan presents an estimate of the economic and financial results that could occur if management succeeds in implementing all of the actions included therein and if the results of those actions turn out as assumed. However, the possibility of implementing all the actions contemplated, and in particular the outcome of those actions, is not fully under the control of the Directors and, therefore, the results included in the plan may not be representative of the Group's future results.

In view of these uncertainties, the Directors are of the opinion that:

1. The valuation of the IP addresses in the short term is not expected to undergo significant downward changes and, therefore, they consider that the sale of these assets constitutes a financial leverage that the Tessellis Group can use in case of need;
2. Based on the current information available to the Directors, they reasonably believe that the risks listed in item 2 above can be mitigated according to the following considerations:
 - a. With regard to the stock loan in favour of Nice & Green, the Directors believe that, in the circumstances in which the stock loan in favour of the current Nice & Green would cease to exist, it would be possible to make up for it by means of alternative transactions including both the replacement of the current lender with other shareholders, and, should this not be possible, the acquisition of treasury shares for an estimated amount of Euro 1.5 million that would guarantee the utilisation of the POC in its entirety, for which the Company has not yet requested the Shareholders' Meeting to authorise the purchase as provided for by current regulations;
 - b. With regard to the dilution of Opnet (holder as of the date of this report of approximately 59.3% of the outstanding shares), the Directors believe that it is reasonable to obtain a waiver from the Lending Pool should the dilution fall below 40%. However, the Directors consider this circumstance to be unlikely, as such a

clause would only be activated following a significant dilution of the current majority shareholding;

c. With regard to the default clauses, to date no events of potential default are foreseen;

3. The Updated 2023-2026 Business Plan has numerous caveats and lower growth from more conservative scenarios and are therefore confident in achieving the results included therein.

Conclusions on the business as a going concern

Under the circumstances outlined above, the Directors believe, after analysing the uncertainties and results for the period, assuming compliance with the 2023-2026 Business Plan and considering the actions outlined above, that the Group will be able to honour its obligations by maintaining a level of past due amounts substantially in line with the current level.

It is on this basis, therefore, that the Directors have a reasonable expectation that the Group will be able to 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.

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

It must be emphasised that the prognostic judgement underlying the Board of Directors' determination is liable to be contradicted by the evolution of the facts. Precisely because it is aware of the intrinsic limits of its own determination, the Board of Directors will maintain constant monitoring of the evolution of the factors taken into consideration (as well as of any further circumstance that may acquire significance), so as to be able to promptly take the necessary measures.

5.8 Accounting Standards

These condensed half-year consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. IFRS also includes all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as the Standing Interpretations Committee ("SIC").

The form and content comply with the disclosure requirements of International Accounting Standard No. 34 *Interim Financial Reporting* ("IAS 34"), in accordance with Article No. 154-ter of the Legislative Decree No. 58 of 24 February 1998 (also known as *Consolidated Law on Finance*) and subsequent amendments and additions, also considering other relevant CONSOB communications and

resolutions.

The notes have been prepared in abridged form, applying the option provided for by IAS 34, and therefore do not include all the information required for an annual financial statement prepared in accordance with IFRS. This is because the purpose of these interim financial statements in the logic of IAS 34 is to provide an update of the financial and economic situation with respect to what is provided in the consolidated financial statements as at 31 December 2022; they must therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

The condensed interim consolidated financial statements, as required by the relevant regulations, have been prepared on a consolidated basis, and are subject to limited audit by Deloitte & Touche S.p.A..

In these condensed half-yearly consolidated financial statements, the accounting principles and consolidation criteria adopted are consistent with those used in the preparation of the consolidated financial statements for the year 2022 to which reference should be made for a detailed explanation - and with those adopted in the preparation of the condensed half-yearly consolidated financial statements as at 30 June 2022.

The preparation of the condensed half-year financial statements and related notes in application of IFRSs requires the Directors to make certain estimates and, in certain cases, to make assumptions in applying the accounting standards. The areas of the financial statements that, under the circumstances, require the adoption of application hypotheses and those that are more characterised by the use of estimates are described in the following note *Major Decisions in Applying Accounting Policies and Use of Estimates*.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, ADOPTED BY THE GROUP AS OF 1 JANUARY 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group as of 1 January 2023:

- On 18 May 2017, the IASB published **IFRS 17 – Insurance Contracts** to replace IFRS 4 - Insurance Contracts. The standard was effective from 1 January 2023. 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.

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The new standard also includes presentation and disclosure requirements to improve comparability between 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;
- Expected profit is deferred and aggregated into groups of insurance contracts at initial recognition; and,
- The expected profit is recognised over the contract coverage period considering adjustments for changes in assumptions about cash flows 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 the time of initial recognition, the entity reasonably expects the liability to approximate 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 (DPF).

In addition, on 9 December 2021, the IASB published an amendment entitled *Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*. The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment was applied from 1 January 2023, together with the application of IFRS 17, to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and to improve the usefulness of comparative information for readers of financial statements.

The adoption of this standard and the related amendment had no impact on the Group’s consolidated financial statements.

- On 7 May 2021, the IASB published an amendment entitled *Amendments to IAS 12 Income Taxes: Deferred Taxes related to Assets and Liabilities arising from a Single Transaction*.

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The document clarifies how deferred taxes should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments were applied as of 1 January 2023.

The adoption of this amendment had no impact on the Group's consolidated financial statements.

- On 12 February 2021, the IASB published two amendments entitled ***Disclosure of Accounting Policies – Amendments to IAS 1*** and IFRS Practice Statement 2 and ***Definition of Accounting Estimates – Amendments to IAS 8***. The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments were applied as of 1 January 2023. The adoption of the first amendment mentioned above impacted the financial statement disclosures of accounting policies. The second amendment had no impact on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

As of the date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and principles described below.

- On 23 January 2020, the IASB published an amendment entitled ***Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*** and on 31 October 2022 it published an amendment entitled ***Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants***. The purpose of the documents is to clarify how to classify payables and other short-term or long-term liabilities. The amendments come into force on 1 January 2024; however, earlier application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.
- On 22 September 2022, the IASB published an amendment entitled ***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback***. The document requires the seller-lessee to measure the lease liability arising from a sale and leaseback transaction so as not to recognise income or loss that relates to the retained right of use. The amendments will apply from 1 January 2024, but earlier application is permitted. The Directors do not expect a material effect on the Group's consolidated financial statements from the adoption of this amendment.
- On 23 May 2023, the IASB published an amendment entitled ***Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules***. The document

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introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules and provides specific disclosure requirements for entities affected by the related International Tax Reform.

The document provides for immediate application of the temporary exception, while the disclosure requirements will only apply to annual financial statements beginning on or after 1 January 2023, but not to interim financial statements with a closing date prior to 31 December 2023. The directors do not expect a material effect on the Group's consolidated financial statements from the adoption of this amendment.

- On 25 May 2023, the IASB published an amendment entitled ***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements***. The document requires an entity to provide additional disclosures about reverse factoring arrangements that enable users of financial statements to evaluate how supplier finance arrangements may affect the entity's liabilities and cash flows and to understand the effect of those arrangements on the entity's exposure to liquidity risk. The amendments will apply from 1 January 2024, but earlier application is permitted. The directors do not expect a material effect in the Group's consolidated financial statements from the adoption of this amendment.
- On 30 January 2014, the IASB issued ***IFRS 14 – Regulatory Deferral Accounts***, which only allows first-time adopters of IFRSs to continue to recognise amounts relating to rate-regulated activities under their previous adopted accounting policies. As the Company/Group is not a first-time adopter, this standard is not applicable.

USE OF ESTIMATES

The preparation of the half-yearly consolidated financial statements and notes involved the use of estimates and assumptions to determine certain assets and liabilities and to measure contingent liabilities. Due to the use of estimates and assumptions, the results that will result from the occurrence of expected and/or foreseeable events may differ from those assumed. The estimates and assumptions used 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 to the following issues:

1. Estimates related to the purchase price allocation activities of the assets acquired during the Transaction ("PPA");
2. Estimates related to the balance sheet items recognised in accordance with IFRS 16;
3. Estimates related to the assumptions underlying the valuations included in the impairment test, for which reference should be made to the relative Note 11 Impairment test;

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4. Estimates related to the provisions for risks and charges. Although as at 30 June 2023 the company was not involved in litigation of a significant amount, the estimate of the possible impact of certain outstanding risks – made on the basis of the most recent information available – is based on a complex estimation process involving the internal legal department and its own legal advisors;
5. Estimated revenue recognition based on IFRS 15. For the Tessellis Group, the estimation process is related to the presence of some contracts that may contain several performance obligations.

5.9 Explanatory Notes

Revenues (Note 1)

	1° semester 2022
Revenues (EUR 000)	
Revenues	117.737
Total	117.737

Revenues for the first half of 2023 amounted to EUR 117.7 million. For a review of the business performance in the first half of 2023, please refer to the management report. There were no ordinary transactions in the period with a counterparty that alone accounts for more than 10% of the Group's revenues.

Other Income (Note 2)

	1° semester 2022
Other Income (EUR 000)	
Other Income	1.301
Total	1.301

Other Income, amounting to a positive EUR 1.3 million, included the following items:

- The accrued portion of tax credits on investments under the Bonus Sud and Industry 4.0 regulations for a total amount of EUR 0.5 million attributable to the release of the 2022 portion of deferrals related to tax credits allocated in the financial statements;

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- Other contingent assets of EUR 0.7 million.

Purchase of materials and outsourced services, payroll, and other operating costs (income)
(Note 3)

Purchase of materials and outsourced services, payroll and other operating costs (income)	1° semester 2022
<i>(EUR 000)</i>	
Line/traffic rental and interconnection costs	65.410
Costs for use of third party assets	3.619
Portal services costs	884
Marketing costs	1.510
Other services	6.599
Other operating costs (income)	100
Total	78.122

Purchase of materials and services and other operating costs (income) of EUR 78.1 million include the following items:

- EUR 65.4 million for line/traffic and interconnection rental costs related to Broadband and Ultrabroadband fixed and Fixed wireless services, and Mobile services;
- EUR 3.6 million in costs for the use of third-party assets related to the cost of leases and rentals of operating assets that do not fall within the scope of IFRS 16;
- EUR 6.6 million for other services related to the cost of maintaining and operating industrial sites, administrative offices, rents, consulting and professional fees, billing costs, postage, travel expenses, and other overhead costs
- EUR 1.5 million for marketing costs;
- EUR 0.9 million for portal services;
- EUR 0.1 million in other charges.

Staffing costs (Note 4)

Staffing cost	1° semester 2022
<i>(EUR 000)</i>	
Wages and salaries	12.411
Other staffing costs	7.017
Total	19.428

The following table shows the average number of FTEs as at 30 June 2023:

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Average number of employees (FTE)

The number of average FTEs as at 30 June 2023 amounted to 953, down by 5 from 31 December 2022.

	30 June 2023	31 December 2022
Managers	25	23
Middle Managers	57	59
Employee	857	861
Workers	14	15
Totale	953	958

Write-downs of receivables from customers (Note 5)

Write-downs of receivables from customers (EUR 000)	1° semester 2022
Provisions for bad debts	2.869
Total	2.869

Write-downs of receivables from customers amounted to EUR 2.9 million (2.4% of revenues).

In this regard, there was an improvement in the quality of credit, thanks to the implementation of activities to prevent bad debts and thanks to the increase in the share of collections by RID/credit card with respect to collections by postal order.

Restructuring costs (Note 6)

Restructuring costs and other provisions (EUR 000)	1° semester 2022
Restructuring costs	105
Total	105

The amount of EUR 105,000 in this item refers to provisions for disputes with employees.

Depreciation and Amortisation (Note 7)

Depreciation	1° semester 2022
<i>(EUR 000)</i>	
Depreciation	41.907
Total	41.907

Depreciation and amortisation amounted to EUR 41.9 million.

For more details on depreciation of assets, see also Notes 13-14-15-16.

Financial Income (Charges) (Note 8)

The breakdown of the items Financial Income and Financial Charges as at 30 June 2023, which totalled a negative EUR 3.2 million, is detailed below.

Net financial income (charges)	1° semester 2022
<i>(Thousands of EUR)</i>	
Financial income	
Interest on bank deposits	21
Income from Senior Loan restructuring	0
Other financial income	59
Total	80
Financial charges	
Interest and other charges due to banks	1.965
Other financial charges	1.292
Total	3.257
Net financial income (charges)	(3.177)

The item Financial Charges of EUR 3.3 million includes the following items:

- Financial charges related to interest accrued on the loan to Senior Lenders amounting to EUR 1.7 million;
- Interest expenses on finance leases and IRU for approximately EUR 0.4 million;
- Bank charges for EUR 0.7 million referring mainly to commissions on short-term credit lines, particularly the SDD (Sepa Direct Debit) advance lines;
- Financial charges of EUR 0.2 million related to the issue discount on the Nice & Green convertible bond loan tranches;

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- Interest expense on bank current accounts for EUR 0.1 million;
- Interest payable on arrears for EUR 0.2 million related to trade and tax payables.

Income Taxes (Note 9)

Income taxes	1° semester 2022
<i>EUR 000</i>	
Current taxes	0
Deferred taxes	0
Total	0

Current taxes are nil as at 30 June 2023.

Earnings (Loss) per Share (Note 10)

The result of third parties, positive for EUR 134,000, was determined in relation to the line-by-line consolidation of the participated companies Linkem Services S.r.l., 3P Italia S.p.A. and Vevisible S.r.l., whose percentage of ownership is respectively 85%, 54.7% and 75%.

Earnings per share from “continuing operations” were negative and equal to EUR 0.068 and were calculated by dividing the loss from continuing operations for the first half of 2023 attributable to the ordinary shareholders of the Parent Company, equal to EUR 12.3 million, by the weighted average number of ordinary shares outstanding during the year, equal to 180,587,059.

The diluted earnings per share of “continuing operations” is negative and equal to EUR 0.068 and was calculated by dividing the net loss for the period attributable to the Parent Company’s ordinary shareholders, equal to EUR 12.3 million, by the weighted average number of potential shares outstanding during the year, equal to 180,587,059.

Impairment test (Note 11)

In the absence of impairment indicators, the Directors did not conduct an Impairment Test as at 30 June 2023.

Goodwill (Note 12)

Goodwill (EUR 000)	Total
Net book value as at 1 January 2023	46.531
Increases	
Balance as at 30 June 2023	46.531

Goodwill amounted to EUR 46.5 million and is broken down as follows:

- EUR 41.8 million arising from the merger transaction between Tessellis and the Retail Unit that took place on 1 August 2022. As described in the section Purchase Price Allocation Process and Restatement of the 2022 Financial Statements, the Directors proceeded to accurately value the assets and liabilities acquired on 1 August 2022 (PPA). This process resulted in the recognition of assets and liabilities to which a portion of the acquisition price of EUR 82,515,000 was allocated. This amount is net of the EUR 82.5 million allocation made by the Directors. Following this allocation, the remaining portion of the price not allocated to specific assets and, therefore, charged to Goodwill, amounted to EUR 41.8 million.
- EUR 4.7 million related to the goodwill of 3P Italia S.p.A.

Intangible Assets (Note13)

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
Net book value as at 1 January 2023	363	69.775	28.787	23.000	1.620	123.546
Increases		3.192	6.786	256		10.235
Disposal						
Increases in amortization	(51)	(4.976)	(10.466)	(3.170)		(18.662)
Reclassifications						
Other movements		(54)		19		(34)
Balance as at 30 June 2023	313	67.937	25.108	20.106	1.620	115.084

Foreword

The item *Computer, Software and Development Costs* of EUR 0.3 million includes the development costs of customised application software for the exclusive use of the Group (net of the related amortisation provision).

The balance of *Concessions and similar rights* of EUR 67.9 million mainly includes:

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- EUR 13.5 million for licences and software, including software relating to the remote activation and management of equipment installed at customer premises, licences relating to the use of the VOIP platform and customer management software (billing, customer care);
- Tiscali Trademark for EUR 41.3 million, valued at the time of the Purchase Price Allocation (as described in the section Purchase Price Allocation Process and Restatement of 2022 Financial Statements)
- EUR 12 million of multi-year rights and charges related to the purchase of transmission capacity on a multi-year basis, in the form of Indefeasible Right of Use (IRU) concession contracts; these IRUs are accounted for by the subsidiary Tiscali Italia S.p.A., for which the main suppliers are Telecom Italia, Interoute, Fastweb and Infracom;
- EUR 1.1 million for patent and industrial property rights.

Capital expenditure for the period amounted to EUR 3.2 million. Depreciation and amortisation for the period amounted to EUR 5 million.

The item *Broadband Service Activation Costs* amounted to EUR 25.1 million. The increase in the period amounted to EUR 6.8 million and related to customer acquisition and activation costs for fixed broadband services, including EUR 3.5 million for line activation costs and EUR 3.3 million for the capitalisation of personnel costs.

Amortisation and depreciation for the period amounted to EUR 10.5 million.

Other intangible assets amounted to EUR 20.1 million.

This item includes EUR 14.7 million of IPv4 addresses, valued during the Purchase Price Allocation (as described in section 4). The increase in the period amounted to EUR 0.3 million (net of the related depreciation provision). Amortisation for the period amounted to EUR 3.2 million.

Intangible assets under construction and advances amounted to EUR 1.6 million.

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Leased Contracts Rights of Use (Note 14)

Leased contracts rights of use (EUR 000)	Network equipment rights of use	Property rights of use	Total
Net book value as at 1 January 2023	2.727	10.886	13.614
Increases			
Disposal			
Increases in amortization	(786)	(1.273)	(2.060)
Reclassifications			
Balance as at 30 June 2023	1.941	9.613	11.554

The item *Property Utilisation Rights*, amounting to EUR 9.6 million, includes the recognition of the right of use arising from the Sa Illetta site lease agreement and other industrial site lease agreements.

Depreciation for the period amounted to EUR 1.3 million.

The item *Rights to use network equipment*, which includes operating leases with right of redemption, capitalised as of 1 January 2019, amounts to EUR 1.9 million. This item includes depreciation for the period of EUR 0.8 million.

Customer Acquisition Costs (Note 15)

Customer Acquisition Costs (Eur 000)	Total
Net book value as at 1 January 2023	23.141
Increases	6.809
Disposal	
Increases in amortization	(9.028)
Reclassifications	
Other movements	117
Balance as at 30 June 2023	21.040

This item includes costs related to fees paid to dealers and commercial intermediaries for customer acquisition.

Increases for the period amounted to EUR 6.8 million, while depreciation for the period amounted to

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EUR 9 million.

Property, Plant and Equipment (Note 16)

Changes in the first half of 2023 are shown in the following table:

Tangible assets (EUR 000)	Property	Plant & machinery	Other tangible assets	Tangible assets under construction	Total
<u>HISTORICAL COST</u>					
1 January 2023		68.788	1.206	8.477	78.471
Increases		7.205	129		7.334
Disposal		(11.418)			(11.418)
Reclassifications		507		(604)	(97)
Other movements		(232)		(32)	(264)
Balance as at 30 June 2023		64.851	1.335	7.841	74.027
<u>ACCUMULATED DEPRECIATION</u>					
1 January 2023		11.954	79		12.033
Increases in amortization		12.064	93		12.157
Disposal		(11.418)			(11.418)
Reclassifications		(97)			(97)
Other movements		(455)	5		(450)
Balance as at 30 June 2023		12.047	177		12.224
<u>NET BOOK VALUE</u>					
1 January 2023		56.834	1.127	8.477	66.438
Balance as at 30 June 2023		52.804	1.158	7.841	61.803

The item *Property* is nil and refers to the building of the subsidiary Linkem Services S.r.l., which was entirely written down in 2022.

Plant and machinery for EUR 52.8 million include specific network equipment such as routers, DSLAMs, servers and transmission equipment installed in ULL sites.

Additions for the period include capital expenditure of EUR 7.2 million, while disposals for the period, relating to fully depreciated assets, amounted to EUR 11.4 million of historical cost (and the same value of accumulated depreciation)

There are reclassifications for a historical value of EUR 0.5 million (against a depreciation provision of EUR -0.1 million) and are attributable to assets from the item Tangible assets in progress for assets that began their depreciation cycle in the period.

Depreciation for the period amounted to EUR 12 million.

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Other tangible assets, whose balance amounted to EUR 1.2 million, include furniture and fixtures, electronic and electromechanical office machines, and motor vehicles. Investments for the period amounted to EUR 0.1 million, while depreciation for the period amounted to EUR 0.1 million.

The item *Tangible assets under construction and advances*, whose balance amounts to EUR 7.8 million, mainly includes investments in network infrastructure.

This item includes reclassifications of negative EUR 0.6 million attributable to assets transferred from the item *Tangible assets in progress* to the item *Network equipment* for assets that began their depreciation cycle in the period.

Investments evaluated at Equity Method (Note 17)

	30 June 2023	31 December 2022
Investments evaluated at equity method (EUR 000)		
Total	6.017	6.025

This item includes the value of the following investee companies:

- Janna, S.c.p.a., a consortium company over which the Group has significant influence by virtue of certain agreements between the shareholders, and whose purpose is the management of a submarine fibre optic cable laid between Sardinia and the peninsula and between Sardinia and Sicily, for EUR 3.7 million. The share held is 17%.
- Connecting Project S.r.l., an Italian company specialised in offering integrated, high value-added solutions dedicated to telecommunications retail operators, for EUR 1.7 million. The stake held is 40%.
- Aetherna S.r.l., a B2B telecommunications company, specialising in the provision of digital services for the hospitality industry, for EUR 0.6 million. The stake held is 49%.
- Salesmart S.r.l., a company that develops advanced solutions for Digital Marketing, for EUR 55,000. The stake held is 40%.

Deferred tax assets (Note 18)

	30 June 2023	31 December 2022
Tax assets (EUR 000)		
Tax Assets	19.783	23.727
Total	19.783	23.727

Deferred tax assets amount to EUR 19.8 million.

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Other non-current financial assets (Note 19)

Other non-current financial assets	30 June 2023	31 December 2022
<i>(EUR 000)</i>		
Guarantee deposits	783	791
Warranties	855	855
Other receivables	382	253
Total	2.020	1.900

Guarantee deposits, amounting to EUR 0.8 million, are represented by deposits paid in the context of conducting business on contracts with a multi-year duration. The item *Warranties* includes the participations valued at cost of the companies acquired in 2022 with the integration of the Retail branch.

Other financial assets of EUR 0.4 million relate to financial receivables from the subsidiary Salesmart S.r.l..

Inventory (Note 20)

Inventories amounted to EUR 16.8 million and included:

- EUR 14.9 million of IPv4 Addresses, as per the valuation resulting from the Purchase Price Allocation Process carried out by the Directors and described in the section " Purchase Price Allocation Process and Restatement of the 2022 Financial Statements.
- EUR 1.4 million of inventories related to the subsidiary 3P Italia S.p.A.
- EUR 0.8 million related to the Puma ex Linkem equipment inventory written down by EUR 0.5 million
- EUR 70 thousand related to tablets or personal computers supplied by Tiscali Italia as part of the Ultrainternet Fibra Voucher offer;
- EUR 80 thousand of inventories related to the subsidiary Linkem Service.

Trade Receivables (Note 21)

Trade receivables	30 June 2023	31 December 2022
<i>(EUR 000)</i>		
Trade receivables	29.161	23.963
Write-down provision	(10.479)	(9.983)
Total	18.682	13.980

As at 30 June 2023, Trade receivables amounted to EUR 18.7 million, net of write-downs totalling EUR 10.5 million, and originated from sales of fixed broadband, fixed wireless and mobile services,

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and advertising sales.

The increase in accounts receivable as at 31 December 2022 is entirely due to the invoices issued to Fastweb for the voucher assigned in 2022 for a total of EUR 4.8 million and offset with payables of the same amount, recognised in current liabilities to suppliers, in July 2023.

The recoverability of receivables is analysed periodically, adopting a specific policy to determine the allowance for doubtful accounts with reference to 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 collectability risk of receivables is already made when the receivables are recognised, considering the generic risk of receivables not past due at the reference date, which can be inferred from historical experience.

The following table shows the changes in the bad debt allowance during the respective years:

Bad debt allowance variations	30 June 2023	31 December 2022
<i>(EUR 000)</i>		
Bad debt allowance BoP	(9.983)	(9.983)
Provision	(2.869)	(2.134)
Utilizations	2.373	2.134
Bad debt allowance Eop	(10.479)	(9.983)

The total provision for the period amounted to EUR 2.9 million. The item *Utilizations* includes the write-off of credit positions that are no longer recoverable.

Tax Receivables (Note 22)

Tax receivables	30 June 2023	31 December 2022
<i>(EUR 000)</i>		
Tax receivables	115	115
Total	115	115

This item mainly includes receivables for IRAP recognised in the Parent Company's accounts.

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Other Receivables and Other Current Assets (Note 23)

Other Receivables and other Current Assets	30 June 2023	31 December 2022
<i>EUR 000</i>		
Other receivables	4.084	11.285
Accrued income	21	4
Prepaid expenses	8.957	5.388
Total	13.062	16.677

The item *Other Receivables* includes the following:

- Tax credits allocated on investments in relation to the Bonus Sud and Industria 4.0 regulations for EUR 0.3 million and electricity tax credits pursuant to Legislative Decree No. 4/22 for EUR 0.3 million;
- Receivables from Infratel and Fastweb for voucher contributions for EUR 0.6 million;
- Sundry receivables and advances to suppliers for EUR 2.4 million (of which EUR 1.5 million from Opnet S.p.A. in relation to the transfer operation of the Linkem retail branch);
- Receivables from tax authorities for VAT amounting to EUR 0.4 million.

The item *Prepaid expenses*, whose balance is EUR 9 million, includes costs already incurred and accrued in subsequent years, mainly related to multi-year line rental contracts, hardware and software maintenance costs, insurance, and advertising costs.

Liquid Assets (Note 24)

Cash and cash equivalents as at 30 June 2023 amounted to EUR 7.6 million and included the Tessellis Group's liquidity, held mainly in bank accounts. There are no time deposits.

Shareholder's Equity (Note 25)

Shareholders' equity	30 June 2023	31 December 2022
<i>EUR 000</i>		
Share capital	189.514	185.514
Legal Reserve	2.011	2.011
Reserve for employees benefits	272	272
Accumulated losses and other reserves	(122.657)	(85.773)
Profit/(loss) for the year	(26.810)	(36.896)
Shareholders' equity_ Group	42.330	65.128
Shareholders' equity_ third parties	1.147	1.013
Total Shareholders' equity	43.477	66.141

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Changes in Shareholders' Equity items are shown in the relevant statement.

As at 30 June 2023, the share capital amounted to EUR 189.5 million corresponding to 185,370,295 shares with no par value.

The *Increase in Share Capital* includes EUR 4 million related to the conversion of four tranches of the bond loan subscribed by Nice & Green SA (the "New POC"), which took place on 7 February 2023 (1 tranche consisting of 10 bonds), 22 March 2023 (2 tranches consisting of 10 bonds), 18 May 2023 (1 tranche consisting of 10 bonds) and 6 June 2023 (2 tranches consisting of 10 bonds), respectively.

It should also be noted that *Other reserves* include an increase of EUR 100,000 due to the reversal of charges related to the capital increases related to the POC charged to reserve in 2022.

The loss attributable to the Group amounted to EUR 26.8 million.

Minority Interest (Note 26)

Minority interests as at 30 June 2023 amounted to EUR 1.1 million.

Current and Non-current Financial Liabilities (Note 27)

Current Financial Liabilities

	30 June 2023	31 December 2022
Current financial liabilities		
<i>(EUR 000)</i>		
Convertible bond		
Payables to banks and other financing parties	15.604	14.752
Payables for finance leases (short term)	4.471	4.925
Total	20.075	19.678

Due to banks and other lenders – current portion

The item *Due to Banks*, amounting to approximately EUR 15.6 million, comprises the following items:

- The short-term Senior Loan component in the amount of EUR 10.1 million;
- Bank payables of EUR 2 million;
- Other financial payables to Opnet S.p.A for EUR 3.2 million;
- The short-term component of the Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria) loan for EUR 0.2 million.

Lease payables – current portion

This item amounted to EUR 4.4 million and includes the following elements:

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- Short-term portion of payables for operating leases for EUR 2.6 million for network equipment.
- The debt arising from the IFRS 16 accounting of the Sa Illetta office lease for EUR 1.8 million.

Non-current Financial Liabilities

Non Current financial liabilities	30 June 2023	31 December 2022
<i>(EUR 000)</i>		
Payables to banks and other financing parties	68.109	76.309
Payables for finance leases (long term)	8.957	10.727
Total	77.066	87.036

Due to banks and other lenders

This item includes the long-term portion of the payable to Senior Lenders for EUR 55.1 million, the long-term portion of the Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria) loan for EUR 3.2 million, other financial payables to Opnet S.p.A. for EUR 5.9 million, financial payables arising from the recognition of the financial debt related to the put option on the minority shares of 3P Italia S.p.A. on 26 September 2022 for the acquisition of the majority share for EUR 3.6 million, as well as bank payables for EUR 0.4 million also related to 3P Italia S.p.A.

Lease Payables – long-term portion

This item includes the long-term portion of payables for operating leases in the amount of EUR 8.9 million. In particular, this amount includes the long-term portion representing the debt recognised pursuant to IFRS 16 on the lease of the Sa Illetta headquarters for EUR 7.1 million and the long-term portion representing the debt on other leases on certain network equipment for EUR 1.8 million.

Net Financial Debt

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

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Net Financial Position	Notes	30 June 2023	31 December 2022
<i>(EUR 000)</i>			
A. Cash and bank deposits		7.565	8.265
B. Cash equivalents			
C. Securities held for trading		21	4
D. Cash and cash equivalents (A) + (B) + (C)		7.586	8.269
E. Current financial debt	(1)	9.767	12.044
F. Current portion of non-current financial debt		10.308	7.634
G. Current financial indebtedness (E + F)		20.075	19.678
H. Net current financial indebtedness (G - D)	(2)	12.489	11.408
I. Non-current financial debt	(3)	77.066	87.036
J. Debt instruments			
K. Trade and other non-current payables		19.567	22.548
L. Non-current financial indebtedness (I + J + K)		96.633	109.584
M. Net financial indebtedness (H + L)		109.122	120.992

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

It should also be noted that the amount of trade payables and payables to other parties overdue by more than 12 months is EUR 5 million. It should also be noted that the severance indemnity payable to the company is EUR 7.4 million.

The gross financial debt (current and non-current) identified below, amounting to EUR 129.3 million, is mainly composed of the items shown in the following table:

Breakdown of current and non current debt	30 June 2023	Current portion	Non-current portion
<i>(EUR 000)</i>			
Senior debt (including ex CR Umbria)	68.556	10.308	58.248
Long term bank debt (3P Italia)	445		
Bank payables	2.096	2.096	
Total Senior debts and other bank payables	71.097	12.405	58.248
Payables to leasing companies	13.428	4.471	8.957
Other financial payables (incl factoring)	12.616	3.200	9.417
Trade payables and other non-current payables	19.567	0	19.567
Total payables to leasing companies and other financial payables	45.611	7.671	37.940
Total indebtedness	116.708	20.075	96.633

The main items in the above table are as follows:

- Senior debt under the Senior Loan Amendment Agreements signed on 7 October 2021 with Intesa San Paolo and Banco BPM for EUR 65.1 million;
- Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria) financing under the Amendment Agreements signed on 7 October 2021 for EUR 3.4 million;
- Debt to other financing institutions by 3P Italia S.p.A. for EUR 0.4 million;

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- Bank debt by the subsidiary Tiscali Italia S.p.A. for EUR 2.1 million;
- Operating lease payables of EUR 13.4 million. This amount includes the operating lease contract of the Sa Illetta office for EUR 9 million. The remaining amount of EUR 4.4 million includes property leases and company car leases and other operating leases related to sites and network equipment;
- Other financial payables arising from the contract entered into with 3P Italia S.p.A. on 26 September 2022 for the acquisition of the majority share for EUR 3.6 million;
- Other financial payables to Opnet related to the purchase of devices (CPE) for the provision of the FWA service, amounting to EUR 9 million;
- The long-term component of trade payables and accrued tax payables in the amount of EUR 19.5 million.

The table below shows the monetary and non-monetary changes in financial liabilities that occurred in the first half of 2023:

Cash and no cash variations of Financial liabilities	31 December 2022	Cash movements (repayments/ new debt)	Accrued Interests	30 June 2023
<i>(EUR 000)</i>				
Senior debt	71.887	(5.032)	1.700	68.555
Long-term bank debt (3P Italia)	490	(45)		445
Leasing and other financial liabilities	27.261	(5.198)	427	22.490
Bank debts	3.609	(1.513)		2.096
Put options 3 P Italia	3.467		87	3.554
Trade payables and other non-current payables	22.548	(3.106)	125	19.567
Gross financial debts	129.262	(14.893)	2.340	116.708

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 outstanding as at 30 June 2023

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(nominal values):

Euro/ mln					
Loan	Amount	Due date	Senior Lenders	Contractor	Guarantors
Tranche A	13,3	31-mar-25	Banco BPM	Tiscali Italia S.p.A.	Tiscali S.p.A
Tranche B	5,9	31-mar-26	Banco BPM		Tiscali International BV Tiscali Financial Services SA
Loan	Amount	Due date	Senior Lenders	Contractor	Guarantors
Tranche A	8,9	31-mar-25	Intesa San Paolo S.p.A.	Tiscali Italia S.p.A.	Tiscali S.p.A
Tranche B	41,1	31-mar-25	Intesa San Paolo S.p.A.		Tiscali International BV Tiscali Financial Services SA

It should be noted that as at 30 June 2023 there are no events of default.

Event of default – New POC

It should also be noted that the investment agreement relating to the New POC provides for default events in line with practice for similar transactions, including:

- A default by the Company in the payment of any amount due to N&G under the investment agreement or the Opnet Share Loan or an uncured breach of the Covenants or obligations under the investment agreement;
- A breach of the provisions under the Market Abuse Regulation;
- The breach of the original collateral sharing agreement as described under the Amendment Agreement between the Company, N&G, Banco BPM S.p.A. and Intesa Sanpaolo S.p.A. that is not cured;
- The delisting of the Tessellis shares at the Company's request;
- The inability to issue the new shares and credit them to N&G's securities account in accordance with the law;
- The occurrence of a material adverse change pursuant to the investment agreement or a takeover or exchange offer resulting in the acquisition of control of the Company;
- The voluntary suspension by the Company or the interruption or liquidation of its activities (unless the transaction takes place at market conditions or for a fair consideration), or the Company is declared bankrupt, subject to liquidation or company reorganisation;
- The non-payment by the Company of an amount exceeding EUR 1,500,000 following the receipt of a final judgment issued by the competent court, without prejudice to the possible suspension of the aforementioned judgment following an appeal.

Upon the occurrence of an event of default N&G may, at its own discretion, terminate the investment agreement.

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Other Non-current Liabilities (Note 28)

Other non-current liabilities (EUR 000)	30 June 2023	31 December 2022
Trade payables	17.630	17.945
Other payables	2.919	6.131
Total	20.549	24.076

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

Other Non-current Payables of EUR 2.9 million mainly comprise:

- The long-term component of the deferral of tax credits in the amount of EUR 0.4 million
- EUR 1.9 million in tax payables for tax bills to be regularised on a long-term basis;
- EUR 0.2 million for security deposits with customers;
- EUR 0.3 million due to Janna S.c.p.a. (whose purpose is the management of a submarine fibre optic cable between Sardinia and the peninsula and between Sardinia and Sicily).

Liabilities for staff severance indemnities (Note 29)

The following table shows the changes occurred during the period:

(EUR/000)	Decembre 31th, 2022	Accruals	Utilization	Payments to Funds (*)	June 30th, 2023
	7.814	954	(366)	(988)	7.413
Totale	7.814	954	(366)	(988)	7.413

(*) This refers to payments made to treasury funds and other supplementary pension funds

The item *Provision for staff severance indemnities*, which includes indemnities accrued mainly in favour of employees, refers to the Parent Company and subsidiaries operating in Italy and amounted to EUR 7.4 million as at 30 June 2023.

Provisions for risks and charges (Note 30)

(EUR 000)	Decembre 31th, 2022	Increases in provision	Utilisations	Utilisations - Cash out	Other variations (Reclass)	June 30th, 2023
Provision for restructuring charges						
Provision for network infrastructure restructuring	1.080				(592)	488
Customers Supplementary Indemnity Fund	484				(3)	480
Employee disputes risk fund	351	105		(73)		384
Other provisions for risks and charges	171					171
Intercompany funds	8.469					8.469
Total	10.554	105		(73)	(595)	9.992

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The provision for risks and charges as at 30 June 2023 amounted to EUR 9.9 million and mainly included the following items:

- EUR 8.5 million for Provision for tax audit risk, allocated effective from 1 August 2022 as part of the PPA process (see the section on *Litigations, contingent liabilities, and commitments* for details);
- EUR 0.5 million for provisions against charges to be incurred for the rationalisation of the network infrastructure
- EUR 0.5 million for provisions against agents' termination indemnity;
- EUR 0.3 million related to provisions for legal disputes with personnel;
- EUR 0.2 million for other provisions for risks and charges.

Provisions made in the period amounted to EUR 0.1 million and mainly related to legal disputes with employees.

Monetary utilisations in the period amounted to EUR 73,000 and refer to payments related to employee disputes. Reclassifications amounted to EUR 0.6 million and related to transfers to payables to suppliers for network infrastructure restructuring charges.

Reference should be made to the note *Litigations, contingent liabilities, and commitments* below for an update on the status of litigations for which the provision set aside is deemed to represent the Group's best estimate of the risk of liability based on available knowledge.

Deferred tax provision (Note 31)

	30 June 2023	31 December 2022
Deferred tax provision		
<i>EUR 000</i>		
Deferred tax provision	19.783	23.727
Total	19.783	23.727

For more details, please refer to Note 18.

Trade Payables (Note 32)

	30 June 2023	31 December 2022
Trade payables		
<i>(EUR 000)</i>		
Trade payables	101.110	87.792
Total	101.110	87.792

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Trade payables refer to trade payables for the provision of telephone traffic, data traffic, supply of materials and technology and services, as well as the provision of long-term investments (mainly LTE network infrastructure).

As at 30 June 2023, net trade payables past due (net of payment plans agreed with suppliers, accounts receivable and in dispute with the same suppliers) amounted to EUR 15.3 million.

The increase in supplier payables as at 31 December 2022 is attributable to temporary changes referring to services rendered by the parent company Opnet as part of the services agreement in place and settled in July 2023 as part of the subscription of the capital increase that took place in that month. The change attributable to this item amounts to about EUR 11 million, while the remaining change is attributable, as already described in the note on customer receivables, to the increase in payables to Fastweb as a result of the offsetting with credit items in the amount of EUR 4.8 million that occurred after the end of the period.

Tax payables (Note 33)

	30 June 2023	31 December 2022
Tax payables		
<i>EUR 000</i>		
Tax payables	9	
Total	9	0

Other Current Liabilities (Note 34)

	30 June 2023	31 December 2022
Other current liabilities		
<i>(EUR 000)</i>		
Accrued expenses	4.260	3.163
Deferred income	18.134	18.806
Other payables	18.150	21.861
Total	40.544	43.829

Accrued expenses mainly refer to personnel expenses.

Deferred income of EUR 18.1 million mainly refers to:

- The deferral of revenues for the activation of fixed and fixed wireless broadband and voice services, for the portion not accruing, of approximately EUR 16.1 million;
- The deferral of revenues from the sale of transmission capacity (IRU), pertaining to future years, for about EUR 2 million.

Other payables for EUR 18.1 million mainly include:

- Payables to tax authorities, social security institutions and public bodies for EUR 9.8 million;
- Other short-term payables of EUR 2.6 million;

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- Trade payables to Opnet S.p.A. of EUR 5.7 million.

5.10 Other Information

Stock Options

As at 30 June 2023, there were no active stock option plans in place.

Litigation, contingent liabilities, and commitments

On 8.11.2021, Juna sued Tiscali Italia S.p.A. for EUR 843,186.05 as unreceived indemnity/reimbursement of undue reversals in relation to the agency agreement of 19 October 2015 terminated due to Juna's serious breach of contract in 2019. At the hearing on 24 January 2023, the Judge held the case under reserve. The value of the case is EUR 850,000.

The lawsuit is under preliminary investigation; the parties have filed their briefs pursuant to Article No. 183 of the Italian Code of Civil Procedure.

At the date of this Report, it is not possible to express a forecast on the outcome of the case.

Tax and social security proceedings

Revenue Agency assessment of 23 February 2023

On 23 February 2023, the Agenzia delle Entrate, Direzione Regionale della Sardegna, Settore Fiscalità e Compliance, Ufficio Controlli Soggetti di rilevanti dimensioni, carried out an access at the offices of Tiscali Italia for the purpose of carrying out a tax audit for the purposes of direct and indirect taxation and the repression of tax violations, both in formal and substantive terms, for the tax year 2020, with reference, albeit not exclusive, to the following transactions:

1. Merger by incorporation of the companies Aria S.r.l. and Veesible S.r.l. into Tiscali Italia;
2. Accrual of tax credits on new investments (Bonus Sud; Industria 4.0);
3. Transformation of deferred tax assets into tax credits.

As at the date of this Report, the verification operations are still in progress, mainly at the offices of the Agenzia delle Entrate, and a number of cross-examination meetings have been held at the offices of Tiscali Italia.

With regard to the tax credits on new investments (Bonus Sud, Industria 4.0), referred to in item 2) above, the Agenzia delle Entrate challenged the Company on the effective facilitation of a part of the

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investments and the related tax credits calculated on the basis of them, recorded in Tiscali Italia 2020 Financial Statements and subsequently partially used to offset tax payables.

The Company provided the Agency with the requested clarifications and details and opposed its arguments to the Agenzia delle Entrate's objections, also through an opinion drafted by an independent expert.

At the date of this Report, the Company is waiting to receive the Final Dispute Report from the Agenzia delle Entrate, which will sanction the amount of the disputed tax credit and the eventual tax loss. Following receipt of the final report, the Company will be able to present its counterarguments and, if necessary, enter into litigation.

On the basis of the Minutes sent by the Agenzia delle Entrate to the Company from February 2023 to September 2023, the Directors have made a prudential estimate of the potential tax risk arising from the disputes themselves, also taking into consideration the credits allocated in reference to the investments made in the year 2021, not subject to the current audit, and have accounted for a risk provision of EUR 8.5 million as at 30 June 2023.

With regard to the other matters subject to audit by the Revenue Agency (referred to in items 1) and 3) above, at the date of the Report, there were no probable risks of losing the case.

Fair Value

In order to provide the classification of financial instruments at fair value required by IFRS 13, determined on the basis of the quality of the sources of the inputs used in the assessment, the fair value measurements of the Group's financial instruments were classified into the 3 levels required by IFRS 7. Specifically, the fair value hierarchy consists of the following levels:

- Level 1: corresponds to prices quoted in active markets;
- Level 2: corresponds to prices calculated through elements derived from observable market data;
- Level 3: corresponds to prices calculated through elements other than observable market data.

It should be noted that in 2023 there are no financial instruments measured at fair value on the basis of the above parameters.

Segment Reporting

Segment reporting is presented on the basis of the following segments:

- Access (BTC and BTB connectivity);

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- Corporate.

The *Corporate* Segment includes the holding company Tessellis S.p.A., minor Italian companies, foreign *dormant* companies and consolidation adjustments and eliminations.

The following table shows the results of operations and balance sheet structure by business segment for the first half of 2023.

1 st semester 2023 <i>(Thousands of EUR)</i>	Access (BTC connectivity and BTB)	Media & Advertising	Corporate	Total
Revenue				
From third parties	128.982	-	9	117.737
Intra-group	788	-	(788)	-
Total revenues	129.770	-	(779)	117.737
Operating profit	(8.206)	-	(15.185)	(23.391)
Result on Investments at equity method				(108)
Financial Income				80
Financial Expenses				3.257
Pre-tax result				(26.676)
Income taxes				
Net result from operating activities (on-going)				(26.676)
Income from held for sale and discontinued operations				-
Net operating income				26.676

30 June 2023 <i>(Euro 000)</i>	Access (BTC connectivity and BTB)	Corporate adjustments	Totale
Assets			
Segment assets	291.278	42.723	334.001
Equity investments carried at equity	-	-	-
Equity investments in other companies	6.017	-	6.017
Goodwill	-	-	-
Assets held for sale	-	-	-
Total consolidated assets	297.295	42.723	340.018
Liabilities			
Segments liabilities	276.802	19.739	296.541
Liabilities held for sale	-	-	-
Total consolidated liabilities	276.802	19.739	296.541

Non-recurring Transactions

Pursuant to CONSOB Resolution No. 15519 of 27 July 2006, it should be noted that there were no non-recurring transactions in the period under observation, i.e., from 1 January 2023 to 30 June 2023.

For the purposes of providing the information required by CONSOB Resolution No. 15519 of 27 July 2006, transactions that are not part of the Group's ordinary operations have been considered *non-recurring* even when they have occurred in previous years or are expected to occur in future years.

Atypical and/or unusual transactions

Pursuant to the CONSOB Communication of 28 July 2006, it should be noted that in the first half of 2023, the Company did not engage in any atypical and/or unusual transactions, as defined in the Communication.

Related Party Transactions

The document explaining the procedure for regulating related parties can be found at www.tessellis.it/procedure.

Transactions with non-consolidated Group companies

The Group has no significant relations with non-consolidated companies.

Transactions with other related parties

During the period, the Tessellis Group engaged in a number of transactions with related parties on terms deemed normal in their respective markets, considering the characteristics of the goods and services provided.

The table below summarises the income and equity values recorded in the consolidated financial statements of the Tessellis Group as at 30 June 2023:

Consolidated Half-Year Financial Report as at 30 June 2023

Income Statement		
(EUR 000)	Notes	Tessellis Group, 1° semester 2023
Monteverdi S.r.l.	1	(15)
Istella	2	(162)
CC&Soci	3	-
Open Campus	4	49
Cuccureddus s.r.l.	5	1
Dolores Lai	6	(21)
Close family employees of Mr. Soru	7	(47)
Opnet S.p.A.	8	(27.915)
Project Group S.r.l.	9	(443)
Sababa Securities S.p.A.	10	(74)
Board of Directors and Strategic Directors		(917)
Total Income and Charges		(29.544)
TOTAL		(29.544)

Balance Sheet		
(EUR 000)	Notes	Tessellis Group, 30 june 2023
Monteverdi S.r.l.	1	(17)
Istella	2	410
CC&Soci	3	(2.122)
Open Campus	4	106
Cuccureddus s.r.l.	5	9
Dolores Lai	6	(4)
Close family employees of Mr. Soru	7	(7)
Opnet S.p.A.	8	(36.849)
Project Group S.r.l.	9	(1.498)
Sababa Securities S.p.A.	10	-
Board of Directors and Strategic Directors		(212)
Receivable from Istella sale	11	11
Total Creditors (Suppliers) of Materials and Services		(40.174)
Total		(40.174)

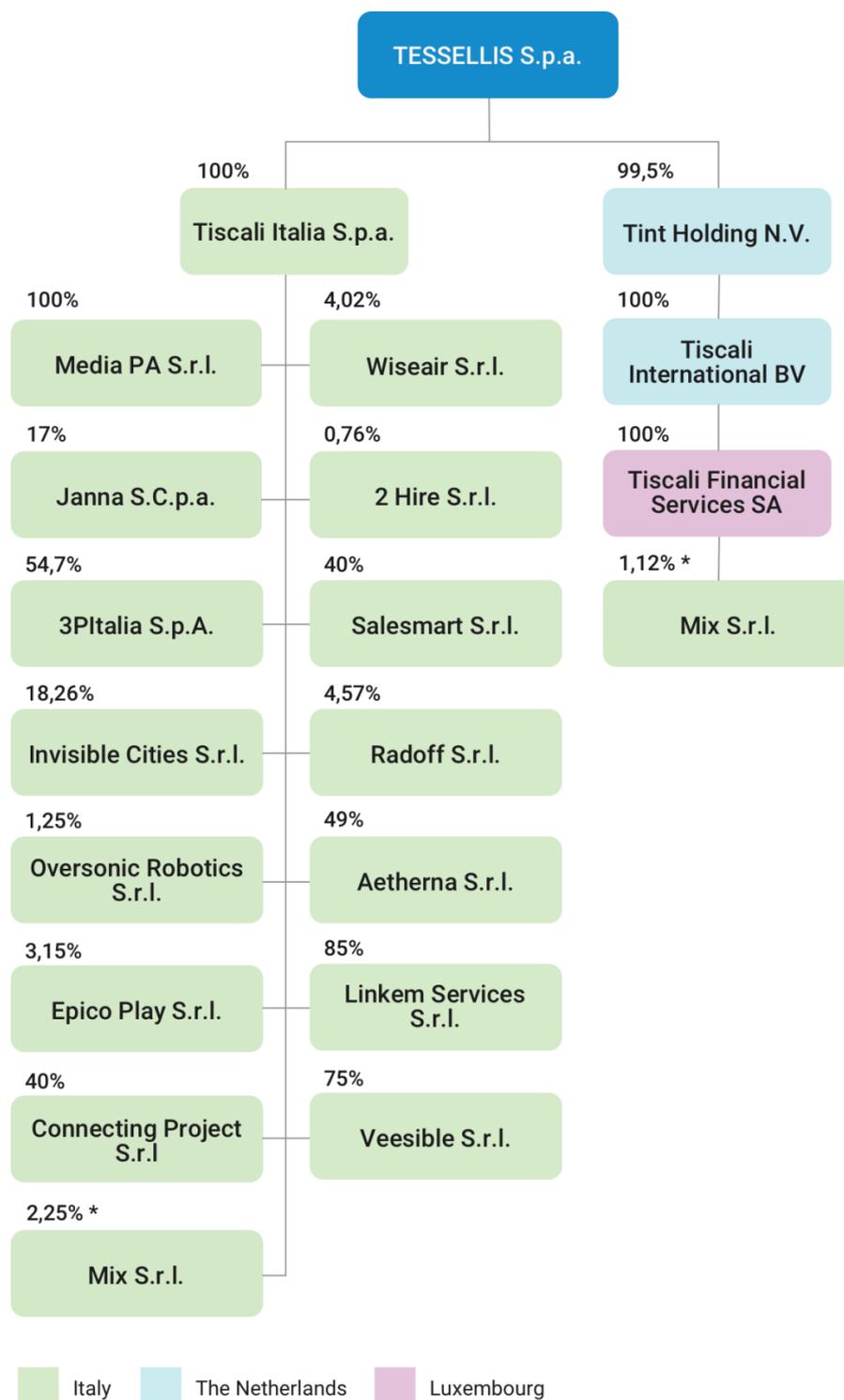
Note: Economic values indicated with a positive sign refer to revenues while those with a negative sign refer to costs. Equity values indicated with a positive sign refer to receivables while those with a negative sign refer to payables.

1. *Monteverdi S.r.l.: a company in which Renato Soru holds an interest. The relationship in question relates to a rental contract of a space used for the storage of company documentation.*
2. *Istella: company partly owned by Renato Soru. The relationship in question refers to the provision, by Tessellis, of IT services (hosting of network equipment), starting from October 2018. In addition, as at December 2019, Istella provides Tessellis with consulting services for software development and customer care automation support.*
3. *CC & Soci: the company CC & Soci S.r.l., a subsidiary of CC Holding S.r.l., which holds a stake of approximately 11.8% in Amsicora S.r.l.(a shareholder of the Company with a stake of 3.02% as of 30 June 2023), entered into a contract with Tessellis S.p.A.(formerly Tiscali S.p.A.) in December 2020 for the provision of financial advisory services.*
4. *Open Campus: a company 80% owned by Alice Soru, daughter of Renato Soru. Tiscali Italia S.p.A.*

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- has two contracts with Open Campus. With the first contract Tiscali Italia S.p.A. purchases brand promotion services from Open Campus, while with the second contract it offers the latter hospitality services at the Sa Illetta campus. The two contracts are not related.*
5. *Cuccureddus S.r.l.: Tiscali Italia S.p.A. has an existing contract with this company for the provision of connectivity services at the location called Is Cuccureddus in the territory of Villasimius. The legal representative of the company is Michelangelo Soru, son of Renato Soru.*
 6. *Dolores Lai: Tiscali Italia S.p.A. has a consultancy contract with Lawyer Dolores Lai, for legal consultancy services in the field of privacy. Lawyer Lai is the spouse of Renato Soru.*
 7. *The costs and payables reported in this line are related to some close relatives of Renato Soru, who are employees of Tiscali Italia S.p.A..*
 8. *Opnet S.p.A: main shareholder of Tessellis following the Merger by incorporation of Linkem Retail S.r.l. into Tessellis S.p.A, completed on 1 August 2022. Opnet S.p.A's stake in Tessellis was 56.12% as at 30 June 2023. The relevant transactions refer to: (i) Provision of FWA connectivity service and CPE rental (sale) by Opnet S.p.A, regulated by the Service Agreement signed by Opnet S.p.A. and Linkem Retail S.r.l. on July 15, 2022; (ii) Financial and commercial debts related respectively to the rental in SLB mode and to the sale of CPE belonging to the Linkem retail branch merged in Tiscali Italia on August 1, 2022; (iii) Other commercial debts pre-existing at the date of merger in Tiscali Italia.*
 9. *Project Group Italy S.r.l.: company in which the CEO of Tessellis, Davide Rota, holds the position of Director. The relationship refers to the CPE installation service for the activation of consumer and business customers carried out by Project Group Italy S.r.l, whose contract is included in the Business Unit merged into Tiscali Italia on 1 August 2022.*
 10. *Sababa Securities S.p.A.: a company in which the CEO of Tessellis, Davide Rota, holds the position of Chairman of the Board of Directors. The relationship refers to security services provided by Sababa Securities S.p.A. to Tiscali Italia S.p.A.*
 11. *Receivables arising from the sale of Istella. These are receivables due from the buyer of Istella (Renato Soru) in connection with the sale of the company itself, which took place on 16 October 2017.*

Structure of the Tessellis Group as at 30 June 2023:



(*) le partecipazioni evidenziate in Tiscali Italia S.p.a. per il 2,25% e in Tiscali Financial Services SA per l'1,12% sono riferite alla medesima società Mix Srl.

Consolidated Half-Year Financial Report as at 30 June 2023

Cagliari, 28 September 2023

The Chief Executive Officer



Davide Rota

**The Executive in Charge of Preparing the
Company's Accounting Documents**



Fabio Bartoloni

Consolidated Half-Year Financial Report as at 30 June 2023

Certification of the Half-Yearly Consolidated Financial Statements 2023 pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999 and subsequent amendments and supplements

The undersigned, Davide Rota in his capacity of Chief Executive Officer, and Fabio Bartoloni, in his capacity of the Executive in charge of Preparing the Company's Accounting Documents of Tessellis 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 preparation of the Abridged Half-Year Consolidated Financial Statements for the six-month period ended

Tessellis 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 Abridged Half-Year Consolidated Financial Statements for the six-month period ended 30 June 2023:

- 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 Abridged Consolidated Half-Year Financial Statements, together with a description of the main risks and uncertainties for the remaining six months of the year.

Cagliari, 28 September 2023

The Chief Executive Officer

Davide Rota



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

Fabio Bartoloni



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 of clients of the Tiscali Group or active clients (for other operators) in the same period.
Bitstream	<i>Bitstream</i> (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: it 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.

<i>DSLAM</i>	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.
<i>Fiber Optic</i>	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.
<i>GigaEthernet</i>	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.
<i>Home Network</i>	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.
<i>Hosting</i>	Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.
<i>Incumbent</i>	Former monopoly operator active in the telecommunications field.
<i>IP</i>	Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol), created for interconnecting ungrouped networks by technology, services, and handling.
<i>IPTV</i>	Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
<i>IRU</i>	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.
<i>ISDN</i>	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 recorded 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)

	<p>purchased. Broadcast in a special way by satellite TV and for cable TV.</p>
VoIP	<p>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.</p>
VPN	<p>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.</p>
Virtual local loop unbundling or VLLU	<p>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.</p>
xDSL	<p>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.</p>
WI-FI	<p>Service for connection to the internet at high speed wirelessly.</p>
Wi-Max	<p>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.</p>
Wholesale	<p>Services that consist of the sale of access services to third parties.</p>

9 Reports
